Company Registration No. 196700080N

Pacific International Lines (Private) Limited
and its subsidiaries

Annual Financial Statements
31 December 2019

Building a better
working world

General Information

Directors

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	(resigned on 18 June 2019)
Tay Kian Phuan William	(resigned on 31 January 2020)
Teo Choo Wee	
Lim Jock Fong	
Teo Lay Seng	(resigned on 30 November 2020)
Kwa Wee Keng	(appointed on 15 February 2020)

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

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
Bank of South Pacific
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

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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 2019.

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 2019 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, based on the factors as described in Note 2.1 to the financial statements, the Directors have prepared these financial statements on a going concern basis as they are of the view that there are reasonable grounds to believe that the Company will be able to restructure its major debts and subsequently 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	
Teo Choo Wee	
Lim Jock Fong	
Kwa Wee Keng	

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.

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	Direct interest 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

Name of Director	Direct interest At the beginning of financial year	Direct interest At the end of financial year	Deemed interest At the beginning of financial year	Deemed interest At the end of financial year
Subsidiaries				
Singamas Container Holdings Limited ("Singamas")	***Ordinary shares of HK$0.10 each fully paid***			
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

(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 2019, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 2,609,334 (2018: 2,849,334), representing approximately 0.11% (2018: 0.12%) 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.

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 2019 were as follows:

	Number of options to subscribe for ordinary shares								
Date of grant	**Outstanding at 1 January 2019**	**Granted/ (Exercised) during the year**	**Lapsed during the year**	**Lapsed during the year after adjustment**	**Outstanding at 31 December 2019**	**Before adjustment subscription price per share HK$**	**After adjustment subscription price per share HK$**	**End of vesting period**	**Expiry date**
			Note 1						
1 July 2010	332,667	–	(80,000)	–	252,667	1.83	1.38	30 June 2011	30 June 2020
1 July 2010	1,216,668	–	(80,000)	–	1,136,668	1.83	1.38	30 June 2012	30 June 2020
1 July 2010	1,299,999	–	(80,000)	–	1,219,999	1.83	1.38	30 June 2013	30 June 2020
	2,849,334	–	(240,000)	–	2,609,334				

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.

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 2019	Aggregate options lapsed since commencement of Scheme to end of financial year 2019	Aggregate options exercised since commencement of Scheme to end of financial year 2019	Aggregate options outstanding as at end of financial year 2019
Teo Siong Seng	1,668,000	–	–	1,668,000
Teo Tiou Seng	80,000	–	–	80,000
Kuan Kim Kin	120,000	(120,000)	–	–
	1,868,000	(120,000)	–	1,748,000

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

30 NOV 2020

Independent Auditor's Report to the Member 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 2019, 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the financial statements. The Group and the Company incurred a net loss after tax of US$850,079,000 and US$676,848,000 respectively for the year ended 31 December 2019. As at 31 December 2019, the Group's and the Company's net current liabilities amounted to US$888,472,000 and US$1,450,974,000 respectively. The total borrowings of the Group and the Company amounted to US$3,482,414,000 and US$3,207,106,000 respectively, of which US$1,435,060,000 and US$1,252,246,000 were classified as current liabilities respectively as at 31 December 2019. These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concern. As disclosed further in the Note 2.1, the ability of the Group and the Company to continue as going concerns is dependent on the successful completion and implementation of the Scheme of Arrangement ("SOA") with the continued support from creditors, the potential additional funding from the investor and the ability of the Group and the Company to generate sufficient cash flows from operations.

Material uncertainty related to going concern (cont'd)

In the event that the Group and the Company are unable to continue as going concerns, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. The Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.

Our opinion is not modified in respect of this matter.

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.

Impairment assessment of fixed assets and right-of-use-assets ("ROUA")

As at 31 December 2019, the carrying amounts of the Group's fixed assets and ROUA were US$1,555,039,000 and US$1,855,431,000 respectively. At the Company level, the carrying amounts of fixed assets and ROUA were US$967,376,000 and US$1,780,725,000 respectively. The container shipping industry in which the Group and the Company operate remain weak in terms of freight rates and lifting volume, persistent oversupply that followed the global financial crisis and the prolonged impact of the COVID-19 pandemic on the global economy. These give rise to indicators of impairment. Accordingly, management performed impairment reviews on fixed assets and ROUA as at 31 December 2019 by comparing the carrying amount of the fixed assets and ROUA to their respective recoverable amounts. Recoverable amount is the higher of fair value less cost of disposal and value in use. Where recoverable amounts were determined based on fair value less cost of disposal, management engaged external independent valuers to perform the valuations. Based on management's assessment, the Group has recognized impairment losses of US$405,864,000 and US$181,913,000 in fixed assets and ROUA respectively. At the Company level, US$187,914,000 and US$178,650,000 were recognised on the fixed assets and ROUA respectively. The impairment assessment and determination of the recoverable value is considered a key audit matter as management exercises significant judgement in making assumptions and estimates in determining the recoverable amounts. Further, the carrying value of the fixed assets and ROUA represented 66% of the Group's total assets and 63% of the Company's total assets as at 31 December 2019.

Impairment assessment of fixed assets and right-of-use-assets ("ROUA") (cont'd)

As part of our audit procedures, we obtained an understanding of management's impairment assessment process including their considerations of the potential impact COVID-19 pandemic has on the Group's and Company's operations. When fair value less cost of disposal method is used, our audit procedures included, amongst others, considering the competency and objectivity of the external independent valuation experts engaged by the management. We involved our internal valuation specialist in reviewing the appropriateness and reasonableness of the external independent valuation experts' valuation methodologies, key assumptions used, inter alia the specifications and the age of the vessels and considered the appropriateness of the valuations of the fixed assets and ROUA by comparing to comparable market data, taking into consideration the current market conditions due to COVID-19.

When value-in-use method is undertaken, 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 key assumptions such as 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 and latest available information. We also performed sensitivity analysis to assess the reasonableness of the discount rate and lifting volume used.

In addition, we assessed the adequacy of related disclosures set out in Note 2.8, 2.11, 2.23, 2.32 (a), 12 and 42 to the financial statements.

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.

- 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 November 2020

Pacific International Lines (Private) Limited and its subsidiaries

Income Statements
For the financial year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Turnover	3	3,475,422	4,490,573	2,345,189	2,329,381
Other operating income	4	17,660	18,409	2,309	5,219
Changes in inventories of finished goods and work in progress		17,188	76,607	–	–
Raw material and consumables used		(545,580)	(1,377,444)	–	–
Investment and interest income	5	6,434	7,145	23,701	60,521
Staff costs	6	(209,229)	(311,881)	(37,725)	(40,365)
Depreciation of fixed assets	12	(148,831)	(233,073)	(77,476)	(134,479)
Depreciation of right-of-use assets	42	(199,045)	–	(229,164)	–
Amortisation of intangible assets	14	(2,706)	(2,372)	(2,366)	(2,366)
(Allowance)/write-back of impairment losses, net	7	(589,954)	(818)	(471,443)	6,295
Gain/(loss) on disposal of shares in subsidiaries	15	7,771	58,277	–	(24)
Gain/(loss) on disposal of shares in associates and joint ventures		9,391	(2,325)	718	(240)
Gain on disposal of shares in investments		283	–	283	–
Fair value changes in:					
Investments, at fair value through profit or loss, net	8	(20,059)	(16,716)	(20,059)	(16,877)
Derivative financial instruments, net	8	(5,411)	(777)	(5,029)	(824)
Foreign exchange differences		(8,499)	12,295	(5,565)	1,959
Shipping expenses		(2,157,535)	(2,413,250)	(1,952,382)	(2,288,662)
Administration and non-shipping expenses	9	(214,120)	(282,145)	(15,782)	(20,252)
Finance costs	10	(243,591)	(207,609)	(213,621)	(154,879)
Share of results of associates and joint ventures		5,136	11,945	–	–
Loss before taxation		(805,275)	(173,159)	(658,412)	(255,593)
Taxation	11	(44,804)	(35,164)	(18,436)	(11,817)
Loss for the year		(850,079)	(208,323)	(676,848)	(267,410)
Attributable to:					
Equity holders of the Company		(794,970)	(254,336)	(676,848)	(267,410)
Non-controlling interests		(55,109)	46,013	–	–
Loss for the year		(850,079)	(208,323)	(676,848)	(267,410)

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 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Loss for the year		(850,079)	(208,323)	(676,848)	(267,410)
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		(743)	(14,014)	–	–
Adjustment upon transfer of previously self-occupied property to investment property, net of tax effect	13	–	11,514	–	–
Fair value gain on available-for-sale financial assets		–	–	15	85
Fair value loss on equity instrument at fair value through other comprehensive income		(661)	(3,988)	–	–
Release of exchange transaction reserve upon disposal of a joint venture		603	–	–	–
Share of other comprehensive income of associates and joint ventures		–	719	–	–
		(801)	(5,769)	15	85
Total comprehensive income for the year		(850,880)	(214,092)	(676,833)	(267,325)
Total comprehensive income attributed to:					
Equity holders of the Company		(796,010)	(257,691)	(676,833)	(267,325)
Non-controlling interests		(54,870)	43,599	–	–
		(850,880)	(214,092)	(676,833)	(267,325)

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 2019

	Note	Group		Company	
		2019	**2018**	**2019**	**2018**
		US$'000	US$'000	US$'000	US$'000
Non-current assets					
Fixed assets	12	1,555,039	4,656,702	967,376	2,887,774
Right-of-use assets	42	1,855,431	–	1,780,725	–
Investment property	13	18,504	18,068	–	–
Intangible assets	14	26,275	33,316	17,620	19,986
Subsidiaries	15	–	–	450,743	448,766
Associates and joint ventures	16	119,723	143,641	43,721	44,352
Investments	17	28,730	79,691	9,890	52,983
Deferred tax assets	11	512	611	–	–
Deferred transaction costs	18	44,116	50,406	43,716	49,806
Prepayments	19	1,212	4,460	227	2,308
Derivative financial instruments	47 (c)	–	1,061	–	–
Amounts due from related companies	24	–	–	390	–
Amounts due from holding company	24	147,294	147,294	147,294	147,294
		3,796,836	5,135,250	3,461,702	3,653,269
Current assets					
Investments	17	3,145	693	–	–
Stocks	20	124,256	295,687	39,645	64,999
Trade debtors	21	231,537	450,731	89,585	116,713
Other debtors	22	98,495	155,209	9,927	5,331
Contract assets	3	11,316	11,927	4,933	–
Deferred transaction costs	18	6,290	6,366	6,090	6,137
Prepayments	19	10,549	14,577	4,668	6,903
Derivative financial instruments	47 (c)	863	42	821	42
Amounts due from related companies	24	38,244	34,190	174,573	534,794
Short-term fixed deposits, secured	25	861	51,925	–	50,817
Cash and short-term deposits	25	218,718	227,200	9,128	11,528
		744,274	1,248,547	339,370	797,264
Assets classified as held for sale	23	655,522	–	565,182	–
		1,399,796	1,248,547	904,552	797,264
Current liabilities					
Derivative financial instruments	47 (c)	8,045	1,354	8,045	1,354
Trade creditors	26	405,970	522,606	316,705	295,419
Loans	27	1,137,697	882,190	926,660	484,554
Lease liabilities	42	232,809	–	262,640	–
Lease creditors	31	–	102,898	–	93,029
Bills payable	32	1,608	80,236	–	–
Other creditors and accruals	28	146,328	214,811	74,219	79,907
Contract liabilities	3	126,291	118,603	99,206	64,979
Amounts due to related companies	29	109,523	261,053	612,596	740,062
Notes	30	44,246	79,567	44,246	79,567
Provision for taxation		22,964	4,804	11,209	222
		2,235,481	2,268,122	2,355,526	1,839,093
Liabilities associated with assets classified as held for sale	23	52,787	–	–	–
		2,288,268	2,268,122	2,355,526	1,839,093

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

Balance Sheets
As at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Non-current liabilities					
Loans	27	218,641	1,073,657	63,890	591,014
Amounts due to related companies	29	181,164	20,448	181,164	20,448
Notes	30	–	43,630	–	43,630
Lease liabilities	42	1,665,539	–	1,727,796	–
Lease creditors	31	–	1,258,360	–	1,249,287
Other creditors	28	25,109	17,437	24,011	13,129
Deferred tax liabilities	11	6,792	13,554	–	–
		2,097,245	2,427,086	1,996,861	1,917,508
Net assets		811,119	1,688,589	13,867	693,932
Equity attributable to equity holders of the Company					
Share capital	33	376,127	376,127	376,127	376,127
Capital reserve	35	29,946	38,798	–	–
Revaluation reserve	36	4,175	4,735	–	–
Fair value reserve	37	5,377	6,590	283	268
Hedging reserve	38	16	16	–	–
Foreign currency translation reserve	39	(13,442)	(14,136)	–	–
Share options reserve	40	621	631	–	–
Other reserve	41	8,797	8,961	20,213	20,213
Revenue reserve		27,262	817,291	(382,756)	297,324
Reserves of disposal group classified as held for sale	23	(753)	–	–	–
		438,126	1,239,013	13,867	693,932
Non-controlling interests		372,993	449,576	–	–
Total equity		811,119	1,688,589	13,867	693,932

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 2019

2019 Group	Share capital US$'000	Capital reserve US$'000	Revaluation 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	Reserves of disposal group held for sale 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 2019	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
Effect of adoption SFRS(I) INT 23	–	–	–	–	–	–	–	–	(3,232)	(3,232)	–	(3,232)	–	(3,232)
Opening balance at 1 January 2019 (adjusted)	376,127	38,798	4,735	6,590	16	(14,136)	631	8,961	814,059	859,654	–	1,235,781	449,576	1,685,357
Loss for the year	–	–	–	–	–	–	–	–	(794,970)	(794,970)	–	(794,970)	(55,109)	(850,079)
Other comprehensive income														
Exchange differences arising from translating the financial statements of foreign operations	–	–	–	–	–	(556)	–	–	–	(556)	–	(556)	(187)	(743)
Release of exchange transaction reserve upon disposal of a joint venture	–	–	–	–	–	603	–	–	–	603	–	603	–	603
Fair value loss on equity instrument at FVOCI	–	–	–	(1,513)	–	–	–	–	426	(1,087)	–	(1,087)	426	(661)
Other comprehensive income for the year, after tax	–	–	–	(1,513)	–	47	–	–	426	(1,040)	–	(1,040)	239	(801)
Total comprehensive income for the year	–	–	–	(1,513)	–	47	–	–	(794,544)	(796,010)	–	(796,010)	(54,870)	(850,880)
Changes in ownership interest in subsidiaries														
Acquisition/disposal of subsidiaries	–	(9,389)	(560)	–	–	14	–	16	8,337	(1,582)	–	(1,582)	(4,025)	(5,607)
Total transactions with owners in their capacity as owners	–	(9,389)	(560)	–	–	14	–	16	8,337	(1,582)	–	(1,582)	(4,025)	(5,607)
Others														
Reserves attributable to disposal group classified as held for sale (Note 23)	–	–	–	300	–	633	–	(180)	–	753	(753)	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	(17,956)	(17,956)
Dividend paid to preference shareholders	–	–	–	–	–	–	–	–	(63)	(63)	–	(63)	–	(63)
Transfer from revenue reserve to capital reserve	–	537	–	–	–	–	–	–	(537)	–	–	–	–	–
Forfeiture of dividend previously declared	–	–	–	–	–	–	–	–	–	–	–	–	268	268
Expiry of employee share options	–	–	–	–	–	–	(10)	–	10	–	–	–	–	–
Total others	–	537	–	300	–	633	(10)	(180)	(590)	690	(753)	(63)	(17,688)	(17,751)
Closing balance at 31 December 2019	376,127	29,946	4,175	5,377	16	(13,442)	621	8,797	27,262	62,752	(753)	438,126	372,993	811,119

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 2019

2018 **Group**	**Share capital** US$'000	**Capital reserve** US$'000	**Revaluation 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
Opening balance at 1 January 2018	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
Loss for the year	–	–	–	–	–	–	–	–	(254,336)	(254,336)	(254,336)	46,013	(208,323)
<u>Other comprehensive income</u>													
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)
<u>Changes in ownership interest in subsidiaries</u>													
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)
<u>Others</u>													
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 2019

Company	**Share capital** US$'000	**Fair value reserve** US$'000	**Revenue reserve** US$'000	**Other reserve** US$'000	**Total reserves** US$'000	**Total equity** US$'000
2019						
Opening balance at 1 January 2019	376,127	268	297,324	20,213	317,805	693,932
Effect of adoption SFRS(I) INT 23	–	–	(3,232)	–	(3,232)	(3,232)
Opening balance at 1 January 2019 (adjusted)	376,127	268	294,092	20,213	314,573	690,700
Total comprehensive income for the year	–	15	(676,848)	–	(676,833)	(676,833)
Closing balance at 31 December 2019	376,127	283	(382,756)	20,213	(362,260)	13,867
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

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 2019

	Group	
	2019	**2018**
	US$'000	US$'000
Cash flows from operating activities		
Loss before taxation	(805,275)	(173,159)
Adjustments for:		
Amortisation of intangible assets	2,706	2,372
Depreciation of fixed assets	148,831	233,073
Depreciation of right-of-use assets	199,045	–
Dividend income from investments	(2,304)	(1,401)
Fair value changes in investments	20,059	16,716
Net fair value changes in derivative financial instruments	5,411	777
Fixed assets written off, net of amount recovered	8,581	1,652
Right-of-use assets written off, net of amount recovered	14,847	–
Loss on disposal of fixed assets, net	2,994	32,375
Gain on termination of right-of-use assets	(1,109)	–
Gain on revaluation of investment property	(436)	–
Gain on disposal of shares in subsidiaries	(7,771)	(58,277)
(Gain)/loss on disposal of shares in associates and joint ventures	(9,391)	2,325
Gain on disposal of shares in investments	(283)	–
Interest income	(4,130)	(5,744)
Interest expense	225,640	193,176
Amortisation of deferred transaction costs	13,005	10,240
Amortisation of Notes issuance costs	1,443	1,402
Write-back of impairment loss on associates and joint ventures	(1,100)	(113)
Write-back of impairment loss on long-term loans to associates of a subsidiary	(12)	(45)
Allowance of impairment loss on fixed assets	405,864	–
Allowance of impairment loss on right-of-use assets	181,193	–
Allowance of impairment loss on trade debtors and other debtors	3,911	880
Allowance of impairment loss on amount due from holding company/related companies	98	96
Share of results of associates and joint ventures	(5,136)	(11,945)
Gain on bargain purchase	–	(1,565)
Currency realignment	7,212	14,589
Operating income before working capital changes	403,893	257,424
Decrease in prepayments, trade and other debtors	96,971	130,828
Decrease in stocks	13,563	17,421
Decrease in trade and other creditors and accruals	(69,896)	(28,314)
Decrease in bills payable	(25,182)	(131,597)
Cash flows generated from operations	419,349	245,762
Interest income received	3,586	5,661
Interest paid	(211,279)	(173,944)
Income taxes paid	(19,985)	(27,928)
Freight taxes paid	(9,715)	(6,820)
Net cash flows generated from operating activities	181,956	42,731

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 2019

	Group	
	2019	**2018**
	US$'000	US$'000
Cash flows from investing activities		
(Additional)/repayment of loan by a subsidiary's associates and joint ventures	(1,586)	9,159
Repayment of/(additional) loan by an associates and joint ventures	4,943	(2,317)
Additional investment in associates and joint ventures, net	(3,881)	(12,485)
Increase in investments	(46)	(10,342)
Proceeds from sales of investments	26,821	–
Cash inflow arising from disposal of subsidiaries	445,389	31,684
Cash inflow arising from disposal of associates and joint ventures	19,564	203
Cash inflow arising from acquisition of subsidiaries	225	2,288
Dividends from associates and joint ventures	6,670	10,315
Dividends from investments	2,304	1,401
Addition of other intangible assets	(372)	(575)
Proceeds from assets held for sale	–	13
Proceeds from sales of fixed assets	26,700	108,444
Proceeds from sales of fixed assets written off	1,370	466
Purchase of fixed assets	(119,543)	(203,376)
Net cash flows generated from/(used in) investing activities	408,558	(65,122)
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	(17,956)	(9,934)
Withdrawal/(placement) of short-term fixed deposits, secured	51,064	(50,774)
Capital contribution by subsidiaries to non-controlling interests	108	–
Proceeds from loans	840,199	775,011
Repayment of loans	(1,357,028)	(868,856)
Proceeds from issuance of Notes	50,000	80,000
Repayment of Notes	(130,000)	(70,391)
Payment of transaction costs related to issuance of Notes	(1,009)	(1,043)
Payment of transaction costs related to loans	(2,900)	(2,836)
Increase in net amounts due to associates and joint ventures	7,856	38,714
Decrease in net amounts due to related companies	(3,046)	(10,616)
Increase in net amounts due to directors	16,282	168
Cash payment for the principal portion of lease liability	(43,499)	–
Increase in amount due to lease creditors, net	–	79,901
Net cash flows used in financing activities	(589,929)	(49,412)
Net increase/(decrease) in cash and cash equivalents	585	(71,803)
Net decrease in cash and cash equivalents reclassified to assets held for sale	(9,124)	–
Effect of exchange rate changes on cash and cash equivalents	(1,267)	(5,212)
Cash and cash equivalents at beginning of year	227,200	304,215
Cash and cash equivalents at end of year (Note 25)	217,394	227,200

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

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	
				2019 %	2018 %
Subsidiaries held by the Company					
	Advance Container Lines (Pte) Ltd	Ship operator	Singapore	100.00	100.00
*	Eastern Maritime (Cambodia) Limited	Shipping agency	Cambodia	70.00	70.00
*	Mariana Express Lines Pte. Ltd.	Ship operator	Singapore	65.00	65.00
*	McKay Shipping Limited	Shipping agency	New Zealand	70.00	70.00
*	Pacific Asia Express Pty Ltd	Shipping agency	Australia	65.00	65.00
	Pacific Bunkering Services Pte. Ltd.	Bunker trading	Singapore	100.00	100.00
*	Pacific Delta Shipping (Private) Limited	Shipping agency	Pakistan	51.00	51.00
*	Pacific International Lines (China) Ltd	Shipping agency	People's Republic of China	100.00	100.00
*	Pacific International Lines (HK) Limited	Shipping agency	Hong Kong	94.74	94.74
*	Pacific International Line South Africa (Proprietary) Limited	Shipping agency	South Africa	84.00	84.00
*	Pacific Manning Agency Colombo (Private) Limited	Recruitment and training of shipping crews	Sri Lanka	100.00	100.00
*	Pacific Manning Agency Myanmar Company Ltd	Recruitment and training of shipping crews	Myanmar	70.00[@@]	–

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
	Subsidiaries held by the Company (cont'd)				
*	Pacific Marine Logistics India Private Limited	Dormant	India	100.00	100.00
*	Pacific Properties Company (W.L.L)	Investment holding	Egypt	79.00	79.00
	Pacific Ship Investment (Pte.) Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00
	PDL International Pte. Ltd.	Ship operator and agency	Singapore	53.00	53.00
*	PIL (Bangladesh) Ltd.	Shipping agency	Bangladesh	65.00	65.00
*	PIL Benin	Shipping agency	Benin	100.00	100.00$\phi\phi$
*	PIL Cameroun S.A	Shipping agency	Cameroon	100.00	100.00
*	PIL Cote D'voire S.A	Shipping agency	Cote D'Ivoire	100.00	100.00
*	PIL Djibouti Ltd	Shipping agency	Djibouti	50.83	50.83
*	PIL Egypt (S.A.E)	Shipping agency	Egypt	51.00	51.00
*	PIL (Ghana) Limited	Shipping agency	Ghana	65.00	65.00
*	PIL (India) Private Limited	Investment holding	India	100.00	100.00
*	PIL Korea Ltd.	Shipping agency	Korea	100.00	100.00
*	PIL Logistics Pte. Ltd.	Provision of supply chain management services, warehousing and logistics	Singapore	100.00	100.00
*	PIL Mumbai Private Limited	Shipping agency	India	70.00	70.00
*	PIL Nigeria Limited	Shipping agency	Nigeria	65.00	65.00
*	PIL Shipping Co. Ltd (Taiwan)	Shipping agency	Taiwan	100.00	100.00
*	PIL Togo S.A	Shipping agency	Togo	100.00	100.00
*	PIL (Uganda) Limited	Shipping agency	Uganda	100.00	100.00
⌘	PIL (UK) Limited	Sea freight carriers	United Kingdom	100.00$\phi\phi\phi$	100.00

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %
	Subsidiaries held by the Company (cont'd)				
⌘	PIL (UK) GP 2 Limited	Investment holding	United Kingdom	100.00	100.00
	PSI (2) Pte. Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00
	PSI (3) Pte. Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00
	PSI (4) Pte. Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00
	PST Management Pte. Ltd.	Ship owning and ship chartering	Singapore	100.00	100.00
*	Singamas Container Holdings Limited	Investment holding	Hong Kong	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[^^]
*	Strategic Times Limited	Renting of containers	British Virgin Islands	100.00	100.00
*	Tranpac Holdings Inc.	Investment holding, renting of containers and vessels	Republic of Panama	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
*	PIL Philippines Incorporated	Shipping agency	Philippines	70.00[@@]	–

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
Associates and joint ventures held by the Company				
AAW Global Logistics Pty Ltd	Shipping agency	Australia	40.00[<>]	40.00[<>]
CSIC Pacific (Private) Limited	Chartering of vessel to ship operator	Singapore	50.00	50.00
Eastern Maritime (Colombo) Limited	Shipping agency	Sri Lanka	40.00	40.00
Eastern Maritime (Thailand) Ltd.	Shipping agency	Thailand	41.00	41.00
K & T Logistics Limited	Container freight station, trucking warehouse, container depot, etc	Bangladesh	35.00	35.00
Ningbo Taiping International Trade Transportation Co., Ltd	Container freight station, forwarding agent, trucking, warehouse, container depot, etc	People's Republic of China	45.00	45.00
Ningbo Free Trade Zone Taiping Logistic Co., Ltd	Dormant	People's Republic of China	27.00**	27.00**
Pacific International Lines (Jordan)	Shipping agency	Jordan	50.00	50.00
Pacific International Offshore Pte. Ltd.	Offshore marine vessel owning, chartering and related services	Singapore	–[<<<]	51.00
Pacific International Lines Yemen	Shipping agency	Yemen	49.00	49.00
Pacific Seatran Lines Ltd	Crew management	Thailand	25.00	25.00[♠♠]
Pacific World Shipping Limited	Shipping agency	Mauritius	40.00[<>]	40.00[<>]
PIL Logistic Co. Ltd.	Logistics services	Sudan	50.00	50.00
PIL-PSA Singapore Terminal Pte. Ltd.	Port services provider	Singapore	49.00	49.00

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
Associates and joint ventures held by the Company (cont'd)				
PIL Shipping Co. Ltd.	Shipping agency	Sudan	60.00	60.00
Pacific International Lines (Taiwan) Ltd.	Shipping agency	Taiwan	–[@@@]	49.00
PIL (U.A.E) L.L.C.	Shipping agency	United Arab Emirates	49.00	49.00
PIL Vietnam Co., Ltd.	Shipping agency	Vietnam	70.00	70.00
PT. Segara Pacific Maju	Container depot	Indonesia	45.00	45.00
Singamas Thai Logistics Co., Ltd.	Provision of container storage and repair services	Thailand	24.00[@]	24.00[@]
Sokhna Container Depot Limited	Container depot	Egypt	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
Wuhan Sinotrans Pacific Int'l Air Service Co., Ltd	Air freight forwarding	People's Republic of China	50.00	50.00
PIL Moçambique S.A	Shipping agency	Mozambique	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
PIL Myanmar Company Limited	Shipping agency	Myanmar	51.00 [ꭕꭕꭕ<>]	–

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
	Subsidiaries held by subsidiaries				
	Through Singamas Container Holdings Limited				
*	DY Terminal Ltd.	Provision of container storage and repair services	Hong Kong	41.12	41.12
*	Eng Kong Container & Warehousing Ltd.	Investment holding	Hong Kong	30.14	30.14
*	Eng Kong Container Services Ltd.	Provision of container storage, drayage and repair services	Hong Kong	30.14	30.14
*	Hui Zhou Singamas Energy Equipment Co., Ltd.	Manufacturing of dry freight containers	People's Republic of China	41.12	41.12
*	Ningbo Pacific Container Co., Ltd.	Manufacturing of dry freight and specialised containers	People's Republic of China	–[@@@]	41.12
*	Qidong Singamas Offshore Equipment Co., Ltd	Manufacturing of offshore containers	People's Republic of China	41.12	41.12
*	Qidong Pacific Port Co., Ltd.	Provision of container terminal services	People's Republic of China	–[@@@]	41.12
*	Qidong Singamas Energy Equipment Co., Ltd.	Manufacturing of dry freight, specialised and refrigerated containers	People's Republic of China	–[@@@]	41.12

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
	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
*	Shanghai Baoshan Pacific Container Co., Ltd.	Manufacturing of dry freight containers and specialised containers	People's Republic of China	31.74	31.74
*	Shanghai Pacific International Container Co., Ltd.	Manufacturing of tank containers	People's Republic of China	26.69	26.69
*	Shanghai Reeferco Container Co., Ltd.	Manufacturing of refrigerated containers	People's Republic of China	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
*	Singamas Container Holdings (Shanghai) Limited	Provision of technical and development services of container manufacturing	People's Republic of China	–@@@	41.12
*	Singamas Depots Holdings Ltd.	Investment holding	Hong Kong	41.12	41.12
*	Singamas Management Services Limited	Provision of management services	British Virgin Islands	41.12	41.12
*	Singamas Modex Limited	Investment holding	Hong Kong	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
*	Singamas Logistics (Tianjin) Co., Ltd.	Provision of container storage and repair services	People's Republic of China	41.12	41.12
*	Singamas North America, Inc.	Marketing containers in the USA	United States of America	–@@@	41.12
*	Singamas Terminals (China) Ltd.	Investment holding	British Virgin Islands	41.12	41.12
*	Shanghai Singamas Container Intergration Co., Ltd	Manufacturing of specialised containers	People's Republic of China	41.12@@	–

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
	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
*	Singamas Terminals (HK) Ltd.	Investment holding	British Virgin Islands	41.12	41.12
*	Singamas Terminals (Hong Kong) Ltd.	Provision of mid-stream services	Hong Kong	41.12	41.12
*	Singamas Warehouse (Shanghai) Company Ltd.	Investment holding	British Virgin Islands	41.12	41.12
*	Superb Gain Holdings Limited	Property holding	British Virgin Islands	41.12	41.12
*	Taicang Modex Energy Engineering Ltd	Manufacturing of offshore containers	People's Republic of China	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
*	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
*	Well Key Limited	Provision of human resource management service	Hong Kong	41.12	41.12
*	Wellmass Group Ltd.	Investment holding	British Virgin Islands	24.67	24.67
*	Xiamen Pacific Container Manufacturing Co., Ltd.	Manufacturing of dry freight containers	People's Republic of China	41.12	41.12
*	Yixing Singamas Metal Products Co., Ltd.	Manufacturing of container parts	People's Republic of China	39.06	39.06
	Through McKay Shipping Limited				
	PDL International Pte. Ltd.	Ship operator and agency	Singapore	8.40	8.40>>
*	Seatrans New Zealand Limited	Dormant	New Zealand	70.00	70.00♠♠♠

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
	Subsidiaries held by subsidiaries (cont'd)				
	Through McKay Shipping Limited and PDL International Pte. Ltd.				
*	Pacific Bulk Fuel Ltd	Bulk fuel services	New Zealand	68.54[+]	65.70[+]
*	Transam Logistics (NZ) Limited	Logistics	New Zealand	65.70[+]	65.70[+]
*	Wailekutu Investment Pte Ltd	Investment holding	Fiji	50.84[+]	50.84[+]
	Through PIL (India) Private Limited				
*	Tranpac Software Solutions Private Limited	Software support services & development	India	100.00	100.00
	Through PDL International Pte.Ltd.				
*	SCI Transam Immobilier	Rental of building	New Caledonia	61.40	61.40 [♣♣♣]
*	Tideline Consulting Inc	Container rental	Vanuatu	61.40	61.40 [♣♣♣]
*	Transam Samoa Limited	Shipping agency	Samoa	31.31	31.31 [♣♣♣]
*	Transam Shipping Tonga Limited	Shipping agency	Kingdom of Tonga	61.40	61.40 [♣♣♣]
*	Transam Fiji Limited	Shipping agency	Fiji	44.70	44.70[♠]
*	Fastpak Fishing Inc (DBA Pago Shipping Agencies)	Shipping agency	American Samoa	61.40	61.40 [♣♣♣]
*	Heather Street Limited	Property owner	New Zealand	46.05	46.05 [♣♣♣]
*	Pacific Direct Line Limited	Shipping agency	New Zealand	61.40	61.40 [♣♣♣]
*	Container Repairs and Sales Limited	Container repairs, cleaning, storage and associated services of shipping containers	New Zealand	61.40	61.40 [♣♣♣]

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
	Subsidiaries held by subsidiaries (cont'd)				
	Through PIL Logistics Pte. Ltd.				
*	PIL Logistics (China) Co., Ltd	Logistics, warehousing and supply chain management	People's Republic of China	100.00	100.00
*	PIL Logistics (SHA-WGQ) Co., Ltd (China)	Logistics, warehousing and supply chain management	People's Republic of China	100.00	100.00
*	PIL Logistics Malaysia Sdn. Bhd.	Logistics, warehousing and supply chain management	Malaysia	70.00@@	–
*	Pacific Joyful Logistics Co., Ltd.	Logistics, warehousing and supply chain management	Cambodia	51.00@@	–
*	FASA PIL Logistics Company Limited	Logistics, warehousing and supply chain management	Vietnam	70.00●●	–
*	PIL Logistics (Jiangsu) Co., Ltd	Logistics, warehousing and supply chain management	People's Republic of China	100.00	100.00
*	PIL Logistics (Lanzhou New Area) Co., Ltd	Trading and value added logistic services	People's Republic of China	70.00	70.00ᴥ
*	PIL Logistics (Shandong Taiping) Co., Ltd	Logistics, warehousing and supply chain management	People's Republic of China	100.00	100.00
*	Pacific Gansu Development Pte. Ltd.	Trading and value added logistic services	Singapore	70.00@@	–
	Through Wailekutu Investment Pte Ltd				
*	William & Gosling Limited	Freight forwarding & shipping agency	Fiji	38.65	38.65***
*	William & Gosling Properties Limited	Property management	Fiji	38.65	38.65***
	Through PIL (UK) Limited				
⌘	PIL Agencies (UK) Limited	Shipping agency	United Kingdom	100.00	100.00
	Through Tranpac Holdings Inc.				
*	Transpac Shipping Enterprise Ltd	Dormant	Hong Kong	100.00	100.00

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
	Subsidiaries held by subsidiaries (cont'd)				
	Through Mariana Express Lines Pte. Ltd.				
*	Mariana Shipping Pte. Ltd.	Provision of shipping agency services and freight forwarding services	Singapore	65.00	65.00
*	Mariana Shipping (HK) Limited	Provision of shipping agency services and freight forwarding services	Hong Kong	65.00	65.00
*	Mariana Shipping Limited	Provision of shipping agency services and freight forwarding services	Taiwan	65.00	65.00
*	Mariana Express Line Philippines, Inc	Provision of shipping support services	Philippines	65.00	65.00
*	PNG Shipping Agencies Limited	Provision of shipping agency services and freight forwarding services	Papua New Guinea	65.00	65.00
*	Mariana Shipping Co., Limited	Dormant	People's Republic of China	65.00	65.00
*	Crossland Logistics Limited	Provision of shipping agency services and freight forwarding services	Hong Kong	65.00	65.00
	Through Pacific International Lines (China) Ltd				
*	PIL Marine Chartering (Shanghai) Ltd.	Freight forwarder	People's Republic of China	100.00	100.00
*	PIL Ship Management (Shanghai) Ltd.	Ship management services	People's Republic of China	100.00	100.00

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest	
			2019	**2018**
			%	%
Associates and joint ventures held by subsidiaries				
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
Fuzhou Singamas Container Co., Ltd.	Provision of container storage and repair services	People's Republic of China	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
Modex Holding Limited	Manufacturing and leasing of offshore containers	British Virgin Islands	18.34^^^	17.64
Ningbo Victory Container Co., Ltd.	Provision of container storage and repair services	People's Republic of China	16.45	16.45
Singamas Thai Logistics Co., Ltd.	Provision of container storage and repair services	Thailand	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
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
Qingdao Singamas International Logistics Co. Ltd.	Provision of container storage and repair services	People's Republic of China	10.36	10.36*

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
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	34.30[###]
Kenua Agency Limited	Ship operator and agency	Noumea	15.75	15.75[###]
Pacific Marine Management Limited	Ship consultancy business	New Zealand	35.00	35.00[###]
Ventures II Limited	Dormant	New Zealand	17.50	17.50[###]
Through PDL International Pte. Ltd.				
Agence Kenua	Shipping agency	New Caledonia	13.82	13.82[+++]
Asean Pacific Logistics Pty Ltd	Logistics	Australia	31.31	31.31[+++]
CRS Tauranga Limited	Container terminals	New Zealand	31.31	31.31[+++]
Greater Pacific Shipping LP	Ship operator	New Zealand	16.37	16.37[+++]
Transam Fiji Limited	Shipping agency	Fiji	–[♠]	–[♠]
Transam Cook Islands	Shipping agency	Cook Islands	30.70	30.70[+++]
Transam Genera Fumigation	Container cleaning	New Zealand	30.70	30.70[+++]
SCI Gatope	Property owner	New Caledonia	20.46	20.46[+++]
Southpac Shipping Limited	Ship operator	New Zealand	33.77	33.77[+++]
Transam Tuvalu Ltd	Ship agency	Tuvalu	30.70	30.70[+++]
JVT Logistics Limited	Logistics	New Zealand	15.35	15.35[•]
Transam Tarawa Limited	Agency	New Zealand	30.70	30.70[•]

1. Corporate information (cont'd)

	Name of company	Principal activities	Country of incorporation	Proportion of ownership interest 2019 %	2018 %
	Associates and joint ventures held by subsidiaries (cont'd)				
	Through PIL Logistics Pte. Ltd.				
	FASA PIL Logistics Co., Ltd	Logistics, warehousing and supply chain management	Vietnam	–[>]	40.00
	PIL Logistics Polymer Bagging Sdn Bhd	Handling bagging activities	Malaysia	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
	PIL Logistics USA Inc.	Logistics, warehousing and supply chain management	United States of America	50.00	50.00
	Through Mariana Express Lines Pte. Ltd.				
*	Mell Shipping East Malaysia Sdn. Bhd.	Dormant	Malaysia	33.15	33.15
*	Mariana Shipping (Sabah) Sdn. Bhd.	Dormant	Malaysia	33.15	33.15
*	Mell Shipping Sdn. Bhd.	Dormant	Malaysia	39.00	39.00
*	MELL Shipping (Thailand) Co., Ltd	Provision of shipping agency services and freight forwarding services	Thailand	31.85	31.85
*	MELL Shipping (Sibu) Sdn. Bhd.	Dormant	Malaysia	35.75	35.75
*	MELL Shipping (Bintulu) Sdn. Bhd.	Dormant	Malaysia	35.75	35.75
	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[++]

1. Corporate information (cont'd)

+ *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 2019*

• *Acquired during the financial year 2018*

ᴥ *Incorporated during the financial year 2018*

@@ *Incorporated of subsidiaries during the financial year 2019 (refer to table below for the details)*

Name of subsidiaries	**Date of incorporation**	**Consideration** US$'000
Pacific Manning Agency Myanmar Company Ltd	1 Jan 2019	105
PIL Philippines Incorporated	13 Jun 2019	146
Pacific Gansu Development Pte. Ltd.	21 Mar 2019	455
Pacific Joyful Logistics Co., Ltd.	13 Jun 2019	20
PIL Logistics Malaysia Sdn. Bhd.	7 Nov 2019	170
Shanghai Singamas Container Intergration Co., Ltd	30 May 2019	2,000
		2,896

ᴥᴥᴥ *Incorporated of associates and joint ventures during the financial year 2019*

@@@ *Disposed during the financial year 2019*

φφ *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 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.*

<<< *Liquidated during the financial year 2019.*

<> *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 and PIL Myanmar Company Limited has financial year ends on 31 March.*

@ *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.

^^ *Singamas Container Industry Co., Ltd is a subsidiary of Singamas Container Holdings Limited and is deemed to be a subsidiary of the Company.*

> *In 2019, FASA PIL Logistics Co., Ltd has changed its status from an associate to a subsidiary as a result of additional investment by the Group for an additional consideration of US$54,404.*

ᴥᴥ *In June 2018, the Group acquired additional 15% equity interest in Mckay Shipping Limited.*

1. Corporate information (cont'd)

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.*

^^^ *On 9 September 2019, a wholly owned subsidiary of the Singamas purchased an additional 2,596 shares of Modex Holding Limited at US$2,144,000. Such transaction increased the Group's interest in Modex Holding Limited from 17.64% to 18.34% with no change in proportion of voting power held.*

>> *In 2018, the additional indirect shareholding of the Group increased from 6.6% to 8.4% in PDL International through Mckay.*

ϕϕϕ *As at 11 November 2019, PIL (UK) Limited ("PIL UK") has allotted 82,708,500 new ordinary shares of GPB 1 each in the share capital of the Company, for which the payment is satisfied by capitalising US$105,738,000 of the inter-company trade balance. There is no change in the Company's effective shareholding in PIL UK arising from this transaction.*

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 (⌘) are audited by member firms of EY Global in the respective countries.

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)).

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.

2. Summary of significant accounting policies

2.1 *Basis of preparation (cont'd)*

Going concern

The Group and the Company incurred a net loss after tax of US$850,079,000 and US$676,848,000. As at 31 December 2019, the Group's and the Company's total borrowings amounted to US$3,482,414,000 and US$3,207,106,000, of which US$1,435,060,000 and US$1,252,246,000 were classified as current liabilities. In addition, on 11 March 2020, the World Health Organisation declared the outbreak of the Coronavirus Disease ("COVID-19") a pandemic. The COVID-19 outbreak has created a high level of uncertainty to global economic prospects and is expected to impact the business of the Group and the Company subsequent to the financial year end.

The matters set out in the paragraph above indicates the existence of a material uncertainty which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared.

The management and directors of the Company, having assessed the available sources of liquidity and funding, believe that the Group and the Company can continue as a going concern for the foreseeable future. In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group and the Company, the following factors were considered:

(a) An indicative investment by Heliconia Capital Management Pte Ltd ("Heliconia"), a wholly-owned subsidiary of Temasek Holdings (Private) Limited and PIL has signed an exclusivity agreement with Heliconia for a term of 6 months (extended for another 4 months) from 26 May 2020 for an investment into the Company, as part of a broader, holistic comprehensive financing package. A US$112 million emergency credit facility has been advanced to the Company to fund overdue trade creditors and other operating cash requirements to recapitalise its business;

(b) On 10 November 2020, the Company filed an application under Section 210(1) of the Companies Act (Cap. 50) to the Singapore High Court to seek, amongst others, leave to convene a meeting to consider a proposed Scheme of Arrangement among the Company and certain of its creditors (the "Proposed Scheme"). The Company has received evidence of support from a group of creditors representing approximately 80% of the total value of claims contemplated to be subject to the Proposed Scheme. PIL's restructuring pursuant to the Proposed Scheme will result in fresh financing of up to US$600 million contemplated to be provided by certain entity or entities, which are managed and controlled by Heliconia;

(c) The Group and the Company are taking active steps in respect of certain vessels and assets divestment plan to pare down its borrowings. The management expects to repay the secured lenders from the proceeds on sale of the vessels that is part of the vessel disposal plan. Subsequent to 31 December 2019, 22 vessels have been disposed generating approximately US$799,078,000 of sale proceeds; and

(d) The Group and the Company expects that it will achieve sustainable and viable operations with adequate cash flows generate from the operating activities.

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

2.1 *Basis of preparation (cont'd)*

Going concern (cont'd)

In the event that the Group and the Company are unable to continue as going concern, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. The Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities at net realisation value. No such adjustments have been made to these financial statements.

2.2 *New accounting standards effective on 1 January 2019*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group and the Company have adopted all the new and revised standards and Interpretations of SFRS(I) ("INT SFRS(I)") that are effective for annual periods beginning on or after 1 January 2019. Except for SFRS(I) 16 and SFRS(I) INT 23 as described below, the adoption of these standards and interpretations did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 Leases

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

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

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

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

2.2 *New accounting standards effective on 1 January 2019 (cont'd)*

SFRS(I) 16 Leases (cont'd)

The effect of initial adoption of SFRS(I) 16 as at 1 January is as follows:

	Group 1 January 2019 US$'000	Company 1 January 2019 US$'000
Assets		
Right-of-use assets	2,201,356	2,237,695
Fixed assets	(1,854,304)	(1,705,330)
Prepayment	(13)	–
Total assets	347,039	532,365
Liabilities		
Lease liabilities	1,725,498	1,891,882
Lease creditors	(1,361,258)	(1,342,316)
Other creditors and accruals	(17,201)	(17,201)
Total liabilities	347,039	532,365

The Group and the Company has lease contract for vessels, office space, assets under construction, machinery, equipment and motor vehicles. Before the initial adoption of SFRS(I) 16, the Group and the Company classified the lease (as lessee) at the inception as either a finance lease or operating lease.

Upon adoption of SFRS(I) 16, the Group and the Company applied a single recognition and measurement approach for all leases. The accounting policy is set out in Note 2.23.

<u>Leases previously accounted for as finance leases</u>

The Group and the Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

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

2.2 *New accounting standards effective on 1 January 2019 (cont'd)*

SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised (if any). Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Company also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;
- applied the low-value asset leases exemptions with underlying assets lesser than US$5,000 on a lease-by-lease basis;
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application; and
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Based on the above, as at 1 January 2019:

- Right-of-use assets of US$2,201,356,000 and US$2,237,695,000 were recognised and presented separately in the statement of financial position of the Group and the Company respectively. This includes reclassification from the fixed assets of the following:

  (a) the Group's prepaid lease payments previously recognised under the short leasehold land of US$89,962,000;

  (b) the Group's and the Company's motor vessels of US$1,639,710,000 and US$1,591,947,000 respectively;

  (c) the Group's and the Company's machinery, equipment and motor vehicles of US$93,226,000 and US$81,977,000 respectively; and

  (d) the Group's and the Company's assets under construction of US$31,406,000.

- Additional lease liabilities for the Group and the Company of US$1,725,498,000 and US$1,891,882,000 respectively were recognised. This includes the lease liabilities of the Group and the Company recognised previously under finance lease of US$1,361,258,000 and US$1,342,316,000 from lease creditors respectively.
- Other creditors and accruals for the Group and the Company of US$17,201,000 related to previous operating lease were adjusted against right-of-use assets.

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

2.2 *New accounting standards effective on 1 January 2019 (cont'd)*

SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases (cont'd)

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

	Group US$'000	Company US$'000
Assets		
Operating lease commitments as at 31 December 2018	321,842	573,382
Weighted average incremental borrowing rate as at 1 January 2019	4.80%	5.20%
Discounted operating lease commitments as at 1 January 2019	285,341	509,828
Less:		
Commitments related to short-term leases	(12,221)	(37,600)
Commitments related to low value assets	(723)	–
Add:		
Early termination options reasonably not certain to be exercised	83,669	77,338
Commitments relating to leases previously classified as finance leases	1,361,258	1,342,316
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	8,174	–
Lease liabilities as at 1 January 2019	1,725,498	1,891,882

SFRS(I) INT 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of SFRS(I) 1-12 Income Taxes. It does not apply to taxes or levies outside the scope of SFRS(I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances;

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

2.2 *New accounting standards effective on 1 January 2019 (cont'd)*

SFRS(I) INT 23 Uncertainty over Income Tax Treatment (cont'd)

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

The Group has tax exposures in following subsidiaries:

PIL (India) Private Limited ("PIL India")

Freight taxes

From 2012-2018, the Group's subsidiary, PIL India, benefited from a tax ruling from both the Singapore and India tax authorities, allowing it to qualify for tax exemption for its freight revenue derived. In 2019, there was ongoing tax proceedings for assessment years 2015-2017, and requests from the India tax authorities to re-open the previous tax assessment for 2012-2014. The India tax authorities are currently debating the tax ruling applied by PIL India. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2012–2019 of up to US$42,913,000 may be incurred. This amount has not been recognised in these financial statements because the Group believes that the tax ruling granted in the past was in compliance with the applicable law and, the Group believes that it is probable that it would successfully defend the Group's tax treatment in court.

Service taxes

Kolkata branch of PIL India, collects ocean freight, terminal handling charges and related freight charges on behalf of PIL India. From 2010-2015, PIL India has taken the position that the Kolkata branch, being a separate division did not constitute a separate legal entity and hence not subject to taxes under Section 67 and 68 of the Finance Act, 1994, rule 6 of Service Tax Rules 1994 read with Rule 5(1) of the Service Tax Determination of Value Rules, 2006 of India regulations. The India tax authorities are currently debating the tax ruling applied by PIL India. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2010–2015 of up to US$3,232,000 may be incurred. This amount has been recognised in these financial statements depending on the outcome of the appeal.

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

2.2 *New accounting standards effective on 1 January 2019 (cont'd)*

SFRS(I) INT 23 Uncertainty over Income Tax Treatment (cont'd)

PIL Mumbai Private Limited ("PIL Mumbai")

The Group's subsidiary, PIL Mumbai, being the steamer agent of the Company, collects ocean freight, terminal handling charges, inland haulage charges and related freight charges on behalf of the Company. From 2009-2018, PIL Mumbai has taken the position that these charges collected on behalf are not subject to service tax under Section 73, 83A, 84 or 85 of the Finance Act, 1994 of India regulations. The India tax authorities are currently debating the tax ruling applied by PIL Mumbai. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2009-2018 of up to US$4,898,000 may be incurred.

This amount has not been recognised in these financial statements because the Group and the Company believe that the tax ruling granted in the past was in compliance with the applicable law and, the Group and the Company believe that it is probable that it would successfully defend the Group's and the Company's tax treatment in court.

Upon adoption of SFRS(I) INT 23, the Group and the Company has recognised an additional tax provision of US$3,232,000 with a corresponding decrease in the retained earnings.

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*
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material	1 January 2020
Amendments to SFRS(I) 3 Definition of a Business	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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.

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

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.

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

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.

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.

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

2.5 *Subsidiaries and principles of consolidation (cont'd)*

(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

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.

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

2.5 *Subsidiaries and principles of consolidation (cont'd)*

(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.

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.

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.

In 2018, 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 earned 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.

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

2.10 *Intangible assets (cont'd)*

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.

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.

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

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

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.

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 de-recognised.

(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.

2.19 *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. Summary of significant accounting policies (cont'd)

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*

As lessee

Policies applicable from 1 January 2019

The Group and the Company applies a single recognition and measurement approach for all leases. The Group and the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group and the Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Vessels	-	2 to 5 years
Containers	-	2 to 8 years
Premises	-	6 to 8 years
Office equipment	-	2 to 5 years

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

2.23 *Leases (cont'd)*

As lessee (cont'd)

Policies applicable from 1 January 2019 (cont'd)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to Note 2.15.

<u>Lease liabilities</u>

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

<u>Short-term leases and leases of low-value assets</u>

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

2.23 *Leases (cont'd)*

As lessee (cont'd)

Policies applicable before 1 January 2019

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.

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.

2.24 *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. Summary of significant accounting policies (cont'd)

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.

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.

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

2.26 *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.

2.27 *Interest income*

Interest income is recognised using the effective interest method.

2.28 *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.

(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.

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

2.28 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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.

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. Summary of significant accounting policies (cont'd)

2.29 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).

2.30 *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.

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

2.30 *Derivative financial instruments and hedging activities (cont'd)*

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.

2.31 *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 49, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.32 *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.

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

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

2.32 *Significant accounting estimates and judgments (cont'd)*

Significant accounting judgments (cont'd)

Determining the lease term of contracts with renewal and termination options – as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group did not include the renewal period as part of the lease term for leases of containers. The Group typically will assess if there's economic incentive to exercise its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of containers are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 42 for information on potential future rental payments relating to periods following the exercise date of extension that are not included in the lease term.

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.

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

2.32 *Significant accounting estimates and judgments (cont'd)*

Key sources of estimation uncertainty (cont'd)

(a) ***Impairment of fixed assets, right-of-use assets ("ROUA") and intangible assets***

The Group assesses whether there is any indication of impairment of the fixed assets, ROUA and intangible assets as at each balance sheet date. Impairment exists when the carrying value of the assets exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a discounted cash flow ("DCF") model. The future cash flows beyond the specified period are forecasted based on the forecasted freight rates and lifting volume and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The future cash flows are discounted to their present value using a discount rate that reflects the time value of money. The DCF model is highly sensitive to the estimation of discount rate and utilisation rate. A reasonable change of these estimates would lead to an increase of the impairment loss up to US$357,962,000.

The carrying amount of the Group's and the Company's fixed assets, ROUA and intangible assets is disclosed in Note 12, 42 and 14 respectively. There is an impairment loss of US$405,864,000 and US$181,193,000 (2018: US$Nil) recognised in the Group's fixed assets and ROUA respectively during the year. At the Company level, US$187,914,000 and US$178,650,000 were recognised on the fixed assets and ROUA respectively.

(b) ***Impairment of investments in subsidiaries, amounts due from subsidiaries and immediate holding company***

The Company assesses at the end of each reporting period whether there is any objective evidence that the investments in subsidiaries and amounts due from subsidiaries and immediate holding company are impaired. Management considers factors such as the historical and current performances, estimated value and probability of future cash flows.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the subsidiaries using suitable discount rates to calculate the present value of those cash flows. The carrying amount of the Company's investments in subsidiaries as at 31 December 2019 are disclosed in Note 15.

In relation to amounts due from subsidiaries, management provides for ECL based on the general approach and the extent of loss allowance is dependent on consideration of many factors, amongst others, the extent of credit deterioration since initial recognition, information and data that indicate the credit quality of the subsidiaries and the probability of default, amounts that are expected to be recovered in a default and adjustment for forward-looking information. The amounts due from subsidiaries and immediate holding company including their carrying amount and their related impairment as at 31 December 2019 are disclosed in Note 24.

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

2.32 *Significant accounting estimates and judgments (cont'd)*

Key sources of estimation uncertainty (cont'd)

(c) ***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.

(d) ***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 46(a), respectively.

(e) ***Leases – Estimating the incremental borrowing rate***

In the event that the Group and the Company cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). The carrying amounts of lease liabilities and information about the weighted average effective interest rate are disclosed in Note 42.

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**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Primary geographical markets						
- Africa	1,095,819	879,788	9,330	656	1,105,149	880,444
- Asia	703,185	941,188	412,480	762,977	1,115,665	1,704,165
- Australasia	394,549	308,050	2,640	7,105	397,189	315,155
- Europe	16,237	27,485	80,957	105,788	97,194	133,273
- The Americas	586,290	633,418	173,935	824,118	760,225	1,457,536
	2,796,080	2,789,929	679,342	1,700,644	3,475,422	4,490,573
Major product or service lines						
Freight and charter hire	2,645,942	2,631,501	–	–	2,645,942	2,631,501
Sales of containers	459	935	654,785	1,677,097	655,244	1,678,032
Others	149,679	157,493	24,557	23,547	174,236	181,040
	2,796,080	2,789,929	679,342	1,700,644	3,475,422	4,490,573
Timing of transfer of goods or services						
- At a point in time	150,138	158,428	654,785	1,677,097	804,923	1,835,525
- Over time	2,645,942	2,631,501	24,557	23,547	2,670,499	2,655,048
	2,796,080	2,789,929	679,342	1,700,644	3,475,422	4,490,573

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**	
	2019	**2018**
	US$'000	US$'000
Primary geographical markets		
- Africa	1,065,989	848,911
- Asia	554,550	676,535
- Australasia	232,456	243,480
- Europe	38,706	54,030
- The Americas	453,488	506,425
	2,345,189	2,329,381
Major product or service lines		
Freight and charter hire	2,345,189	2,329,381
Timing of transfer of goods or services		
- Over time	2,345,189	2,329,381

(b) *Contract assets and liabilities*

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

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Trade debtors (Note 21)	231,537	450,731	89,585	116,713
Contract assets	11,316	11,927	4,933	–
Contract liabilities	126,291	118,603	99,206	64,979

(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.

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

3. Turnover (cont'd)

(b) ***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.

(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	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
Gain on disposal of fixed assets, net	–	–	–	1,697
Ship Management fees and others	188	28	779	859
Human resource and administrative fees	531	113	1,202	1,616
Rental income	1,818	1,808	–	–
Containers freight station income	1,159	1,272	–	–
Government incentive	3,046	2,627	243	411
Compensation and commission income	3,102	7,364	–	–
Gain on bargain purchase (Note 15)	–	1,565	–	–
Gain on revaluation of investment property (Note 13)	436	–	–	–
Insurance refund	2,103	–	–	–
Ship insurance claims	1,487	–	–	–
Others	3,790	3,632	85	636
	17,660	18,409	2,309	5,219

5. Investment and interest income

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Gross dividends received from:				
- Quoted subsidiaries	–	–	8,894	3,159
- Unquoted subsidiaries	–	–	9,065	51,024
- Unquoted associates	–	–	4,582	4,752
- Other quoted investments	45	35	25	25
- Other unquoted investments	2,259	1,366	–	–
	2,304	1,401	22,566	58,960
Interest from banks and other sources	4,130	5,744	1,135	1,561
	6,434	7,145	23,701	60,521

6. Staff costs

This is stated after charging:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Employer's contribution to defined contribution plans	13,955	15,950	2,987	3,368

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
(Allowance for)/write-back of impairment loss on subsidiaries (Note 15)	–	–	(102,950)	6,146
Write-back of impairment loss on associates and joint ventures (Note 16)	1,100	113	1,080	–
Allowance for impairment loss on fixed assets (Note 12)	(405,864)	–	(187,914)	–
Allowance for impairment loss on right-of-use assets (Note 42)	(181,193)	–	(178,650)	–
(Allowance for)/write-back of impairment loss on financial assets:				
- Trade debtors (Note 21)	(3,262)	(866)	(1,074)	149
- Other debtors (Note 22)	(649)	(14)	160	–
- Long-term loans to associates of a subsidiary (Note 16)	12	45	–	–
- Amount due from related companies (Note 24)	(98)	(96)	(2,095)	–
	(589,954)	(818)	(471,443)	6,295

8. Fair value changes in investments/derivative financial instruments

	Group		Company	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
Fair value changes in:				
Investments, at fair value through profit or loss, net	(20,059)	(16,716)	(20,059)	(16,877)
Derivative financial instruments, net				
- Bunker swaps	(5,074)	(592)	(5,074)	(592)
- Interest rate swaps	(296)	(227)	86	(274)
- Forward currency contracts	(41)	42	(41)	42
	(5,411)	(777)	(5,029)	(824)
	(25,470)	(17,493)	(25,088)	(17,701)

9. Administration and non-shipping expenses

This is stated after charging:

	Group		Company	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
Fixed assets written off, net of amount recovered	8,581	1,652	(11)	785
Right-of-use assets written off, net of amount recovered	14,847	–	361	–
Loss on disposal of fixed assets, net	2,994	32,375	988	–
Gain on termination of right-of-use assets	(1,109)	–	(169)	–
Bad debts written off, net of amount recovered	324	431	–	139

10. Finance costs

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Interest on loans	123,749	160,618	80,197	115,862
Interest on lease liabilities	88,385	–	106,695	–
Bank commission and charges	3,503	2,791	2,642	1,668
Amortisation of deferred transaction costs:				
- Loans (Note 27)	6,088	5,383	2,388	2,443
- Amount due to related companies (Note 29)	331	214	331	214
- Others (Note 18)	6,586	4,643	6,386	4,443
Interest on Notes	6,760	13,695	6,760	13,695
Amortisation of Notes issuance costs	1,443	1,402	1,443	1,402
Other interest expense	6,746	18,863	6,779	15,152
	243,591	207,609	213,621	154,879

11. Taxation

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Income statements				
Current taxation:				
Current tax expense	27,986	22,424	232	205
(Over)/under provision in respect of prior years	(311)	(578)	(156)	69
	27,675	21,846	76	274
Deferred taxation:				
Origination and reversal of temporary differences	(2,064)	1,183	–	–
Total income taxes	25,611	23,029	76	274
Withholding tax expense	669	432	1,041	422
Foreign taxes expense	18,524	11,703	17,319	11,121
Total tax expense	44,804	35,164	18,436	11,817

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.

11. Taxation (cont'd)

On 15 February 2019, a subsidiary withdrew from the Maritime Sector Incentive - Maritime Leasing (MSI-ML) award. The charter income derived by the subsidiary from the charter agreements would qualify for tax exemption under MSI-ML until 15 February 2019.

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 losses of the Group and the Company for the years ended 31 December 2019 and 2018 and the amount that arise by applying the Singapore statutory income tax rate to loss before taxation are as follows:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Loss before taxation	(805,275)	(173,159)	(658,412)	(255,593)
Withholding tax expense	(669)	(432)	(1,041)	(422)
Foreign taxes expense	(18,524)	(11,703)	(17,319)	(11,121)
Loss before taxation, adjusted	(824,468)	(185,294)	(676,772)	(267,136)
Tax calculated at statutory tax rate of 17% (2018: 17%)	(140,160)	(31,500)	(115,051)	(45,413)
Adjustments:				
Non-taxable income	(15,141)	(28,647)	57	(115)
Expenses not deductible for tax purposes	112,270	51,385	56,689	22,777
Effect of different tax rates of other countries	(3,641)	11,122	–	–
Tax exempt losses	35,290	16,961	58,611	23,046
Deferred tax assets not recognised	4,191	322	–	–
Utilisation of previously unrecognised tax losses and capital allowances	28	(1,534)	–	–
Tax effect on tax losses arising in the current year not recognised	17,333	6,220	–	–
Tax relief	(303)	(84)	–	–
Share of results of associates and joint ventures	(191)	(1,783)	–	–
Withholding tax on undistributed profits	(1,638)	994	–	–
Tax effect of disposal of subsidiaries	17,614	–	–	
Others	270	151	(74)	(90)
	25,922	23,607	232	205
(Over)/under provision in respect of prior years	(311)	(578)	(156)	69
Total income taxes	25,611	23,029	76	274

11. Taxation (cont'd)

Deferred taxation as at 31 December relates to the following:

	Group			
	Balance Sheet		**Consolidated Income Statement**	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Deferred tax assets				
Differences in depreciation	(102)	(159)	(57)	159
Other items	861	976	115	21
Foreign currency translation	(247)	(206)	–	–
	512	611		
Deferred tax liabilities				
Differences in depreciation	210	(419)	(629)	(6)
Revaluation of investment property	(4,892)	(4,783)	109	–
Undistributed profit	(8,040)	(9,678)	(1,638)	994
Other items	(518)	(482)	36	15
Disposal of subsidiaries (Note 15)	4,273	–	–	–
Transfer to assets held for sale (Note 23)	(584)	–	–	–
Reversal of withholding tax upon distributed profits	2,664	1,726	–	–
Foreign currency translation	95	82	–	–
	(6,792)	(13,554)	(2,064)	1,183

Unrecognised tax losses

The Group has tax losses of approximately US$230,755,000 (2018: US$189,023,000) 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.

Uncertainty over income tax treatments

The Group has tax exposures in following subsidiaries:

<u>PIL (India) Private Limited ("PIL India")</u>

Freight taxes

From 2012-2018, the Group's subsidiary, PIL India, benefited from a tax ruling from both the Singapore and India tax authorities, allowing it to qualify for tax exemption for its freight revenue derived. In 2019, there was ongoing tax proceedings for assessment years 2015-2017, and requests from the India tax authorities to re-open the previous tax assessment for 2012-2014. The India tax authorities are currently debating the tax ruling applied by PIL India. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2012–2019 of up to US$42,514,000 may be incurred. This amount has not been recognised in these financial statements because the Group believes that the tax ruling granted in the past was in compliance with the applicable law and, the Group believes that it is probable that it would successfully defend the Group's tax treatment in court.

11. Taxation (cont'd)

Uncertainty over income tax treatments (cont'd)

The Group has tax exposures in following subsidiaries: (cont'd)

PIL (India) Private Limited ("PIL India") (cont'd)

Service taxes

Kolkata branch of PIL India, collects ocean freight, terminal handling charges and related freight charges on behalf of PIL India. From 2010-2015, PIL India has taken the position that the Kolkata branch, being a separate division did not constitute a separate legal entity and hence not subject to taxes under Section 67 and 68 of the Finance Act, 1994, rule 6 of Service Tax Rules 1994 read with Rule 5(1) of the Service Tax Determination of Value Rules, 2006 of India regulations. The India tax authorities are currently debating the tax ruling applied by PIL India. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2010–2015 of up to US$3,232,000 may be incurred. This amount has been recognised in these financial statements depending on the outcome of the appeal.

PIL Mumbai Private Limited ("PIL Mumbai")

The Group's subsidiary, PIL Mumbai, being the steamer agent of the Company, collects ocean freight, terminal handling charges, inland haulage charges and related freight charges on behalf of the Company. From 2009-2018, PIL Mumbai has taken the position that these charges collected on behalf are not subject to service tax under Section 73, 83A, 84 or 85 of the Finance Act, 1994 of India regulations. The India tax authorities are currently debating the tax ruling applied by PIL Mumbai. If the tax ruling applied in the past is retroactively revoked, then additional tax expenses for the period 2009–2018 of up to US$4,898,000 may be incurred.

This amount has not been recognised in these financial statements because the Group believes that the tax ruling granted in the past was in compliance with the applicable law and, the Group believes that it is probable that it would successfully defend the Group's tax treatment in court.

PIL Nigeria Private Limited ("PIL Nigeria")

The Group's subsidiary, PIL Nigeria, carries on the business of handling the import and export of goods and merchandise on behalf of of the Company. In 2019, PIL Nigeria received several tax demand notice from Lagos State Internal Revenue Service, Nigeria relating to transfer pricing issues, additional withholding tax payables and additional income tax for previous tax submission for 2013-2017. The Nigerian tax authorities are currently debating the tax ruling applied by PIL Nigeria. If the appeal is unsuccesssful, then additional tax expenses for the period 2013–2017 of up to US$7,723,000 may be incurred. This amount has been recognised in these financial statements depending on the outcome of the appeal.

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 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	–	2,739	41,410	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 subsidiaries (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	104,704	441,765	5,317,234	569,788	79,787	6,519,698
Effect of adoption of SFRS(I) 16 (Note 2.2)	–	(104,245)	–	(1,899,583)	(109,561)	(31,406)	(2,144,795)
At 1 January 2019	6,420	459	441,765	3,417,651	460,227	48,381	4,374,903
Additions	132	–	1,377	52,329	38,617	27,088	119,543
Reclassifications	–	–	3,440	–	38,847	(42,287)	–
Disposals	–	–	(10,395)	(92,822)	(9,629)	–	(112,846)
Transfer to assets held for sale	(1,192)	–	(17,457)	(179,489)	(18,663)	(385)	(217,186)
Fixed assets written off	–	–	–	(12,769)	(21,483)	(4,118)	(38,370)
Transfer to right-of-use assets (Note 42)	–	–	–	(478,686)	–	–	(478,686)
Disposal of subsidiaries (Note 15)	–	–	(177,041)	–	(210,442)	(24,385)	(411,868)
Transfer from intangible assets (Note 14)	–	–	93	–	–	–	93
Currency realignment	225	(47)	(2,187)	(114)	(581)	(68)	(2,772)
At 31 December 2019	5,585	412	239,595	2,706,100	276,893	4,226	3,232,811

12. Fixed assets (cont'd)

Group	Freehold and long leasehold land	Short leasehold land	Buildings	Motor vessels	Machinery, equipment and motor vehicles	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation and impairment loss							
At 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 subsidiaries (Note 15)	–	(1,352)	(5,678)	–	(13,767)	–	(20,797)
Transfer to investment property (Note 13)	–	(703)	(7,076)	–	–	–	(7,779)
Currency realignment	–	(95)	(1,652)	(123)	(1,121)	–	(2,991)
At 31 December 2018	–	14,323	104,313	1,480,865	263,495	–	1,862,996
Effect of adoption of SFRS(I) 16 (Note 2.2)	–	(14,283)	–	(259,873)	(16,335)	–	(290,491)
At 1 January 2019	–	40	104,313	1,220,992	247,160	–	1,572,505
Depreciation charge for the year	–	9	15,235	107,859	25,728	–	148,831
Disposals	–	–	(4,854)	(73,165)	(5,133)	–	(83,152)
Fixed assets written off	–	–	–	(12,626)	(15,793)	–	(28,419)
Impairment loss (Note 7)	–	–	–	392,670	13,194	–	405,864
Transfer to right-of-use assets (Note 42)	–	–	–	(57,211)	–	–	(57,211)
Transfer from intangible assets (Note 14)	–	–	93	–	–	–	93
Disposal of subsidiaries (Note 15)	–	–	(35,963)	–	(87,332)	–	(123,295)
Transfer to assets held for sale	–	–	(1,726)	(144,338)	(10,453)	–	(156,517)
Currency realignment	–	(4)	(466)	(1)	(456)	–	(927)
At 31 December 2019	–	45	76,632	1,434,180	166,915	–	1,677,772
Net carrying amount							
At 31 December 2019	5,585	367	162,963	1,271,920	109,978	4,226	1,555,039
At 31 December 2018	6,420	90,381	337,452	3,836,369	306,293	79,787	4,656,702

12. Fixed assets (cont'd)

Company	**Buildings**	**Motor vessels**	**Machinery, equipment and motor vehicles**	**Assets under construction**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At 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
Effect of adoption of SFRS(I) 16 (Note 2.2)	–	(1,829,982)	(89,564)	(31,406)	(1,950,952)
At 1 January 2019	3,168	1,796,552	107,315	–	1,907,035
Additions	–	351,067	46,484		397,551
Disposals	–	(88,638)	(12,720)	–	(101,358)
Fixed assets written off	–	(971)	(1,876)	–	(2,847)
Transfer to right-of-use assets (Note 42)	–	(300,580)	–	–	(300,580)
Transfer to assets held for sale	–	(140,376)	–	–	(140,376)
At 31 December 2019	3,168	1,617,054	139,203	–	1,759,425
Accumulated depreciation and impairment loss					
At 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
Effect of adoption of SFRS(I) 16 (Note 2.2)	–	(238,035)	(7,587)	–	(245,622)
At 1 January 2019	2,356	670,686	51,549	–	724,591
Depreciation charge for the year	127	73,069	4,280	–	77,476
Impairment loss (Note 7)	–	175,541	12,373	–	187,914
Disposals	–	(74,264)	(4,562)	–	(78,826)
Fixed assets written off	–	(828)	(660)	–	(1,488)
Transfer to assets held for sale	–	(117,618)	–	–	(117,618)
At 31 December 2019	2,483	726,586	62,980	–	792,049
Net carrying amount					
At 31 December 2019	685	890,468	76,223	–	967,376
At 31 December 2018	812	2,717,813	137,743	31,406	2,887,774

12. Fixed assets (cont'd)

	2019		2018	
	Group US$'000	**Company** US$'000	**Group** US$'000	**Company** US$'000
Analysis of net carrying amount:				
Motor vessels				
Owned	1,233,843	890,468	2,238,818	1,120,262
Leased	–	–	1,597,551	1,597,551
	1,233,843	890,468	3,836,369	2,717,813
Machinery, equipment and motor vehicles				
Owned	148,055	76,223	239,054	75,867
Leased	–	–	67,239	61,876
	148,055	76,223	306,293	137,743
Assets under construction				
Owned	4,226	–	48,381	–
Leased	–	–	31,406	31,406
	4,226	–	79,787	31,406

(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 year 2018, the Group has acquired fixed assets by means of hire purchase and finance lease with an aggregate cost of US$542,945,000. The cash outflow on acquisition of fixed assets amounted to US$203,376,000.

(iii) Assets pledged as security

During year 2018, leased assets are pledged as security for the related finance lease liabilities (Note 31). As for owned assets, the Group and the Company has certain assets with carrying amounts of US$1,327,157,000 and US$946,251,000 (2018: US$2,203,986,000 and US$1,185,754,000) 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. In 2018, the borrowing costs capitalised as fixed assets amounted to US$932,000. The rates used to determine the amount of borrowing costs eligible for capitalisation was 5.4% p.a. to 5.43% p.a.

12. Fixed assets (cont'd)

Impairment losses

Impairment loss is recognised when events and circumstances indicate that the assets may be impaired and the carrying amount of the assets exceed the recoverable amounts. The fixed assets is assessed together with the related right-of-use assets ("ROUA") and intangible assets (other than goodwill) as a cash-generating unit. The recoverable amount for the assets is determined based on either value-in-use calculation and fair value less costs of disposal.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a discounted cash flow ("DCF") model. The future cash flows beyond the specified period are forecasted based on the forecasted freight rate and utilisation rates and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The future cash flows are discounted to their present value using a discount rate that reflects the time value of money. In determining value in use for the CGU, the cash flows were discounted at a rate of 7.30% (2018: 7.45%).

As a result, during the financial year, the Group recognised impairment of fixed assets and ROUA of US$405,864,000 and US$181,193,000 respectively.

13. Investment property

	Group US$'000
Fair value	
At 1 January 2018	–
Transfer from fixed assets (Note 12)	1,771
Gain from fair value adjustment	16,297
At 31 December 2018 and 1 January 2019	18,068
Gain on revaluation of investment property (Note 4)	436
At 31 December 2019	18,504

In 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.

<u>Valuation of investment property</u>

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 47(a).

14. Intangible assets

Group	Patents US$'000	Goodwill US$'000	Software US$'000	Others US$'000	Total US$'000
Cost					
At 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 and 1 January 2019	4,583	15,746	24,755	72	45,156
Additions	–	–	372	–	372
Acquisition of subsidiaries (Note 15)	–	368	–	–	368
Disposals of subsidiary (Note 15)	–	(7,126)	–	–	(7,126)
Transfer to fixed assets (Note 12)	–	–	(93)	–	(93)
Transfer to assets held for sale (Note 23)	–	(903)	(1,301)	–	(2,204)
Currency realignment	–	501	(26)	–	475
At 31 December 2019	4,583	8,586	23,707	72	36,948
Accumulated depreciation and impairment loss					
At 1 January 2018	4,583	3,537	1,325	15	9,460
Amortisation	–	–	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 and 1 January 2019	4,583	3,537	3,712	8	11,840
Amortisation	–	–	2,705	1	2,706
Disposals of subsidiary (Note 15)	–	(3,537)	–	–	(3,537)
Transfer to fixed assets (Note 12)	–	–	(93)	–	(93)
Transfer to assets held for sale (Note 23)	–	–	(103)	–	(103)
Currency realignment	–	–	(140)	–	(140)
At 31 December 2019	4,583	–	6,081	9	10,673
Net carrying amount					
At 31 December 2019	–	8,586	17,626	63	26,275
At 31 December 2018	–	12,209	21,043	64	33,316
Average remaining amortisation years 2019	–	–	7	1	
Average remaining amortisation years 2018	–	–	8	1	

14. Intangible assets (cont'd)

Company	**Software** US$'000
Cost	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	23,663
Accumulated amortisation and impairment loss	
At 1 January 2018	1,311
Amortisation	2,366
At 31 December 2018 and 1 January 2019	3,677
Amortisation	2,366
At 31 December 2019	6,043
Net carrying amount	
At 31 December 2019	17,620
At 31 December 2018	19,986
Average remaining amortisation years 2019	7
Average remaining amortisation years 2018	8

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	
	2019 US$'000	**2018** US$'000
Shipping	8,586	8,620
Manufacturing	–	3,589
Net carrying amount	8,586	12,209

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**	
	2019	**2018**	**2019**	**2018**
Growth rates	2%	2%	–	3%
Weighted average cost of capital ("WACC")	7%	7%	–	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.

<u>Sensitivity to changes in assumptions</u>

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	
	2019	**2018**
	US$'000	US$'000
Quoted shares, at cost	65,310	65,310
Unquoted shares, at cost	488,385	383,458
Less: Impairment loss		
At 1 January	(2)	(13,433)
(Allowance)/write-back for the year (Note 7)	(102,950)	6,146
Written off/disposal	–	7,285
At 31 December	(102,952)	(2)
	450,743	448,766

During the year 2019, the Company has transferred investment in PDL International Pte Ltd amounting to US$1,062,000 to assets held for sale (Note 23).

The market value of the quoted shares as at 31 December 2019 is US$109,717,000 (2018: US$133,278,000).

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.

15. Subsidiaries (cont'd)

Impairment losses

Impairment loss is recognised when events and circumstances indicate that the assets may be impaired and the carrying amount of the assets exceed the recoverable amounts. The recoverable amount for the assets is determined based on either value-in-use calculation and fair value less costs of disposal.

The fair value less costs of disposal calculation is based on adjusted net assets approach where net asset value approach which takes into consideration the fair value of the underlying assets and liabilities of the entities to which the financial instruments relate as well as the latest transaction price of the equity raising by the investees.

The value in use calculation is based on a discounted cash flow ("DCF") model. The future cash flows beyond the specified period are forecasted based on the forecasted revenue rate and utilisation rates and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The future cash flows are discounted to their present value using a discount rate that reflects the time value of money.

As a result, during the financial year, the Company recognised impairment loss of US$102,950,000 (2018: US$Nil).

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**	**(Loss)/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 2019:</u>					
Singamas Container Holdings Limited ("SCHL")	Hong Kong	58.88%	(65,237)	390,435	12,750
<u>31 December 2018:</u>					
Singamas Container Holdings Limited ("SCHL")	Hong Kong	58.88%	43,207	455,672	4,535

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.

15. Subsidiaries (cont'd)

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:

Summarised balance sheet

	SCHL	
	2019	**2018**
	US$'000	US$'000
Current		
Assets	275,849	823,403
Liabilities	(103,021)	(480,777)
Net current assets	172,828	342,626
Non-current		
Assets	397,563	576,580
Liabilities	(7,684)	(223,427)
Net non-current assets	389,879	353,153
Net assets	562,707	695,779

Summarised statement of comprehensive income

	SCHL	
	2019	**2018**
	US$'000	US$'000
(Loss)/profit for the year	(110,797)	73,382
Other comprehensive income	959	5,162
Total comprehensive income	(109,838)	78,544

Other summarised information

	SCHL	
	2019	**2018**
	US$'000	US$'000
Net cash flows used in operations	(34,421)	(52,942)

15. Subsidiaries (cont'd)

2019

(a) ***Acquisition of subsidiaries***

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

Name of subsidiaries	**Date of acquisition**	**Additional equity interest acquired**	**Consideration** US$'000
Fasa PIL Logistics Co., Ltd ("Fasa PIL")	1 Jan 2019	70%	134

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

	US$'000
Trade debtors	119
Other debtors	32
Cash at bank and on hand	359
Total assets	510
Trade creditors	(100)
Other creditors	(222)
Total liabilities	(322)
Total identifiable net assets at fair value	188
Non-controlling interests measured at the non-controlling interests' proportionate share of net identifiable assets	(54)
	134

15. Subsidiaries (cont'd)

2019 (cont'd)

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

Consideration transferred for the acquisition of subsidiaries

	US$'000
Cash paid	134

Effect of the acquisition of subsidiaries on cash flow

	US$'000
Cash and cash equivalents of subsidiaries acquired	359
Less: Total consideration	(134)
Net cash inflow on acquisition of subsidiaries	225

For the financial year ended 31 December 2019, these subsidiaries contributed turnover of US$2,389,000 and operating profits of US$292,000 to the Group's results since the acquisition date.

(b) ***Finalisation of purchase price allocation***

The purchase price allocation of the acquisition of Transam (Fiji) Limited in the financial year ended 31 December 2018 were provisional as the purchase price allocation exercise has not been finalised on the date of the financial statements were authorised for issue. The purchase price allocation exercise was finalised during the year with additional of goodwill of US$368,000 (Note 14).

(c) ***Disposal of subsidiaries***

During the year, the Group disposed of the following significant subsidiaries, to an independent third party for a cash consideration of US$493,191,000:

Name of subsidiaries	**Equity interest disposed**
Qidong Singamas Energy Equipment Co., Ltd.	100%
Qidong Pacific Port Co., Ltd	100%
Qingdao Pacific Container Co., Ltd	100%
Ningbo Pacific Container Co., Ltd	100%
Singamas Container Holdings (Shanghai) Limited	100%

15. Subsidiaries (cont'd)

2019 (cont'd)

(c) ***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)	288,573
Right-of-use assets (Note 42)	40,357
Intangible assets (Note 14)	3,589
Stocks	156,568
Trade and other debtors	233,146
Cash at bank and on hand	47,802
Total assets	770,035
Trade and other reditors	(165,392)
Provision for taxation	(950)
Deferred tax liabilities (Note 11)	(4,273)
Loans	(123,277)
Lease liabilities	(2,009)
Total liabilities	(295,901)
Carrying value of net assets	474,134
Non-controlling interests	–
Net assets derecognised	474,134

Gain on disposal of subsidiaries

	US$'000
Consideration received and receivable	493,191
Net assets derecognised	(474,134)
Subsidiaries struck off	10
Expenses attributable to the disposal	(11,296)
Gain on disposal of subsidiaries	7,771

Effect of the disposal of subsidiaries on cash flow

	US$'000
Total consideration received	493,191
Less: Cash and cash equivalents of subsidiaries disposed	(47,802)
Net cash inflow on disposal of subsidiaries	445,389

15. Subsidiaries (cont'd)

2018

(a) ***Acquisition of subsidiaries***

In 2018, 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) Limited, this acquisition resulted in a bargain purchase gain of approximately US$1,565,000 (Note 4), which have been recognised in the "other income" line item in the Group's profit and loss for the year ended 31 December 2018.

15. Subsidiaries (cont'd)

2018 (cont'd)

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

Consideration transferred for the acquisition of subsidiaries

	US$'000
Cash paid	563
Fair value of equity interest held by the Group immediately before acquisition	–
	563

Effect of the acquisition of subsidiaries on cash flow

	US$'000
Cash and cash equivalents of subsidiaries acquired	2,851
Less: Total consideration	(563)
Net cash inflow on acquisition of subsidiaries	2,288

For the financial year ended 31 December 2018, these subsidiaries contributed turnover of US$11,374,000 and operating profits of US$2,095,000 to the Group's results since the acquisition date. 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.

Provisional accounting of the acquisition of Transam (Fiji) Limited

As at 31 December 2018, the fair values of the net identifiable assets of the acquisition of Transam (Fiji) Limited have been determined on a provisional basis as the purchase price allocation exercise has not been finalised on the date the financial statements were authorised for issue.

Goodwill arising from that acquisition and the carrying amounts of other net identifiable assets will be adjusted accordingly when the purchase price allocation exercise is finalised.

(b) ***Disposal of subsidiaries***

In 2018, 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

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

Gain on disposal of subsidiaries

	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

Effect of the disposal of subsidiaries on cash flow

	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

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.

16. Associates and joint ventures

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Unquoted shares	98,404	112,771	32,099	36,244
Less: Impairment loss	(712)	(4,992)	(707)	(4,967)
	97,692	107,779	31,392	31,277
Share of post-acquisition reserves	9,690	17,579	–	–
Long-term loans to associates and joint ventures	12,541	18,495	12,329	13,075
Less: Allowance for impairment	(200)	(212)	–	–
	12,341	18,283	12,329	13,075
	119,723	143,641	43,721	44,352

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.

Movement of impairment losses in investment in associates and joint ventures were as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
As at 1 January	(4,992)	(5,105)	(4,967)	(4,967)
Write-back of impairment loss (Note 7)	1,100	113	1,080	–
Written off	3,180	–	3,180	–
	(712)	(4,992)	(707)	(4,967)

16. Associates and joint ventures (cont'd)

Movement of impairment losses in long-term loans to associates and joint ventures were as follows:

	Group		**Company**	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
As at 1 January	(212)	(257)	–	–
Write-back of impairment loss (Note 7)	12	45	–	–
	(200)	(212)	–	–

The Group has two (2018: two) associates and joint ventures that are material and a number of associates and joint ventures that are individually immaterial to the Group. All are equity accounted.

Name of associates and joint ventures	**Principal place of business**	**Equity ownership**	**Principal activities**
Modex Holding Limited ("Modex")	British Virgin Islands	18.34% (2018: 17.64%)	Leasing of offshore containers
PIL-PSA Terminal Pte Ltd ("PPST")	Singapore	49.00% (2018: 49.00%)	Port services provider

Summarised financial information of Modex and PPST and reconciliation with carrying amount of the investment in the consolidated financial statements are as follow:

	Modex		**PPST**	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
Assets and liabilities				
Current assets	16,305	16,885	92,715	100,654
Non-current assets	162,651	169,032	42,525	50,837
Current liabilities	(30,284)	(16,335)	(76,145)	(57,796)
Non-current liabilities	(90,378)	(99,502)	(17,289)	(46,017)
Non-controlling interest	(163)	(177)	–	–
Net assets	58,131	69,903	41,806	47,678

16. Associates and joint ventures (cont'd)

Summarised financial information of Modex and PPST and reconciliation with carrying amount of the investment in the consolidated financial statements are as follow: (cont'd)

	Modex		PPST	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Results				
Revenue	44,060	42,429	108,566	109,681
(Loss)/profit for the year	(9,453)	(5,677)	(6,494)	3,013
Other comprehensive income for the year	(3,189)	(3,139)	–	–
Total comprehensive income for the year	(12,642)	(8,816)	(6,494)	3,013
Reconciliation of net assets to carrying amount				
Group's share of net assets	25,926	29,988	20,485	23,362
Goodwill	1,174	94	–	–
Carrying amount of the Group's interest in Modex and PPST	27,100	30,082	20,485	23,362

Aggregate information of associates and joint ventures that are not individually material:

	Group	
	2019	**2018**
	US$'000	US$'000
Group's share of profits	9,357	14,477
Group's share of other comprehensive income	(2,465)	(1,948)
Group's share of total comprehensive income	6,892	12,529
Aggregate carrying amount of the Group's interests in these associates and joint ventures at 31 December	59,797	71,914

The Group's share in losses of certain associates and joint ventures have been recognised to the extent of the carrying amount of the investments. The cumulative and current year's unrecognised share of losses are as follow:

	Group	
	2019	**2018**
	US$'000	US$'000
At beginning of year	4,964	4,892
(Utilised)/additions	(78)	72
Disposal during the year	(3,874)	–
At end of year	1,012	4,964

16. Associates and joint ventures (cont'd)

The Group has not recognised its share of the current year losses of US$Nil (2018: US$72,000) as the Group's cumulative share of losses with the associates and joint ventures was capped at the investment amount.

17. Investments

	Group		Company	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
At fair value through profit or loss				
Quoted shares and securities	1	745	–	–
Unquoted shares and investments	–	43,110	–	43,110
	1	43,855	–	43,110
At fair value through other comprehensive income				
Quoted shares and securities	355	4,588	355	338
Unquoted shares and investments	31,519	31,941	9,535	9,535
	31,874	36,529	9,890	9,873
	31,875	80,384	9,890	52,983
Net carrying amount				
Current	3,145	693	–	–
Non-current	28,730	79,691	9,890	52,983
	31,875	80,384	9,890	52,983

17. Investments (cont'd)

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 FVTPL.

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.

18. Deferred transaction costs

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
At 1 January	56,772	59,731	55,943	58,731
Additions during the financial year	250	1,684	249	1,655
Amortisation during the financial year (Note 10)	(6,586)	(4,643)	(6,386)	(4,443)
Transfer to assets held for sale (Note 23)	(30)	–	–	–
At 31 December	50,406	56,772	49,806	55,943
Amount to be amortised:				
Not later than one year	6,290	6,366	6,090	6,137
Later than one year	44,116	50,406	43,716	49,806
	50,406	56,772	49,806	55,943

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 reclassed to loans.

19. Prepayments

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current				
Prepaid insurance	4,159	5,815	3,152	3,194
Advance charter hire	764	1,207	111	919
Other prepayments	5,626	7,555	1,405	2,790
	10,549	14,577	4,668	6,903
Non-current				
Prepaid insurance	1,071	4,125	–	–
Advance charter hire	–	–	227	2,308
Other prepayments	141	335	–	–
	1,212	4,460	227	2,308
Total prepayments	11,761	19,037	4,895	9,211

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.

20. Stocks

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Ship requisite stocks	690	1,022	652	979
Bunker fuel stocks	39,636	63,123	31,634	56,064
Lubricant stocks	7,148	8,047	6,713	7,318
Manufacturing stocks:				
- Raw materials	46,651	101,162	–	–
- Work-in-progress	8,288	46,534	–	–
- Finished goods	21,198	74,494	–	–
Others	645	1,305	646	638
Total stocks at lower of cost and net realisable value	124,256	295,687	39,645	64,999

21. Trade debtors

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Trade debtors	244,108	461,438	97,575	123,629
Less: Allowance for impairment	(12,571)	(10,707)	(7,990)	(6,916)
	231,537	450,731	89,585	116,713

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.

Trade receivables of the Group and the Company of US$121,361,000 and US$89,584,000 respectively (2018: US$Nil) has been pledged as security for a banking facility granted to the Group and the Company.

Expected credit losses

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
At 1 January	(10,707)	(10,224)	(6,916)	(7,065)
(Allowance)/write-back for the year (Note 7)	(3,262)	(866)	(1,074)	149
Write-off during the year	693	339	–	–
Acquisition of subsidiaries	10	(3)	–	–
Transfer to assets held for sale	671	–	–	–
Currency realignment	24	47	–	–
At 31 December	(12,571)	(10,707)	(7,990)	(6,916)

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.

22. Other debtors

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Marine claim receivables	2,023	2,015	1,999	1,947
Ship and office staff advances	788	883	731	732
Recoverable and deposits	96,075	152,969	7,197	2,974
	98,886	155,867	9,927	5,653
Less: Allowance for impairment	(391)	(658)	–	(322)
Total other debtors	98,495	155,209	9,927	5,331
Less: Non-refundable deposits	(8,594)	(37,823)	–	–
Loan and receivables	89,901	117,386	9,927	5,331
Movement in allowance accounts:				
At 1 January	(658)	(664)	(322)	(322)
(Allowance)/Write-back for the year (Note 7)	(649)	(14)	160	–
Write-off during the year	–	–	162	–
Transfer to assets held for sale	777	–	–	–
Currency realignment	139	20	–	–
At 31 December	(391)	(658)	–	(322)

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

23. Assets held for sale

	Group 2019	**Company 2019**
	US$'000	US$'000
Motor vessels	564,120	564,120
Disposal of PDL International Pte. Ltd.	91,402	–
Investment in a subsidiary	–	1,062
Assets classified as held for sale	655,522	565,182

In 2020, the Group and the Company has entered into various Sales and Purchases Agreement with various third parties, to dispose 16 motor vessels of the Group and the Company. The transactions have been completed during the financial year 2020.

Subsequent to the financial year end, the Group and the Company has identified another 40 motor vessels with intention for disposal.

23. Assets held for sale (cont'd)

On 12 April 2019, the Group has entered into a Sales and Purchases Agreement with a potential purchaser in relation to the disposal of the equity interests in PDL International Pte. Ltd ("PDL") for a sales consideration of US$53,486,000 in cash. The sales proceeds have been assigned as security to secure the Group's and the Company's revolving loan. The disposal has been completed on 13 March 2020 (Note 50) with a total gain on disposal of subsidiary of US$46,000,000. At 31 December 2019, PDL was classified as a disposal group held for sale.

The major classes of assets and liabilities of PDL classified as held for sale as at 31 December 2019 are, as follows:

	Group **2019** US$'000
Assets	
Fixed assets	37,911
Right-of-use assets	2,521
Intangible assets (Note 14)	2,101
Associates and joint ventures	6,274
Other investments	1,380
Stocks	1,300
Trade debtors	15,685
Other debtors	13,128
Deferred transaction cost (Note 18)	30
Prepayment	768
Amount due from related companies	1,180
Fixed deposits with banks	13
Cash and short-term deposits	9,111
Assets classified as held for sale	91,402
Liabilities	
Trade creditors	13,644
Loans	18,504
Lease liabilities	2,572
Bill payables	28
Other creditors and accruals	17,374
Amount due to related companies	45
Provision for taxation	36
Deferred tax liabilities (Note 11)	584
Liabilities associated with assets classified as held for sale	52,787
Net assets directly associated with disposal group	38,615
Amounts included in accumulated OCI:	
Foreign currency translation reserve	(633)
Fair value reserve	(300)
Other reserve	180
Reserves of disposal group classified as held for sale	(753)

23. Assets held for sale (cont'd)

For financial year ended 31 December 2018

	Group US$'000
At 1 January 2018	3,405
Disposal of subsidiaries (Note 15)	(3,380)
Disposal	(13)
Currency realignment	(12)
At 31 December 2018	–

On 4 May 2017, the Group's subsidiary has entered into Memorandum of Agreement to sell short term leasehold lands, 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.

24. Amounts due from holding company/related companies

	Group		Company	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
Current				
Subsidiaries	–	–	161,554	522,531
Associates and joint ventures	26,007	24,940	3,555	2,862
Related companies	12,492	9,406	11,564	9,406
	38,499	34,346	176,673	534,799
Less: Allowance for impairment	(255)	(156)	(2,100)	(5)
	38,244	34,190	174,573	534,794
Non-current				
Holding company	147,294	147,294	147,294	147,294
A subsidiary	–	–	390	–

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		Company	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
At 1 January	(156)	(60)	(5)	(5)
Charge for the year (Note 7)	(98)	(96)	(2,095)	–
Currency realignment	(1)	–	–	–
At 31 December	(255)	(156)	(2,100)	(5)

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

Current

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

Non-current

The amounts due from holding company and subsidiary (non-current) are unsecured, interest bearing at Nil% (2018: Nil%) and 4.45% per annum respectively and are not expected to be repaid within the next 12 months.

25. Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Short-term fixed deposits, secured	861	51,925	–	50,817
Short-term deposits with banks	12,633	3,837	–	–
Cash at bank and on hand	206,085	223,363	9,128	11,528
	218,718	227,200	9,128	11,528

The short-term fixed deposits have been pledged for certain banking facilities granted to the Group and the Company, which earned interest ranging from 1.00% p.a. to 6.50% p.a. (2018: 1.00% p.a. to 7.00% p.a.).

The interest earned on deposits with banks for the Group ranged from 0.01% p.a. to 7.00% p.a. (2018: 0.85% p.a. to 6.85% p.a.) respectively.

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.

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

	Group	
	2019	**2018**
	US$'000	US$'000
Cash and short-term deposits	218,718	227,200
Bank overdraft (Note 27)	(1,324)	–
	217,394	227,200

26. Trade creditors

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

27. Loans

	Maturities	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
Current					
Bank overdraft (Note 25)		1,324	–	1,324	–
Revolving loans					
- Unsecured		239,240	449,368	102,000	246,050
- Secured		209,340	50,000	209,340	50,000
Term loans					
- Unsecured		–	92,044	–	–
Less: Unamortised deferred transaction costs		–	(1,575)	–	–
		–	90,469	–	–
- Secured		525,141	244,057	450,596	139,220
Less: Unamortised deferred transaction costs		(1,688)	(1,704)	(940)	(716)
		523,453	242,353	449,656	138,504
Non-bank loans					
- Secured		164,340	50,000	164,340	50,000
		1,137,697	882,190	926,660	484,554
Non-current					
Term loans					
- Unsecured	2020	–	210,640	–	–
Less: Unamortised deferred transaction costs		–	(640)	–	–
		–	210,000	–	–
- Secured	2020-2032	219,873	736,094	64,633	461,846
Less: Unamortised deferred transaction costs		(1,232)	(2,437)	(743)	(832)
		218,641	733,657	63,890	461,014
Non-bank loans					
- Secured		–	130,000	–	130,000
		218,641	1,073,657	63,890	591,014

27. Loans (cont'd)

Deferred transaction costs

	Group		Company	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
At 1 January	(6,356)	(10,587)	(1,548)	(2,856)
Additions during the year	(2,652)	(1,152)	(2,523)	(1,135)
Amortisation during the year (Note 10)	6,088	5,383	2,388	2,443
At 31 December	(2,920)	(6,356)	(1,683)	(1,548)
Amount to be amortised:				
Not later than one year	(1,688)	(3,279)	(940)	(716)
Later than one year	(1,232)	(3,077)	(743)	(832)
	(2,920)	(6,356)	(1,683)	(1,548)

The unsecured revolving loans bear interest ranging from 2.93% p.a. to 6.96% p.a. (2018: 2.7% p.a. to 8.7% 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 9.8% p.a. (31 December 2018: 2.03% p.a. to 10.9% p.a.). Unsecured term loans bear interest rates ranging from Nil (2018: 3.97% p.a. to 4.21% 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 9% p.a. (2018: 7% p.a. to 8.5% p.a.)

Events of default

As at 31 December 2019, the Group and the Company had defaulted several term loans and revolving loans with the bankers. The Group and the Company did not make the repayment obligations on timely manner.

Due to these events of default, the bankers reserve the rights to request the Group and the Company for immediate repayment of outstanding loans amounting to US$734,262,000 and US$707,991,000 respectively.

Subsequent to the financial year end, the Group and the Company further defaulted loans amounting to US$143,930,000 and US$89,952,000 respectively.

27. Loans (cont'd)

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

			Non-cash changes				
	1.1.2019 US$'000	**Cash flows US$'000**	**Acquisition/ (Disposal) US$'000**	**Foreign exchange movement US$'000**	**Accretion of interests US$'000**	**Others US$'000**	**2019 US$'000**
Bank overdraft	–	1,324	–	–	–	–	1,324
Revolving loans	499,368	8,403	(69,861)	1,749	8,921	–	448,580
Term loans							
- current	332,822	(720,336)	–	(576)	110,130	801,413	523,453
- non-current	943,657	91,713	–	–	–	(816,729)	218,641
Non-bank loans							
- current	50,000	(15,660)	–	–	–	130,000	164,340
- non-current	130,000	–	–	–	–	(130,000)	–
Notes (Note 30)							
- current	79,567	(86,760)	–	615	6,760	44,064	44,246
- non-current	43,630	–	–	–	–	(43,630)	–
Lease liabilities (Note 42)							
- current	196,940	(123,135)	–	201	88,384	70,419	232,809
- non-current	1,528,558	–	209,972	–	–	(72,991)	1,665,539
Total	3,804,542	(844,451)	140,111	1,989	214,195	(17,454)	3,298,932

			Non-cash changes				
	1.1.2018 US$'000	**Cash flows US$'000**	**Acquisition US$'000**	**Foreign exchange movement US$'000**	**Accretion of interests US$'000**	**Others US$'000**	**2018 US$'000**
Bank trust receipts	1,519	(1,519)	–	–	–	–	–
Revolving loans	357,746	115,973	–	3,872	1,777	20,000	499,368
Term loans							
- current	474,393	(680,835)	–	(3,824)	158,841	384,247	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
Notes (Note 30)							
- current	71,765	(84,086)	–	(2,945)	13,695	81,138	79,567
- non-current	44,409	80,000	–	–	–	(80,779)	43,630
Lease creditors (Note 31)							
- current	58,308	41,320	–	–	3,270	–	102,898
- non-current	680,104	35,311	542,945	–	–	–	1,258,360
Total	2,899,999	(181,918)	542,945	(2,897)	177,583	4,590	3,440,302

The "Others" column includes the effect of reclassification of non-current portion of loans due to passage of time, transfer to liabilities associated with assets classified as held for sale and amortisation of deferred transaction costs.

28. Other creditors and accruals

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current				
Other creditors and accruals	145,705	202,387	73,596	67,483
Loan from directors	623	8,352	623	8,352
Deferred gains	–	4,072	–	4,072
	146,328	214,811	74,219	79,907
Non-current				
Other creditors	5,150	4,308	4,052	–
Loan from directors	19,959	–	19,959	–
Deferred gains	–	13,129	–	13,129
	25,109	17,437	24,011	13,129

Included in other creditors and accruals is an amount of US$18,700,000 (2018: US$25,000,000) represents advances received which bear interest ranging from Nil - 8.5% (2018: Nil - 8.5%) per annum.

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 2.2% to 2.4% (2018: 2.0% to 2.4%) per annum.

Deferred gains pertaining to sale-and-leaseback of containers accounted for as a sale-and-operating lease in accordance with SFRS(I) 1-17. The gains arising from the sale-and-leaseback are amortised over the lease term of 5 to 7 years. Upon initial adoption of SFRS(I) 16, the deferred gains are adjusted against the newly recognised leaseback right-of-use assets (Note 2.2).

29. Amounts due to related companies

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current				
Subsidiaries	–	–	514,789	489,652
Associates and joint ventures	107,874	99,041	96,269	88,459
Related companies	2,026	162,091	1,915	162,030
Less: Unamortised deferred transaction costs	(377)	(79)	(377)	(79)
	109,523	261,053	612,596	740,062
Non-current				
Related company	181,761	20,448	181,761	20,448
Less: Unamortised deferred transaction costs	(597)	–	(597)	–
	181,164	20,448	181,164	20,448

Deferred transaction costs

	Group and Company	
	2019	**2018**
	US$'000	US$'000
At 1 January	(79)	(293)
Additions during the year	(1,226)	–
Amortisation during the year (Note 10)	331	214
At 31 December	(974)	(79)
Amount to be amortised:		
Not later than one year	(377)	(79)
Later than one year	(597)	–
	(974)	(79)

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

Amount due to related company is unsecured, not expected to be repaid within the next 12 months and interest bearing, ranging from 2.27% p.a. to 4.61% p.a. (2018: 2.77% p.a. to 3.77% p.a.).

Events of default

Subsequent to the financial year end, the Group and the Company had defaulted loan received from a related party. The Group and the Company did not make the repayment obligations on timely manner.

Due to these events of default, the related party reserve the rights to request the Group and the Company for immediate repayment of outstanding loan amounting to US$163,174,000.

30. 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 2019 is S$60,000,000 (2018: S$60,000,000), consisting of:

		Group and Company	
		2019	**2018**
	Note	US$'000	US$'000
Listed			
Notes 2020 8.5%	(a)		
- current		44,401	–
- non-current		–	43,782
Less: Unamortised deferred transaction costs		(155)	(152)
		44,246	43,630
Non-listed			
Notes 2019 9% - current	(b)	–	80,000
Less: Unamortised deferred transaction costs		–	(433)
		–	79,567

(a) S$60,000,000 3-Year Fixed Rate Notes Due 2020 ("Notes 2020"), which was issued by the Company on 16 November 2017. The US$44,246,000 (2018: US$43,630,000) (S$60 million equivalent) Notes will mature on 16 November 2020 and bear interest rate of 8.5% per annum payable semi-annually.

(b) 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 US$50 million Notes has been redeemed in full on 3 October 2019.

The 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.

Event of default

Subsequent to the financial year end, the Group and the Company had defaulted Note 2020. The Group and the Company did not make the repayment obligations on timely manner.

Due to the event of default, the trustee of bondholders reserves the rights to request the Group and the Company for immediate repayment of outstanding debts amounting to US$44,401,000.

30. Notes (cont'd)

Deferred transaction costs

	Group and Company 2019 US$'000	2018 US$'000
At 1 January	(585)	(954)
Additions during the year	(1,009)	(1,043)
Amortisation during the year	1,439	1,412
At 31 December	(155)	(585)
Amount to be amortised:		
Not later than one year	(155)	(430)
Later than one year	–	(155)
	(155)	(585)

31. Lease creditors

	Maturities	Group 2018 US$'000	Company 2018 US$'000
Finance lease commitments			
Total commitments		1,360,723	1,341,951
Repayable within 1 year		(102,650)	(92,904)
Repayable after 1 year	2020-2033	1,258,073	1,249,047
Hire purchase creditors			
Total commitments		535	365
Repayable within 1 year		(248)	(125)
Repayable after 1 year	2020-2025	287	240
Total lease creditors:			
Current		102,898	93,029
Non-current		1,258,360	1,249,287
		1,361,258	1,342,316

31. 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 2018 US$'000	Company 2018 US$'000
Finance leases - Minimum lease payments		
Not later than one year	171,126	160,714
Later than one year but not later than five years	659,660	650,053
Later than five years	1,022,714	1,022,714
Total minimum lease payments	1,853,500	1,833,481
Less: Amounts representing finance charges	(492,777)	(491,530)
Present value of minimum lease payments	1,360,723	1,341,951
Finance leases - Present value of payments		
Not later than one year	102,650	92,904
Later than one year but not later than five years	440,220	431,194
Later than five years	817,853	817,853
Present value of minimum lease payments	1,360,723	1,341,951
Hire purchase creditors - Minimum lease payments		
Not later than one year	268	140
Later than one year but not later than five years	292	244
Later than five years	20	20
Total minimum lease payments	580	404
Less: Amounts representing finance charges	(45)	(39)
Present value of minimum lease payments	535	365
Hire purchase creditors - Present value of payments		
Not later than one year	248	125
Later than one year but not later than five years	268	221
Later than five years	19	19
Present value of minimum lease payments	535	365

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. (2018: 1.3% p.a. to 7.0% 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.

Upon initial adoption of SFRS(I) 16, all the lease creditors were reclassified to lease liabilities (Note 2.2).

32. 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	
	2019	**2018**
	US$'000	US$'000
0 to 30 days	361	21,466
31 to 60 days	817	9,194
61 to 90 days	–	3,808
91 to 120 days	–	5,977
Over 120 days	430	39,791
	1,608	80,236

33. Share capital

	Group and Company 2019 and 2018	
	No of shares	
	'000	US$'000
Issued and fully paid:		
At 1 January/31 December	376,127	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.

34. 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 3 to 5 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.

34. Share-based payments (cont'd)

Details of the outstanding share options are as follows:

	Number of share options	
	2019	**2018**
Outstanding at beginning of year	2,849,334	3,790,149
Forfeited during the year	(240,000)	(99,040)
Lapsed during the year	–	(841,775)
Outstanding at end of year	2,609,334	2,849,334

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 and all share options granted on 6 August were lapsed on 6 August 2018.

No share option expense was recognised in 2019 and 2018.

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%

35. 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.

36. Revaluation reserve

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

37. Fair value reserve

Fair value reserve records the cumulative fair value changes, net of tax, of investments carried at fair value through other comprehensive income until they are derecognised.

38. 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.

39. 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.

40. Share options reserve

Employee share options reserve represents the share-based payments granted to employees (Note 34). 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.

41. 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.

42. Leases

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. The Group's and the Company's obligations under its leases are secured by the lessor's title to the leased assets.

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.

Set out below the carrying amounts of right-of-use assets recognised and the movements during the financial year:

			Group		
	Motor vessels US$'000	**Office space** US$'000	**Machinery, equipment and motor vehicles** US$'000	**Assets under construction** US$'000	**Total** US$'000
At 1 January 2019	1,775,146	115,785	279,019	31,406	2,201,356
Additions	4,405	1,946	67,494	148,074	221,919
Reclassification	179,480	–	–	(179,480)	–
Disposals	–	(379)	(9,450)	–	(9,829)
Written off	–	(8,694)	(6,153)	–	(14,847)
Impairment loss (Note 7)	(178,437)	–	(2,756)	–	(181,193)
Disposal of subsidiaries (Note 15)	–	(40,357)	–	–	(40,357)
Transfer from fixed assets (Note 12)	421,475	–	–	–	421,475
Transfer to assets held for sale (Note 23)	(541,362)	(2,521)	–	–	(543,883)
Depreciation expenses	(128,875)	(10,244)	(59,926)	–	(199,045)
Currency realignment	–	(176)	11	–	(165)
At 31 December 2019	1,531,832	55,360	268,239	–	1,855,431

42. Leases (cont'd)

As lessee (cont'd)

	Company **Motor vessels** US$'000	**Office space** US$'000	**Machinery, equipment and motor vehicles** US$'000	**Assets under construction** US$'000	**Total** US$'000
At 1 January 2019	1,934,363	6,037	265,889	31,406	2,237,695
Additions	36,749	–	59,661	148,074	244,484
Reclassification	179,480	–	–	(179,480)	–
Disposals	(53,659)	–	(103)	–	(53,762)
Written off	–	–	(361)	–	(361)
Impairment loss (Note 7)	(175,894)	–	(2,756)	–	(178,650)
Transfer from fixed assets (Note 12)	300,580	–	–	–	300,580
Transferred to assets held for sale	(541,362)	–	–	–	(541,362)
Depreciation expenses	(169,438)	(1,290)	(58,436)	–	(229,164)
Changes in scope	–	1,272	(7)	–	1,265
At 31 December 2019	1,510,819	6,019	263,887	–	1,780,725

Set out below are the carrying amounts of lease liabilities as of year end:

	Group 2019 US$'000	**Company 2019** US$'000
Current	232,809	262,640
Non-current	1,665,539	1,727,796
	1,898,348	1,990,436

The movement during the year are disclosed in Note 27 and the maturity analysis of lease liabilities is disclosed in Note 46.

Events of default

Subsequent to the financial year end, the Group and the Company had defaulted several lease liabilities with the lease creditors. The Group and the Company did not make the repayment obligations on timely manner.

Due to these events of default, the lessors reserve the rights to request the Group and the Company for immediate repayment of outstanding lease liabilities amounting to US$764,223,000 and US$738,055,000 respectively. Subsequent to the financial year end, amount of US$422,679,000 of lease liabilities were renegotiated and defaults were remedied. The Group and the Company is in-the-midst of finalising supplemetal agreements with certain leasing creditors to remediate the events of default amounting to US$341,544,000 and US$315,376,000 respectively.

42. Leases (cont'd)

As lessee (cont'd)

Effective interest rates

The weighted average effective interest rates of the leases for the Group and the Company is 4.15% and 5.87% per annum respectively at the balance sheet date.

The following are the amounts recognised in profit or loss:

	Group **2019** US$'000	**Company** **2019** US$'000
Depreciation expense of right-of-use assets	199,045	229,164
Interest expense on lease liabilities	88,384	106,695
Included in shipping expenses:		
Expenses relating to short-term leases	26,536	26,179
Expenses relating to leases of low-value assets	5,495	–
Variable lease payment	(395)	(395)
Total amount recognised in profit or loss	319,065	361,643

The Group and the Company have lease contracts for vessels with its subsidiaries that contain variable payments based on floating interest rate. Management's objective is to align the lease expenses with the monthly instalments of the bank borrowings of the subsidiaries.

The Group and the Company have several contracts include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's and the Compnay's business needs. Management exercises significant judgment in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within 5 years US$'000	**More than 5 years** US$'000	**Total** US$'000
Extension options not expected to be exercised	1,853	2,620	4,473

42. Leases (cont'd)

As lessee (cont'd)

In 2018, 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.

In 2018, operating lease payments recognised in the income statement during the financial year amounted to US$215,650,000.

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

	Group 2018 US$'000	Company 2018 US$'000
Not later than one year	85,731	162,742
Later than one year but not later than five years	210,538	377,150
Later than five years	25,573	33,490
	321,842	573,382

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	
	2019 US$'000	2018 US$'000
Not later than one year	50,244	49,861
Later than one year but not later than five years	51,713	94,959
Later than five years	8,303	15,279
	110,260	160,099

43. 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	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
Commitments in respect of:				
- Acquisition of fixed assets	80,206	165,934	77,650	146,850
- Investments in an associate and a joint venture	18,365	18,625	–	–

44. 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	
	2019 US$'000	**2018** US$'000	**2019** US$'000	**2018** US$'000
Secured:				
Corporate guarantees given to banks on behalf of subsidiaries	–	–	–	4,998
Corporate guarantees given to banks on behalf of related companies	163,452	161,176	163,174	160,901
Performance guarantees given in respect of third parties	74	88	71	88
Standby letter of credit guarantee given in respect of third parties	343	343	343	343
Performance guarantees given in respect of related companies	372	285	372	285
Cross guarantee jointly provided by the company and one of its' subsidiaries for repayment of debts of a related company and a third party	–	–	18,447	–
	164,241	161,892	182,407	166,615

45. 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	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Subsidiaries:				
Charter hire fees income	–	–	(152,911)	(140,048)
Freight charges income	–	–	(41,782)	(47,908)
Management fee income	–	–	(779)	(847)
Human resource and administrative fees	–	–	(398)	–
Interest income	–	–	(763)	(295)
Charter hire fees expenses	–	–	–	105,033
Charter hire fees paid/payable	–	–	70,974	–
Freight charges expenses	–	–	103,791	97,465
Commission fees expenses	–	–	57,898	58,120
Container rental expenses	–	–	(1,694)	4,875
Storage, trucking, other expenses	–	–	1,692	2,204
Purchase of bunker	–	–	12,086	202,440
Purchase of vessels from subsidiaries	–	–	300,580	186,588
Interest expenses	–	–	13,576	1,404
Associates and joint ventures:				
Freight income	(2,214)	(3,344)	–	–
Interest income	(1,059)	(1,093)	(343)	(370)
Management fee income	(25)	(27)	–	–
Sale of containers	(4,242)	(2,298)	–	–
Rental income	(11)	(11)		
Charter hire fees expenses	3,176	3,176	–	3,176
Charter hire fees paid/payable	–	–	3,176	–
Terminal fees expenses	56,684	75,741	56,684	75,741
Commission expenses	7,114	7,624	6,698	7,228
Others	953	1,669	–	–
Related parties:				
Rental expenses	–	2,176	–	1,917
Rental paid/payable	2,059	–	1,888	–
Others	7,576	6,244	7,092	6,039

45. Significant related party transactions (cont'd)

(b) ***Compensation of key management personnel***

	Group	
	2019	**2018**
	US$'000	US$'000
Short-term employee benefits	4,854	4,449
Provident fund contribution	89	112
Retirement benefits	–	222
Total compensation paid to key management personnel	4,943	4,783
Comprise amounts paid to:		
Directors of the Company	4,943	4,783

46. 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.

46. 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 2019 and 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 2019 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	63,233	124,833	2,633	6,638	12,722	210,059
Loss allowance	–	–	258	1,002	10,612	11,872
Manufacturing						
Trade debtors	21,082	10,653	839	867	608	34,049
Loss allowance	26	24	7	34	608	699

Company	**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
Trade debtors	2,587	81,485	546	4,385	8,572	97,575
Loss allowance	–	–	–	–	7,990	7,990

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

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

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

(i) *Credit risk (cont'd)*

Company	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
Trade debtors	3,421	103,507	6,332	1,819	8,550	123,629
Loss allowance	–	–	–	–	6,916	6,916

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 and Company's trade debtors is as follows:

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
By geographical areas				
Africa	20,880	24,625	14,008	16,302
Asia	135,673	316,680	30,742	58,569
Australasia	23,698	28,395	11,189	11,519
Europe	19,121	28,073	6,901	8,971
The Americas	32,165	52,958	26,745	21,352
	231,537	450,731	89,585	116,713

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.

46. 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
2019				
Non-derivative financial liabilities				
Trade creditors	405,970	–	–	405,970
Other creditors and accruals	145,505	25,154	29	170,688
Amounts due to related companies	109,523	162,578	18,586	290,687
Loans (secured)	957,053	167,998	63,450	1,188,501
Loans (unsecured)	240,536	–	–	240,536
Bills payable	1,608	–	–	1,608
Notes	47,566	–	–	47,566
Lease liabilities	334,676	1,120,664	1,015,076	2,470,416
Derivative financial liabilities				
Bunker swaps	8,045	–	–	8,045
	2,250,482	1,476,394	1,097,141	4,824,017
2018				
Non-derivative financial liabilities				
Trade creditors	522,606	–	–	522,606
Other creditors and accruals	211,579	4,308	–	215,887
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
Derivative financial liabilities				
Interest rate swaps	193	–	–	193
Bunker swaps	1,161	–	–	1,161
	2,190,801	1,633,265	1,177,779	5,001,845

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

(b) Liquidity risk (cont'd)

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

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
2019				
Non-derivative financial liabilities				
Trade creditors	316,705	–	–	316,705
Other creditors and accruals	74,219	24,406	–	98,625
Amounts due to related companies	612,596	162,578	18,586	793,760
Loans (secured)	874,667	46,328	26,916	947,911
Loans (unsecured)	103,324	–	–	103,324
Notes	47,566	–	–	47,566
Lease liabilities	361,243	1,178,659	1,015,062	2,554,964
Derivative financial liabilities				
Bunker swaps	8,045	–	–	8,045
	2,398,365	1,411,971	1,060,564	4,870,900
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

46. 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 (2018: 50) basis point in interest rate would have decreased/increased the Group's profit or loss by approximately US$7,851,000 (2018: US$11,019,000) respectively. Similarly, the Company's profit or loss would have decreased/increased by approximately US$6,880,000 (2018: US$6,893,000) 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.

46. 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
2019		
Trade debtors	11,717	5,180
Other debtors	243	169
Amount due from related companies	8,982	9,043
Cash and short-term deposits	(1,267)	(1,786)
Trade creditors	(39,524)	(27,383)
Other creditors and accruals	(3,526)	(17,875)
Amounts due to related companies	(241,755)	(240,967)
Lease liabilities	(23,334)	(7,802)
Loans	(1,324)	(1,324)
Notes	(44,246)	(44,246)
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)

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$16,702,000 and US$16,350,000 respectively (2018: US$15,738,000 and US$15,257,000 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.

46. 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% (2018: 10%) at balance sheet date, the Group's profit or loss would have increased/(decreased) by approximately US$2,131,000 (2018: US$1,927,000) 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$2,131,000 (2018: US$1,927,000). This analysis assumes that all other variables, in particular interest rates and tax rates remain constant.

47. Financial instruments

(a) *Fair values*

<u>*Fair value hierarchy*</u>

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).

47. 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
2019				
Recurring fair value measurements				
Financial assets				
FVPL (Note 17(a))				
- Quoted shares	1	–	–	1
FVOCI (Note 17(a))				
- Quoted shares	355	–	–	355
- Unquoted shares	–	–	31,519	31,519
Derivative financial instruments (Note 47(c))				
- Bunker swaps	–	821	–	821
- Interest rate swaps	–	42	–	42
Financial assets as at 31 December 2019	356	863	31,519	32,738
Non-financial asset				
Investment property	–	–	18,504	18,504
Financial liabilities				
Derivative financial instruments (Note 47(c))				
- Bunker swaps	–	(8,045)	–	(8,045)

47. 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
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 47(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 47(c))				
- Interest rate swaps	–	(193)	–	(193)
- Bunker swaps	–	(1,161)	–	(1,161)
Financial liabilities as at 31 December 2018	–	(1,354)	–	(1,354)

47. 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
2019				
Recurring fair value measurements				
Financial assets				
FVOCI (Note 17(a))				
- Quoted shares and securities	355	–	–	355
- Unquoted shares	–	–	9,535	9,535
Financial assets as at 31 December 2019	355	–	9,535	9,890
Financial liabilities				
Derivative financial instruments (Note 47(c))				
- Bunker swaps	–	(8,045)	–	(8,045)
Financial liabilities as at 31 December 2019	–	(8,045)	–	(8,045)
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 47(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 47(c))				
- Interest rate swaps	–	(193)	–	(193)
- Bunker swaps	–	(1,161)	–	(1,161)
Financial liabilities as at 31 December 2018	–	(1,354)	–	(1,354)

47. Financial instruments (cont'd)

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

Level 1 fair value measurements

Quoted investment - by reference to stock exchange quoted market bid prices at the close of business at the end of the reporting period.

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 2019** $'000	**Fair value at 31 December 2018** $'000	**Fair value hierarchy**	**Valuation techniques**
Recurring fair value measurements				
Unquoted equity investment at FVPL (Note 17)	–	43,110	Level 3	NAV approach
Unquoted equity investment at FVOCI (Note 17)	19,002	17,486	Level 3	Market approach
	12,517	14,455	Level 3	NAV approach
	31,519	31,941		

i) using Market approach – key inputs are

a) price-to-earnings multiples of comparable companies, taking into account of the scale of the business of the comparable companies and other individual factors such as dividend yield generated by the comparable companies at 8.11 times (2018: 7.24 times). A slight increase in the price-to-earnings multiples would result in a slight increase in fair value and vice versa.

b) discount for lack of marketability, taking into account of the results from the finnerty option pricing model of 17% (2018: 19%). A slight increase in the discount for the marketability would result in a slight decrease in fair value and vice versa.

ii) using NAV Approach – net asset value approach which takes into consideration the fair value of the underlying assets and liabilities of the entities to which the financial instruments relate as well as the latest transaction price of the equity raising by the investees.

47. Financial instruments (cont'd)

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

Level 3 fair value measurements (cont'd)

Non-financial assets

The fair values of the Group's investment property as at 31 December 2019 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 sue provision for any reversionary income potential.

Below is a table which presents the significant unobservable inputs as at the date of transfer and 31 December 2019.

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% (2018: 7%-8%).	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 to RMB36 (2018: RMB33) per sqm per month.	A significant increase in the market rent used would result in fair 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	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Financial liabilities:				
Loans	164,322	52,491	164,322	43,455
Notes	44,246	123,197	39,256	122,163

	Company			
	Carrying amount		Fair value	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Financial liabilities:				
Notes	44,246	123,197	39,256	122,163

47. 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 **2019**	**Assets at amortised cost** US$'000	**Liabilities at amortised cost** US$'000	**Fair value through profit or loss** US$'000	**FVOCI** US$'000	**Total** US$'000
Assets					
Investments	–	–	1	31,874	31,875
Derivative financial instruments	–	–	863	–	863
Trade debtors	231,537	–	–	–	231,537
Other debtors	89,901	–	–	–	89,901
Amounts due from holding company	147,294	–	–	–	147,294
Amounts due from related companies	38,244	–	–	–	38,244
Short-term fixed deposits, secured	861	–	–	–	861
Cash and short-term deposits	218,718	–	–	–	218,718
	726,555	–	864	31,874	729,293
Liabilities					
Derivative financial instruments	–	–	8,045	–	8,045
Trade creditors	–	405,970	–	–	405,970
Loans	–	1,356,338	–	–	1,356,338
Bills payable	–	1,608	–	–	1,608
Notes	–	44,246	–	–	44,246
Other creditors and accruals - current	–	146,328	–	–	146,328
Amounts due to related companies	–	290,687	–	–	290,687
Lease liabilities	–	1,898,348	–	–	1,898,348
Other creditors – non-current	–	25,109	–	–	25,109
	–	4,168,634	8,045	–	4,176,679

47. Financial Instruments (cont'd)

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

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	**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 - current	–	210,739	–	–	210,739
Amounts due to related companies	–	281,501	–	–	281,501
Lease creditors	–	1,361,258	–	–	1,361,258
Other creditors – non-current	–	4,308	–	–	4,308
	–	4,539,692	1,354	–	4,541,046

47. Financial Instruments (cont'd)

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

Company 2019	**Financial assets at amortised cost** US$'000	**Liabilities at amortised cost** US$'000	**Fair value through profit or loss** US$'000	**FVOCI** US$'000	**Total** US$'000
Assets					
Investments	–	–	–	9,890	9,890
Trade debtors	89,585	–	–	–	89,585
Other debtors	9,927	–	–	–	9,927
Amounts due from holding company	147,294	–	–	–	147,294
Amounts due from related companies	174,963	–	–	–	174,963
Cash and short-term deposits	9,128	–	–	–	9,128
Derivative financial instruments	–	–	821	–	821
	430,897	–	821	9,890	441,608
Liabilities					
Derivative financial instruments	–	–	8,045	–	8,045
Trade creditors	–	316,705	–	–	316,705
Loans	–	990,550	–	–	990,550
Other creditors and accruals	–	98,230	–	–	98,230
Amounts due to related companies	–	793,760	–	–	793,760
Notes	–	44,246	–	–	44,246
Lease liabilities	–	1,990,436	–	–	1,990,436
	–	4,233,927	8,045	–	4,241,972

47. 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	**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

47. 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:

	Group			
	2019		2018	
	Assets US$'000	**Liabilities** US$'000	**Assets** US$'000	**Liabilities** US$'000
Current				
Interest rate swaps	42	–	–	193
Bunker swaps	821	8,045	–	1,161
Forward currency contracts	–	–	42	–
	863	8,045	42	1,354
Non-current				
Interest rate swaps	–	–	1,061	–
	–	–	1,061	–
	863	8,045	1,103	1,354

	Company			
	2019		2018	
	Assets US$'000	**Liabilities** US$'000	**Assets** US$'000	**Liabilities** US$'000
Current				
Interest rate swaps	–	–	–	193
Bunker swaps	821	8,045	–	1,161
Forward currency contracts	–	–	42	–
	821	8,045	42	1,354
	821	8,045	42	1,354

47. 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 2019 have notional quantities of 285,000 MT (2018: 60,000 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

In 2018, 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.

As at 31 December 2019, the above have been subjected to early termination during the financial year.

(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 (2018: JPY368,258,000).

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

48. 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 2019 and 31 December 2018.

49. 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.

49. Segment information (cont'd)

Segment reporting by operating segments

2019	**Shipping**	**Manufacturing**	**Adjustment and elimination**	**Total**
	US$'000	US$'000	US$'000	US$'000
Turnover				
External sales	2,796,080	679,342	–	3,475,422
Inter-segment sales	–	32,867	(32,867)	–
Total turnover	2,796,080	712,209	(32,867)	3,475,422
Segment result	(159,429)	(49,508)	(7,301)	(216,238)
Depreciation and amortisation	(321,148)	(29,434)	–	(350,582)
Share of results of associates and joint ventures	5,838	(702)	–	5,136
Loss before finance cost and taxation	(474,739)	(79,644)	(7,301)	(561,684)
Finance costs	(234,227)	(14,515)	5,151	(243,591)
Taxation	(28,166)	(16,638)	–	(44,804)
Segment losses	(737,132)	(110,797)	(2,150)	(850,079)
Segment assets	4,631,920	622,275	(177,286)	5,076,909
Associates and joint ventures	68,586	51,137	–	119,723
Consolidated total assets	4,700,506	673,412	(177,286)	5,196,632
Segment liabilities	4,503,650	110,705	(228,842)	4,385,513
Other segment items:				
Capital expenditures				
- Fixed assets	86,384	33,159	–	119,543

49. Segment information (cont'd)

Segment reporting by operating segments (cont'd)

2018	**Shipping** US$'000	**Manufacturing** US$'000	**Adjustment and elimination** US$'000	**Total** US$'000
Turnover				
External sales	2,789,929	1,700,644	–	4,490,573
Inter-segment sales	–	107,176	(107,176)	–
Total turnover	2,789,929	1,807,820	(107,176)	4,490,573
Segment result	126,045	142,738	(10,833)	257,950
Depreciation and amortisation	(200,903)	(34,542)	–	(235,445)
Share of results of associates and joint ventures	14,420	(2,475)	–	11,945
(Loss)/profit before finance cost and taxation	(60,438)	105,721	(10,833)	34,450
Finance costs	(192,183)	(18,549)	3,123	(207,609)
Taxation	(21,373)	(13,791)	–	(35,164)
Segment (losses)/profits	(273,994)	73,381	(7,710)	(208,323)
Segment assets	5,072,437	1,333,803	(166,084)	6,240,156
Associates and joint ventures	77,461	66,180	–	143,641
Consolidated total assets	5,149,898	1,399,983	(166,084)	6,383,797
Segment liabilities	4,157,088	704,204	(166,084)	4,695,208
Other segment items:				
Capital expenditures				
- Fixed assets	704,136	42,185	–	746,321

50. Events occurring after the reporting period

(a) ***Proposed Scheme of Arrangement***

On 10 November 2020, the Company filed an application under Section 210(1) of the Companies Act (Cap. 50) to the Singapore High Court to seek, amongst others, leave to convene a meeting to consider a proposed Scheme of Arrangement among the Company and certain of its creditors (the "Proposed Scheme"). The Company has received evidence of support from a group of creditors representing approximately 80% of the total value of claims contemplated to be subject to the Proposed Scheme. PIL's restructuring pursuant to the Proposed Scheme will result in fresh financing of up to US$600 million contemplated to be provided by certain entity or entities, which are managed and controlled by Heliconia.

(b) ***Outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak")***

Subsequent to the outbreak of the Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of measures to curb the COVID-19 outbreak have been and continues to be implemented in countries where the Group operate. Due to the uncertainty of the outcome of the current events, the Group cannot reasonably estimate the impact of these events will have on the Group's financial position, results of operations or cash flows in the future. Management is proactively managing the Group's businesses, maintaining vigilance and will take the necessary actions to ensure their long-term sustainability.

(c) ***Events of default***

Subsequent to the financial year end, the Group and the Company had defaulted several loans and lease liabilities with the banks, a related party, bondholders and leasing creditors. The Group and the Company did not fulfil the repayment obligations on timely manner.

Due to these events of default, the bankers, a related party, bondholders and lessors reserve the rights to request the Group and the Company for immediate repayment of outstanding loans and lease liabilities amounting to US$1,115,728,000 and US$1,035,582,000 respectively (Notes 27, 29, 30 and 42). Subsequent to the financial year end, amount of US$422,679,000 of lease liabilities were renegotiated and defaults were remedied (Note 42). The Group and the Company is in-the-midst of finalising supplemetal agreements with certain leasing creditors to remediate the events of default amounting to US$341,544,000 and US$315,376,000 respectively (Note 42).

50. Events occurring after the reporting period (cont'd)

(d) ***PDL***

On 13 March 2020, the Company had completed the disposal of entire equity interest in PDL International Pte. Ltd. ("PDL") for a consideration of US$53,468,000 settled in cash (Note 23).

(e) ***Sales of containers***

On 1 May 2020 and 1 August 2020, the Company has entered into a Container Sale Agreement with a buyer in relation to the disposal of certain containers of the Company. As at the date of this financial statements, the sales of the containers are partially completed.

51. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Directors on 30 November 2020.