



PACIFIC INTERNATIONAL LINES (PRIVATE) LIMITED

(Incorporated in the Republic of Singapore on 16 March 1967)
(UEN/Company Registration No. 196700080N)

S\$1,000,000,000

Multicurrency Medium Term Note Programme (the “Programme”)

This Supplemental Information Memorandum is a supplement to, and is to be read together with, the Information Memorandum dated 23 June 2014 (the “**Information Memorandum**”) relating to the Programme.

Save to the extent defined in this Supplemental Information Memorandum, terms defined or otherwise attributed meanings in the Information Memorandum have the same meaning when used in this Supplemental Information Memorandum.

This Supplemental Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Supplemental Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes (the “**Notes**”) to be issued from time to time by Pacific International Lines (Private) Limited (the “**Issuer**” or “**PIL**”) pursuant to the Programme may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and quotation for any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies (if any), the Programme or such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks, please see “Risk Factors” on page 79 of the Information Memorandum.

Arrangers



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NOTICE

Credit Suisse (Singapore) Limited, DBS Bank Ltd., Standard Chartered Bank (the “**Arrangers**”) have been authorised by the Issuer to arrange the Programme described herein. Under the Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Notes denominated in Singapore dollars and/or any other currencies.

This Supplemental Information Memorandum contains information with regard to the Issuer, its subsidiaries and associated companies (if any), the Programme and the Notes. The Issuer, having made all due and careful enquiries, confirms that this Supplemental Information Memorandum (when read together with the Information Memorandum) contains all information which is material in the context of the Programme or the issue and offering of the Notes, that the information contained in the Information Memorandum (as supplemented by this Supplemental Information Memorandum) is true and accurate in all material respects, that the opinions, expectations and intentions expressed in the Information Memorandum (as supplemented by this Supplemental Information Memorandum) have been carefully considered, are based on all relevant considerations and facts existing at the date of this Supplemental Information Memorandum and are fairly, reasonably and honestly held by the Issuer and that there are no other facts the omission of which in the context of the Programme or the issue and offering of the Notes would make any such information or expressions of opinion, expectation or intention misleading in any material respect.

Notes may be issued in series having one or more issue dates and the same maturity date, and on identical terms (including as to listing) except (in the case of Notes other than variable rate notes (as described under “Summary of the Programme”)) for the issue dates, issue prices and/or the dates of the first payment of interest, or (in the case of variable rate notes) for the issue prices and rates of interest. Each series may be issued in one or more tranches on the same or different issue dates. The Notes will be issued in bearer form and may be listed on a stock exchange. The Notes will initially be represented by either a Temporary Global Note (as defined herein) or a Permanent Global Note (as defined herein) which will be deposited on the issue date with either CDP (as defined herein) or a common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”) or otherwise delivered as agreed between the Issuer and the relevant Dealer(s) (as defined herein). Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s) and may be subject to redemption or purchase in whole or in part. The Notes will bear interest at a fixed, floating, variable or hybrid rate or may not bear interest or may be such other notes as may be agreed between the Issuer and the relevant Dealer(s). The Notes will be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement (as defined herein) issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement which is to be read in conjunction with the Information Memorandum and this Supplemental Information Memorandum.

The maximum aggregate principal amount of the Notes to be issued, when added to the aggregate principal amount of all Notes outstanding (as defined in the Trust Deed referred to herein) shall be S\$1,000,000,000 (or its equivalent in any other currencies) or as may be increased in accordance with the provisions of the Programme Agreement (as defined herein).

No person has been authorised to give any information or to make any representation other than those contained in this Supplemental Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Arrangers or any of the Dealers.

Save as expressly stated in this Supplemental Information Memorandum (read with the Information Memorandum), nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer or any of its subsidiaries or associated companies (if any). Neither this Supplemental Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme may be used for the purpose of, and does not constitute an offer of, or solicitation or invitation by or on behalf of the Issuer, any of the Arrangers or any of the Dealers to subscribe for or purchase, the Notes in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Supplemental Information Memorandum or any such other document or information and the offer of the Notes in certain jurisdictions may be restricted by law. Persons who distribute or publish this Supplemental Information Memorandum or any such other document or information or into whose possession this Supplemental Information Memorandum or any such other document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

The Notes have not been, and will not be, registered under the Securities Act (as defined herein) or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Neither this Supplemental Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuer, any of the Arrangers or any of the Dealers to subscribe for or purchase, any of the Notes.

This Supplemental Information Memorandum and any other documents or materials in relation to the issue, offering or sale of the Notes have been prepared solely for the purpose of the initial sale by the relevant Dealer(s) of the Notes from time to time to be issued pursuant to the Programme. This Supplemental Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA and may not be relied upon by any person other than persons to whom the Notes are sold or with whom they are placed by the relevant Dealer(s) as aforesaid or for any other purpose. Recipients of this Supplemental Information Memorandum shall not reissue, circulate or distribute this Supplemental Information Memorandum or any part thereof in any manner whatsoever.

Neither the delivery of this Supplemental Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Notes shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer or any of its subsidiaries or associated companies (if any) or in the information herein since the date hereof or the date on which this Supplemental Information Memorandum has been most recently amended or supplemented.

The Arrangers and the Dealers have not separately verified the information contained in this Supplemental Information Memorandum. None of the Arrangers, any of the Dealers or any of their respective officers, employees or agents is making any representation or warranty, expressed or implied as to the merits of the Notes or the subscription for, purchase or acquisition thereof, or the creditworthiness or financial condition or otherwise of the Issuer or its subsidiaries or associated companies (if any). Further, none of the Arrangers nor any of the Dealers makes any representation or warranty as to the Issuer, its subsidiaries or associated companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Supplemental Information Memorandum.

Neither this Supplemental Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue of the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, any of the Arrangers or any of the Dealers that any recipient of this Supplemental Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Notes.

A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Issuer and its subsidiaries and associated companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer and its subsidiaries and associated companies (if any). Accordingly, notwithstanding anything herein, none of the Arrangers, the Dealers or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Supplemental Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in, referred to in or omitted from this Supplemental Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Notes by a recipient of this Supplemental Information Memorandum or such other document or information (or such part thereof).

To the fullest extent permitted by law, none of the Arrangers or any of the Dealers accept any responsibility for the contents of the Information Memorandum (as supplemented by this Supplemental Information Memorandum) or for any other statement, made or purported to be made by any of the Arrangers or Dealers or on its behalf in connection with the Issuer or the issue and offering of the Notes. Each Arranger and Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of the Information Memorandum (as supplemented by this Supplemental Information Memorandum) or any such statement.

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, the Information Memorandum (as supplemented by this Supplemental Information Memorandum): (1) any annual reports, audited consolidated annual financial statements and/or unaudited consolidated half-year financial statements of the Issuer and its subsidiaries and associated companies (if any), and (2) any supplement or amendment to the Information Memorandum (as supplemented by this Supplemental Information Memorandum) issued by the Issuer. The Information Memorandum (as supplemented by this Supplemental Information Memorandum) is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any series or tranche of Notes, any Pricing Supplement in respect of such series or tranche. Any statement contained in the Information Memorandum (as supplemented by this Supplemental Information Memorandum) or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of the Information Memorandum (as supplemented by this Supplemental Information Memorandum) to the extent that a statement contained in the Information Memorandum (as supplemented by this Supplemental Information Memorandum) or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Information Memorandum (as supplemented by this Supplemental Information Memorandum). Copies of all documents deemed incorporated by reference herein are available for inspection at the specified office of the Principal Paying Agent (as defined herein) or, as the case may be, the Non-CDP Paying Agent (as defined herein).

Any purchase or acquisition of the Notes is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement and the issue of the Notes by the Issuer pursuant to the Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Notes or pursuant to this Supplemental Information Memorandum shall (without any liability or responsibility on the part of the Issuer, any of the Arrangers or any of the Dealers) lapse and cease to have any effect if (for any other reason whatsoever) the Notes are not issued by the Issuer pursuant to the Programme Agreement.

Certain figures included in this Supplemental Information Memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The attention of recipients of this Supplemental Information Memorandum is drawn to the restrictions on resale of the Notes set out under the section "Subscription, Purchase and Distribution" on pages 105 to 106 of the Information Memorandum.

Any person(s) who is invited to purchase or subscribe for the Notes or to whom this Supplemental Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Notes or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

It is recommended that persons proposing to subscribe for, purchase or otherwise acquire any of the Notes consult their own legal and other advisers before subscribing for, purchasing or acquiring the Notes. Any decision to invest in and purchase and/or subscribe for Notes should be made on the basis of the Conditions (as defined herein) and the information contained in the Information Memorandum. Prospective purchasers of the Notes are advised to consult their own tax advisors concerning the tax consequences of the acquisition, ownership or disposition of the Notes.

AMENDMENTS TO THE INFORMATION MEMORANDUM

The Information Memorandum shall be amended as follows:

- by deleting the paragraph on “Current Trading” in the section “Financial Summary and Overview” appearing on page 74 of the Information Memorandum in its entirety and by substituting therefor the following:

“Current Trading

The shipping industry continues to remain challenged, consistent with the experience in 2014, driven by an imbalance between supply and demand, with supply outpacing demand resulting in depressed freight rates. Despite such an environment, the Group recorded a net profit in 1H2015 helped by lower bunker rates. For the remainder of 2015, the Group expects an even more challenging environment with freight rates lower than the previous year and as a result, the overall financial performance for 2015 is not expected to be materially different from that of the past two financial years.

From 1 January 2015 to 1 October 2015, the Group had four new vessels delivered and disposed of two older vessels.”;

- by inserting the following as a new sub-section after the sub-section “4. BUSINESS SECTORS” in the Information Memorandum:

“5. RECENT DEVELOPMENTS

5.1 Overview

Overview of the Group's business

The Issuer was recently ranked 19th amongst the top container ship operators in the world based on the total TEU capacity of its operating fleet¹, with a turnover of over US\$4.6 billion in FY2014. As of 1 October 2015, the Group has an operating fleet of 169 vessels (comprising 134 vessels owned by the Group and 35 chartered vessels) with a total shipping capacity of over 359,350 TEUs for its container vessels and over 1,376,731 DWT for its bulk carrier and multi-purpose vessels. The Group is a charterer of container vessels on a net basis, charter-hiring more vessels than it charters out at any point in time. As at 1 October 2015, it has on order two (2) container vessels to be delivered by the end of 2015 and another eight (8) container vessels to be delivered by late 2017 till mid-2018. The vessels on order are of varying sizes ranging from 3,900 to 11,800 TEUs for container vessels.

Turnover by business sectors

The following chart provides a breakdown of turnover for each of the Group's business sectors from FY2011 to FY2014:

Turnover by business sector	Gross Turnover (in US\$ million)			
	FY2011	FY2012	FY2013	FY2014
Shipping	2,460	2,916	3,108	3,000
Container manufacturing	1,784	1,508	1,254	1,479
Others	128	121	154	153
Total	4,372	4,545	4,516	4,632

¹ Source: The Alphaliner – Top 100 – Operated fleets. <http://www.alphaliner.com/top100/>

5.2 Shipping Sector

Summary of shipping business

The following table provides a summary of the volume from the Group's shipping business from FY2011 to FY2014:

	FY2011	FY2012	FY2013	FY2014
Volume ('000 TEUs)	1,882	2,021	2,270	2,230

Vessel Fleet

Between September 2010 and September 2015, the Group saw the total slot capacity of its fleet grow by about eight (8) per cent. annually.

As at 1 October 2015, the Group operates a total of 146 container vessels, out of which the Group owns 113 container vessels and charters 33 container vessels, with a total capacity of approximately 359,350 TEUs and is a charterer of container vessels on a net basis, charter-hiring more vessels than it charters out at any point in time.

The Group's Multi-Purpose Service carries containers and general / breakbulk cargo, as well as project cargo ranging from industrial products, oil rigs / heavy equipment, to transportation units like rail locomotives and rolling stock, among others. The Group's Multi-Purpose Service offers a direct link between the Far East to Africa for project and breakbulk shipments. As of 1 October 2015, the Group owns 12 multi-purpose vessels of 24,200-27,200 DWT.

In addition as of 1 October 2015, the Group also owns four (4) Capesize bulk carrier ships, each of 180,000 DWT and five (5) Supramax geared bulk carriers, each of 57,000 DWT. These ships are on time charter to various operators. The Group also charters two (2) bulk carriers of 55,500 – 61,200 DWT.

A breakdown of the age of the Group's fleet as of 1 October 2015 is set out in the table below:

Container Vessels

Age of Vessels (Years)	Status of Vessel	Number of Vessels	Total Capacity (TEUs)
0 - 5 yrs	Owned	34	136,062
	Chartered	7	25,042
6 - 10 yrs	Owned	35	84,357
	Chartered	15	38,948
11 - 15 yrs	Owned	23	30,879
	Chartered	5	11,503
> 15 yrs	Owned	21	27,646
	Chartered	6	4,913
Total		146	359,350

The average age of the Group's owned container vessels is about nine (9) years, which is in line with the industry average of about nine (9) years².

² Worldyards.com Pte. Ltd.

Bulk carrier and multi-purpose vessels

Age of Vessels (Years)	Status of Vessels	Number of Vessels	Deadweight Capacity (DWT)
Up to 5	Owned	21	1,259,924
	Chartered	2	116,807
Total		23	1,376,731

The average age of the Group's owned bulk carrier and multi-purpose vessels is about three (3) years and two (2) years respectively, compared with the industry average of about 13 years and 20 years³ respectively.

Newbuilding programme

Under the Group's newbuilding programme, the Group is committed to accept delivery of the following vessels as set out in the table below:

Year	Number of Vessels	Total Capacity (TEUs)
2015	2 container ships	7,800
2017	2 container ships	23,600
2018	6 container ships	70,800

Principal routes and services

The principal routes of the Group's container shipping services are classified based on the main markets where the shipments are to be received, and can be broadly categorised under Africa (South, East and West Africa), Red Sea and Gulf, Indian Sub-Continent, Australasia (Australia, New Zealand and Pacific Islands), Americas (Transpacific and South America), Europe and Intra Asia. The Group operates mainly in the major north-south routes in the Africa, Red Sea, Middle East, Indian Sub-Continent, Australasia, Americas and Intra Asia markets. From FY2011 to FY2014, the bulk of the Group's volume was attributable to the Africa, Intra Asia, Red Sea and Gulf and Australasia routes. The Group is one of the leading container shipping service providers in the Africa, Intra Asia, Red Sea, Gulf and Australasia routes.

The table below illustrates volume (by percentage) in the Group's principal routes from FY2011 to FY2014:

	Volume			
	FY2011(*) (%)	FY2012(*) (%)	FY2013(*) (%)	FY2014(*) (%)
Africa	21.7	24.5	26.8	29.5
Australia	10.3	12.2	11.2	10.6
Red Sea and Gulf	22.9	19.5	19.2	19.8
Europe and Black Sea	8.5	5.2	4.8	4.3
South America	6.5	7.4	6.8	6.1
Transpacific	6.2	7.3	7.3	7.1
India	6.1	6.6	7.0	6.3

³ Worldyards.com Pte. Ltd.

Intra Asia	17.8	17.3	16.9	16.3
Total	100	100	100	100

*Percentage based on actual bill of lading

The acquisition of Mariana Express Lines Pte. Ltd ("MELL")

On 11 March 2015, the Issuer acquired a 65% share of MELL. MELL is a Singapore based container line operator which specialises in the niche markets within the Asia-Pacific region including the North Pacific Islands (Micronesia Islands and Mariana Islands), Okinawa, Timor Leste and Papua New Guinea. MELL also operates a container depot in Timor Leste and Davao. The Issuer believes that the acquisition complements the Group's global shipping network.

Launch of new shipping services

In the second half of 2014, the Group expanded its shipping operations by launching the New Zealand to China service and the extension of the Group's Chittagong service from Singapore to China.

In 2015, the Group further expanded its network into North Pacific Islands (Micronesia and Mariana Islands), Okinawa, Timor Leste and Papua New Guinea through the acquisition of MELL; launched its China to Thailand to Vietnam service; and launched the second string of its Gulf Service with Yang Ming Marine Transport Corporation (Yang Ming), China Ocean Shipping Company (COSCO) and Wan Hai Lines Ltd.

Market growth

African market

The successful implementation of the Group's strategy in the African market has seen the revenue contribution from the African sector growing from approximately 34.4 per cent. in FY2011 to 41.8 per cent. in FY2014. To further enhance its competitiveness in Africa, the Group has taken delivery of 10 units of 3,900 TEUs vessels (the "**Africamax vessels**") and will take delivery of two (2) other units of 3,900 TEUs vessels by the end of 2015. Out of these 12 vessels, eight (8) will be owned by the Group and four (4) will be chartered through a sale-and-leaseback arrangement. These vessels are designed with the maximum size allowable in African ports and are equipped with onboard cranes to facilitate cargo operations at ports without shore cranes.

South American market

Following the Group's entry in the East Coast of South America trade in 2005 and in the West Coast of South America in 2011, the Group is placed in a strategic position to enjoy growth in the region and increase trade flow between Asia and Latin America.

Diverse customer base

The Group maintains a diverse customer base which ranges from multinational companies to sole proprietors, serving key industries such as petrochemicals, mining, steel, FMCGs (fast moving consumer goods), electronics, general household products, construction materials, fresh fruits, meat, cooking oil and grains. The Group benefits from a diverse customer base with the top 10 customers of the Group's shipping business contributing less than five (5) per cent. of the Group's total turnover for FY2014 ensuring that its revenue stream is not overly reliant on a few customers and less susceptible to shocks from any of its customers' markets.

The Group's key customers include BHP Billiton Marketing Asia, Dole Asia Holdings Pte Ltd, Exxon Mobil Chemical Asia Pacific, Del Monte Fresh Produce Philippines, Louis Dreyfus Commodities,

Fonterra Brands (New Zealand) Ltd, New Zealand, SCG Trading Company Limited, Thailand, Wilmar International Limited and Zespri Group Limited.

Ship management services

The Group's vessels are operated by multinational crews mainly from the PRC, India, Myanmar, the Philippines, Sri Lanka and Indonesia, with manning offices in Yangon, Chennai and Colombo. The Group employs a manning manager in Manila to oversee the activities of its crewing agents, Wallem Maritime Services Inc., ("**WMSI**"). The Group conducts VIDEOTEL computer-based training onboard its vessels as well as ashore in its Singapore, Philippines, Myanmar, Colombo offices (through its agency) and Chennai office. In addition, onboard training is conducted by training superintendents who sail onboard the Group's vessels for short voyages (approximately seven (7) days) at six-monthly intervals. Shore-based training for the Group's seafarers is also conducted at the Group's Philippines, Myanmar and Colombo offices (through its agency).

5.3 Container Manufacturing Sector

Overview

The Group is the largest shareholder of Singamas, which is listed on HKSE, with the Issuer holding 39.5 per cent. of the shares in Singamas as of 1 October 2015.

As of 1 October 2015, Singamas' manufacturing facilities consists of 12 container manufacturing factories located in the PRC with 17 production lines. Singamas is the world's second largest container manufacturer with 27 years of operating history and a production capacity of one million TEUs of dry and specialised containers and 5,000 units of offshore containers.

To complement its primary business of manufacturing containers, Singamas also operates 11 container depots and terminals (eight (8) in the PRC, two (2) in Hong Kong and one (1) in Thailand) and a logistics company in Xiamen. Its depots and terminals offer container storage and handling services, dry and refrigerated container maintenance and repair, container freight station, cargo stuffing and other container related services. The total yard size of its depots and terminals is approximately 1,181,000 sq. m. with a total storage capacity of about 154,100 TEUs.

In order to tap the increasing demand of refrigerated containers and to increase its competitiveness in the long term, Singamas will build a new refrigerated container factory in Qingdao. A parcel of land has already been secured for the factory, which is expected to commence operation by the end of 2016.

In FY2014, Singamas sold approximately 683,000 TEUs of containers. Sales from Singamas' container manufacturing business amounted to US\$1,515 million⁴ for FY2014, which accounted for 98 per cent. of Singamas' total sales, and sales from Singamas' logistics business for FY2014 amounted to US\$31 million, which accounted for two (2) per cent. of Singamas' total sales. The accounts of Singamas are consolidated into the accounts of the Group.

The following table provides a summary of the sales volume and turnover from the Group's container manufacturing business from FY2011 to FY2014:

⁴ Singamas' container manufacturing turnover includes intercompany sales between Singamas and other members of the Group.

	FY2011	FY2012	FY2013	FY2014
Sales Volume⁵ ('000 TEUs)	672	572	542	683
Turnover (US\$'000,000)	1,784	1,508	1,254	1,479

Products

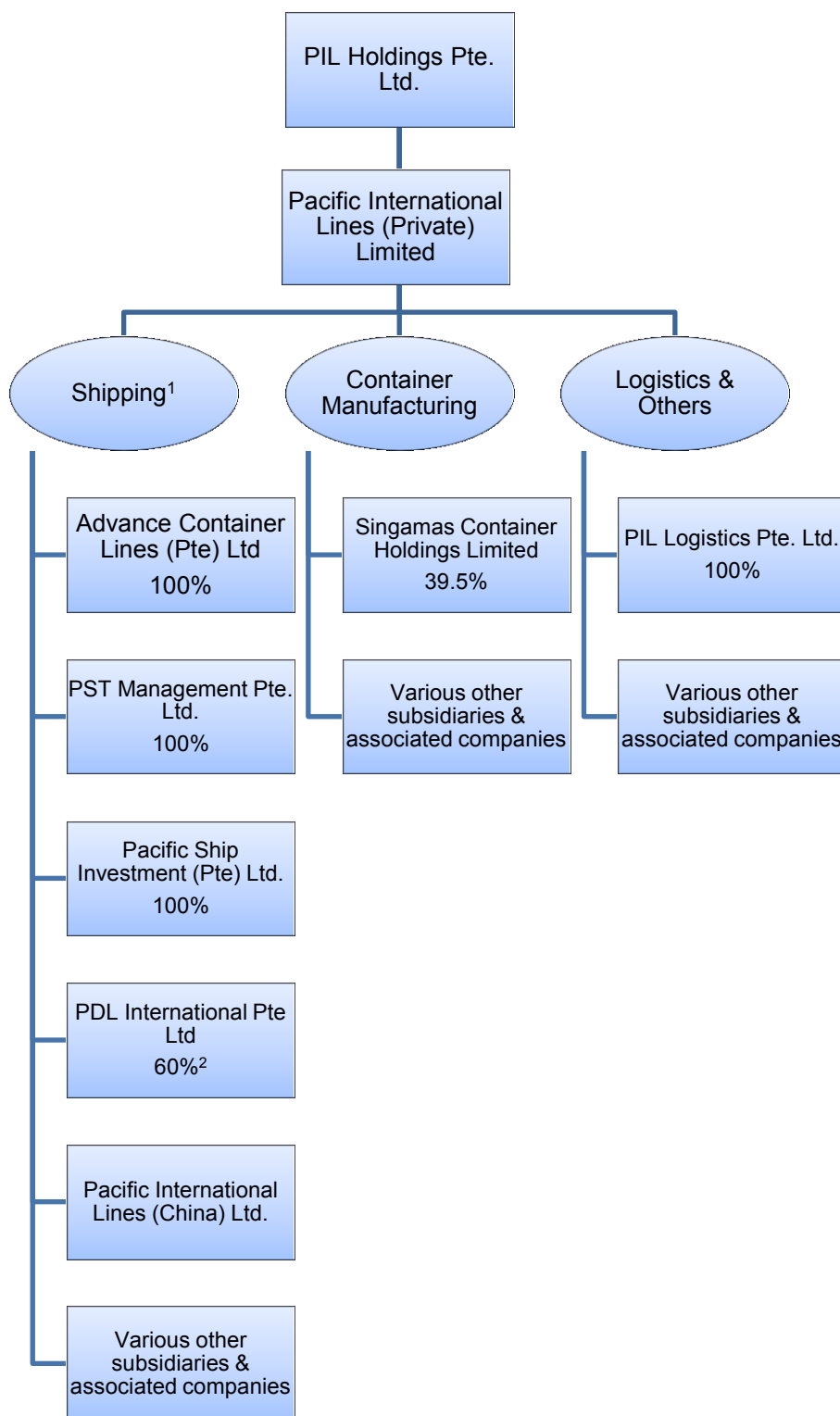
Singamas produces a wide range of container-related products including dry freight containers, collapsible flatrack containers, open top containers, refrigerated containers, 53-foot U.S. domestic containers, bitutainers, tank containers, other specialised containers, offshore containers and container parts.

On 19 February 2014, Singamas entered into a joint venture with Petopa Holding Limited, Container Investment Fund I LLC, Global Energy & Transport LLC and Montesol AS to acquire the issued share capital of Modex Holding Limited ("**Modex**"). The Group currently owns 29.9 per cent. of the issued share capital of Modex. The Modex Group (the group of companies headed by Modex) is principally engaged in the manufacturing of Det Norske Veritas certified cargo carrying units, cabins and equipment of offshore oil and gas operations. The Modex Group also engages in the business of selling and leasing cargo and modules for the offshore industry. The joint venture will diversify Singamas' business and expertise into a specialised and high growth market.";

⁵ This refers to the sales volume for Singamas.

3. by deleting the chart in section "2. CORPORATE STRUCTURE" appearing on page 48 of the Information Memorandum and by substituting therefor the following:

"The following chart sets out an overview of the Group's corporate structure and investments as at 1 October 2015:



¹ Includes Shipowner / Operator / Charterer / Shipping Agencies

² Includes direct and indirect interests";

4. by deleting the write-up on **"Mr Teo Woon Tiong @ Chang Yun Chung ("YC Chang")** in **"DIRECTORS"** under the section **"Board of Directors"** appearing on page 68 of the Information Memorandum and by substituting therefor the following:

"Mr Y C Chang started his shipping career in Singapore in 1949. He founded PIL in 1967 and was its Managing Director till 1992. He is currently the Chairman of PIL and has directorships in certain associated companies and subsidiaries of PIL Group. In recognition of his invaluable contributions and devotion to the group during his term of office, he was appointed Honorary Chairman of Singamas Container Holdings Limited, a subsidiary of PIL which is listed on the Hong Kong Stock Exchange.";

5. by deleting the write-up on **"Mr Teo Siong Seng"** in **"DIRECTORS"** under the section **"Board of Directors"** appearing on page 68 of the Information Memorandum and by substituting therefor the following:

"Mr Teo Siong Seng ("SS Teo")

Mr SS Teo joined PIL in 1979 and is currently the Managing Director of PIL. He graduated from Glasgow University in the United Kingdom in 1979 with a First Class Honours Degree in Naval Architecture & Ocean Engineering. Mr Teo is also the Chairman and Chief Executive Officer of PIL's public listed subsidiary, Singamas Container Holdings Limited, Hong Kong. Mr Teo was appointed as a Nominated Member of Parliament from 16 July 2009 to 5 August 2014 representing the Singapore Commerce sector and was also the Immediate Past President of Singapore Chinese Chamber of Commerce and Industry. Mr Teo was also appointed as the Honorary Consul of the United Republic of Tanzania with jurisdiction over the territory of the Republic of Singapore on 19 August 2013. He is presently also the Chairman of Singapore Business Federation, Singapore Maritime Institute and the Standard Steamship Owner's Protection and Indemnity Association (Asia) Ltd and sits on the Board of Business China Singapore.";

6. by deleting the write-up on **"Mr Tan Chor Kee"** in **"DIRECTORS"** under the section **"Board of Directors"** appearing on page 68 of the Information Memorandum and by substituting therefor the following:

"Mr Tan Chor Kee joined PIL in 2000 and the Board in 2006. He is currently the Deputy Managing Director of PIL. He graduated from the University of Singapore with a First Class Honours degree in Mechanical Engineering and has more than 35 years of experience in shipping particularly in equipment management, cost control, corporate planning, logistics operations, agency and liner business. He also has four years of experience working in Hong Kong as Managing Director and concurrently as Regional Representative of North Asia covering Japan, Korea, Taiwan and the PRC. Mr Tan is also the Non-Executive Director of Singamas Container Holdings Limited, a subsidiary of PIL which is listed on the Hong Kong Stock Exchange.";

7. by deleting the write-up on **"Mr Teo Teng Seng ("TS Teo")** in **"DIRECTORS"** under the section **"Board of Directors"** appearing on page 68 of the Information Memorandum and by substituting therefor the following:

"Mr TS Teo joined PIL in 1993 and the Board in 1999. He is currently an Executive Director of PIL. He holds a MBA from the University of Washington and a Bachelor of Science in Electrical Engineering (Honours) conferred by University of Tennessee. Mr TS Teo is also the Managing Director of PIL Logistics Pte. Ltd. (**"PIL Logistics"**), a wholly owned subsidiary of PIL, with businesses in PRC, Vietnam, Cambodia and the United States. His responsibilities as Managing Director of PIL Logistics include providing strategic direction to guide the business into the future with planned goals, objectives and tactical plan. He also refines go-to-market strategies including value propositions, services, solutions, marketing and branding. He further oversees and identifies

new areas of growth for PIL Logistics and builds international strategic partners to facilitate the growth of the company.";

8. by deleting the write-up on "**Mr Kuan Kim Kin ("K K Kuan")**" in "**DIRECTORS**" under the section "Board of Directors" appearing on page 68 of the Information Memorandum and by substituting therefor the following:

"Mr K K Kuan joined PIL in 1994 and the Board in 2004. He is currently the Executive Director (Finance) of PIL. Mr. Kuan is a fellow member of The Chartered Institute of Management Accountants (United Kingdom). Prior to joining PIL, he held a number of senior financial and accounting positions across diverse business groups, including two (2) public listed companies in Malaysia. He is also a Non-Executive Director of Singamas Container Holdings Limited, a subsidiary of PIL which is listed on the HKSE.";

9. by deleting the write-up on "**Mr Teo Tiou Seng (Tony)**" in "**DIRECTORS**" under the section "Board of Directors" appearing on page 68 of the Information Memorandum and by substituting therefor the following:

"Mr Tony Teo joined PIL in 1987 and the Board in 1999. He is presently an Executive Director of PIL. He holds a MBA from the University of Western Ontario, Richard Ivey School of Business - the leading business school in Canada. Mr Teo is also an Executive Director of Singamas Container Holdings Limited, Hong Kong and the Managing Director of Pacific International Lines (Hong Kong) Limited. Mr Teo has been in the shipping business since 1977 and has more than 26 years and 5 years of working experience in container transport business and passenger liner business respectively. Mr Teo has served the Singapore Association in Hong Kong as Chairman in 2005 through 2007 and his services have helped to foster a sense of community among Singaporeans living in Hong Kong. In this regard, he is awarded a Certificate of Appreciation by the Singapore International Foundation."; and

10. by deleting the write-up on "**Mrs Lim Jock Fong (Yvonne)**" in "**DIRECTORS**" under the section "Board of Directors" appearing on page 68 of the Information Memorandum and by substituting therefor the following:

"Mrs Yvonne Lim joined PIL in 1983 and the Board in 2012. She is currently the Executive Director (Liner) of PIL. Prior to that, she was General Manager (Liner) from June 2006 to February 2012. Mrs Lim started her career with PIL in the Accounts Department and in 1988, she was transferred to join the shipping division handling the multi-purpose service and the container liner business. She has vast experience in the agency and liner business especially in the field of trade management, new market research and development as well as agency setup."

11. by deleting the second paragraph of the risk factor "***The Group's container shipping business operates in an industry that is highly cyclical in nature and subject to seasonal fluctuations which has impacted and may continue to impact its financial performance***" under "**RISK FACTORS**" appearing on page 82 of the Information Memorandum and by substituting therefor the following:

"Given the recent challenges in the shipping industry, the Group reported losses in 2011, 2013 and 2014. In 2015, the industry remains challenged, consistent with the dynamics in 2014, the supply and demand imbalance remains, with supply outpacing demand against a similar backdrop of a slowly recovering global economy, resulting in freight rates remaining depressed and low new container orders.";

12. by deleting the first paragraph of the risk factor "***The Group's container shipping business is exposed to volatility in fuel oil prices***" under "**RISK FACTORS**" appearing on page 84 of the Information Memorandum and by substituting therefor the following:

"The price of fuel oil is unpredictable and influenced by events that are not within the Group's control. Volatility in fuel oil prices translates into volatility in bunker prices. In 2014 and 2013, bunker costs represented 30.4 and 33.1 per cent. of the Group's shipping expenses, respectively. A significant increase in fuel oil prices will negatively impact the Group's earnings on its container shipping business as the Group may not be able to fully pass on the increased cost to its customers and this may have an adverse effect on the Group's profitability.";

13. by deleting the first paragraph of the risk factor "***The Group operates in a capital intensive industry that relies on the availability of sizeable amounts of debt and it may experience limited availability of funds***" under "**RISK FACTORS**" appearing on page 84 of the Information Memorandum and by substituting therefor the following:

"As at 31 December 2014, the Group had approximately US\$3,083 million of total borrowings (including finance lease commitments and hire purchase creditors). While the Group has unutilised banking facilities and available funds, there can be no assurance that the Group will be able to refinance borrowings as and when such borrowings becomes due on commercially reasonable terms or at all. The Group may be required to meet its funding needs by procuring financing on terms which restrict the Group in certain ways.";

14. by deleting the second paragraph of the risk factor "***The Group's container manufacturing business is dependent on the continued growth of international trade volumes, especially import and export volumes to and from the PRC***" under "**RISK FACTORS**" appearing on page 88 of the Information Memorandum in its entirety; and

15. by deleting the first paragraph of the risk factor "***The Notes are structurally subordinated to secured liabilities of the Issuer and all liabilities of the subsidiaries of the Issuer***" under "**RISK FACTORS**" appearing on page 93 of the Information Memorandum and by substituting therefor the following:

"The obligations of the Issuer under the Notes will constitute unsecured obligations of the Issuer. As at 31 December 2014, approximately 63 per cent. of the indebtedness of the Issuer and its subsidiaries was secured by their assets (including vessels). This includes loans and other facilities granted by banks and financial institutions (including some or all of the Arrangers) to the Group. Therefore in the event of the winding-up of the Issuer, the right of the holders of Notes to receive payments in respect of the Notes will rank junior to the claims of all its secured creditors. After satisfaction of the claims of its secured creditors, there is no guarantee that the remaining assets will be sufficient to satisfy all of the obligations of the Issuer under the Notes.";

16. by deleting Appendix I on pages 107 to 110 of the Information Memorandum in its entirety and substituting therefor the following:

"APPENDIX I

GENERAL AND OTHER INFORMATION

INFORMATION ON DIRECTORS

1. Save as disclosed below, the Directors are not related by blood or marriage to one another nor are they related to any substantial shareholder of the Issuer:
 - (a) the Directors of the Issuer Mr Teo Chew Seng @ Peter Chang, Mr Teo Siong Seng, Mr Teo Cho Keng, Mr Teo Tiou Seng (Tony), Mr Teo Teng Seng and Mr Teo Choo Wee are the sons of the Director of the Issuer, Mr Teo Woon Tiong @ Chang Yun Chung; and

- (b) the Director of the Issuer Ms Teo Lay Seng (Lisa) is the daughter of the Director of the Issuer, Mr Teo Woon Tiong @ Chang Yun Chung.
2. No Director of the Issuer is or was involved in any of the following events:
- (a) a petition under any bankruptcy laws filed in any jurisdiction against such person or any partnership in which he was a partner or any corporation of which he was a director or an executive officer;
- (b) a conviction of any offence, other than a traffic offence, or judgment, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere, or being a named subject to any pending proceedings which may lead to such a conviction or judgment, or so far as such person is aware, any criminal investigation pending against him; or
- (c) the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or government body, permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.
3. As at 1 October 2015, no option to subscribe for shares in, or debentures of, the Issuer has been granted to, or was exercised by, any Director of the Issuer.
4. No Director of the Issuer is interested, directly or indirectly, in the promotion of any assets acquired or disposed of by, or leased to, the Issuer or any of its subsidiaries, within the two years preceding 1 October 2015, or in any proposal for such acquisition, disposal or lease as aforesaid.
5. All shares of the Issuer are held by PIL Holdings Pte. Ltd. (“**PILH**”). The Directors of the Issuer hold shares in PILH and their interests in PILH as at 1 October 2015 are as follows:

Directors

	Direct Interest	
	Number of Shares	%
Teo Woon Tiong @ Chang Yun Chung ⁶	79,275,000	14.30
Teo Chew Seng @ Peter Chang	3,600,000	0.65
Teo Siong Seng	3,600,000	0.65
Teo Cho Keng	1,650,000	0.30
Teo Tiou Seng	2,400,000	0.43
Teo Teng Seng	2,250,000	0.41
Teo Choo Wee	1,650,000	0.30
Teo Lay Seng	1,275,000	0.23
Kuan Kim Kin	—	—

⁶ Y. C. Chang & Sons Private Limited (“**YCCS**”) and South Pacific International Holdings Limited (“**SPIH**”) hold 43.66% and 31.66% in PILH respectively. YC Chang, together with members of his family, control YCCS and SPIH.

Tay Kian Phuan William	—	—
Tan Chor Kee	—	—
Lim Jock Fong	—	—

SHARE CAPITAL

6. As at 1 October 2015, there is only one (1) class of ordinary shares in the Issuer. The rights and privileges attached to the Shares are stated in the Articles of Association of the Issuer.
7. No debentures or shares of the Issuer have been issued, as fully or partly paid up, for cash or for a consideration other than cash, within the two (2) years preceding 1 October 2015.
8. The issued share capital of the Issuer as at 1 October 2015 is as follows:

Share Designation

Issued Share Capital

	Number of Shares	Amount
Ordinary Shares	554,400,000	S\$554,400,000

BORROWINGS

9. As at 31 December 2014, the Group had no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities, save as disclosed in Appendix V.

WORKING CAPITAL

10. The Directors are of the opinion that, after taking into account the present banking facilities and the net proceeds of the issue of the Notes, the Issuer will have adequate working capital for its present requirements.

CHANGES IN ACCOUNTING POLICIES

11. There has been no significant change in the accounting policies of the Issuer since its audited consolidated annual financial statements for the financial year ended 31 December 2014.

LITIGATION

12. No action, suit or proceeding against or affecting the Issuer or any of its subsidiaries (other than those of a frivolous or vexatious nature which are being contested in good faith) which, if adversely determined, would individually or in the aggregate have a material adverse effect on the financial condition, assets, results of operations or business of the Issuer or the Group, taken as a whole, or be material in the context of the issue and offering of the Notes has been started and is continuing, save where disclosed in this Information Memorandum and dealt with by appropriate proceedings, and no written notice, claim or demand has been received by any of them which evidences an intention to commence any such action, suit or proceeding.

GENERAL

13. Save as disclosed in this Information Memorandum, the financial condition and operations of the Issuer are not likely to be affected by any of the following:
- (a) known trends, demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the liquidity of the Issuer increasing or decreasing in any material way;
 - (b) material commitments for capital expenditures;
 - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations;
 - (d) known trends or uncertainties that have had or that the Issuer reasonably expects to have a material favourable or unfavourable impact on revenues or operating income; and
 - (e) any material information which may be relevant to the financial or trading prospects of the Issuer including special trading factors or risks, which are not mentioned elsewhere in this Information Memorandum or in any public announcement by the Issuer and which are unlikely to be known or anticipated by the general public and which could materially and adversely affect the profits of the Issuer or the Group.

MATERIAL ADVERSE CHANGE

14. Save as disclosed in this Information Memorandum, there has been no material adverse change in the financial condition, assets, results of operations or business of the Issuer or the Group, taken as a whole, since 31 December 2014.

CONSENT

15. Ernst & Young LLP has given and has not withdrawn its written consent to the issue of this Information Memorandum with the references herein to its name and, where applicable, reports in the form and context in which they appear in this Information Memorandum.

DOCUMENTS AVAILABLE FOR INSPECTION

16. Copies of the following documents may be inspected at the registered office of the Issuer at 140 Cecil Street, #03-00, PIL Building, Singapore 069540 during normal business hours for a period of six months from the date of this Information Memorandum:
- (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the Trust Deed; and
 - (c) the audited consolidated annual financial statements of the Issuer and its subsidiaries for the financial year ended 31 December 2010, 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

The functions, rights and obligations of the Trustee are set out in the Trust Deed.";

17. By deleting the section "Singapore Taxation" appearing on pages 100 to 104 of the Information Memorandum in its entirety and by substituting therefor the following:

"SINGAPORE TAXATION

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by MAS in force as at the date of

this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Holders or prospective holders of the Notes are advised to consult their own professional tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Arrangers and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17.0%. The applicable rate for non-resident individuals is currently 20.0%, and is to be increased to 22.0% with effect from the year of assessment 2017. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0%. The rate of 15.0% may be reduced by applicable tax treaties.

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- (a) interest from debt securities derived on or after 1 January 2004;
- (b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and
- (c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the Programme as a whole was arranged by Credit Suisse (Singapore) Limited,

DBS Bank Ltd. and Standard Chartered Bank, Singapore Branch, each of which was a Financial Sector Incentive (Bond Market) Company, Financial Sector Incentive (Capital Market) Company or Financial Sector Incentive (Standard Tier) Company (as defined in the ITA) at such time, any tranche of the Notes (the “**Relevant Notes**”) issued as debt securities under the Programme during the period from the date of this Information Memorandum to 31 December 2018 would be, pursuant to the ITA and the MAS Circular FSD Cir 02/2013 entitled “Extension and Refinement of Tax Concessions for Promoting the Debt Market” issued by MAS on 28 June 2013 (the “**MAS Circular**”), qualifying debt securities (“**QDS**”) for the purposes of the ITA, to which the following treatment shall apply:

- (i) subject to certain prescribed conditions having been fulfilled (including the furnishing of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed, and the inclusion by the Issuer in all offering documents relating to the Relevant Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Notes using the funds and profits of such person’s operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the “**Qualifying Income**”) from the Relevant Notes derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Notes are not obtained from such person’s operation through a permanent establishment in Singapore, are exempt from Singapore tax;
- (ii) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed), Qualifying Income from the Relevant Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10.0% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and
- (iii) subject to:
 - (aa) the Issuer including in all offering documents relating to the Relevant Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Notes is not exempt from tax shall include such income in a return of income made under the ITA; and
 - (bb) the furnishing of a return on debt securities for the Relevant Notes in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the Relevant Notes as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed,

payments of Qualifying Income derived from the Relevant Notes are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- (A) if during the primary launch of any tranche of Relevant Notes, the Relevant Notes of such tranche are issued to fewer than four persons and 50.0% or more of the issue of such

Relevant Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Notes would not qualify as QDS; and

- (B) even though a particular tranche of Relevant Notes are QDS, if, at any time during the tenure of such tranche of Relevant Notes, 50.0% or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Relevant Notes held by:

- (I) any related party of the Issuer; or
- (II) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term “**related party**”, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms “**prepayment fee**”, “**redemption premium**” and “**break cost**” are defined in the ITA as follows:

“prepayment fee”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

“redemption premium”, in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

“break cost”, in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to “prepayment fee”, “redemption premium” and “break cost” in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Relevant Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires such Relevant Notes using the funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Relevant Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.

Under the Qualifying Debt Securities Plus Scheme (“**QDS Plus Scheme**”), subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the QDS in the prescribed format within such period as the relevant authorities may specify and such other particulars in connection with the QDS as the relevant authorities may require to MAS and such other relevant authorities as may be prescribed), income tax exemption is granted on Qualifying Income from QDS (excluding Singapore Government Securities) which:

- (a) are issued during the period from 16 February 2008 to 31 December 2018;
- (b) have an original maturity of not less than 10 years;

- (c) cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; and
- (d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

However, even if a particular tranche of the Relevant Notes are QDS which qualify under the QDS Plus Scheme, if, at any time during the tenure of such tranche of Relevant Notes, 50.0% or more of such Relevant Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income from such Relevant Notes derived by:

- (i) any related party of the Issuer; or
- (ii) any other person where the funds used by such person to acquire such Relevant Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

The MAS Circular states that, with effect from 28 June 2013, the QDS Plus Scheme will be refined to allow QDS with certain standard early termination clauses (as prescribed in the MAS Circular) to qualify for the QDS Plus Scheme at the point of issuance of such debt securities. MAS has also clarified that if such debt securities are subsequently redeemed prematurely pursuant to such standard early termination clauses before the 10th year from the date of issuance of such debt securities, the tax exemption granted under the QDS Plus Scheme to Qualifying Income accrued prior to such redemption will not be clawed back. Under such circumstances, the QDS Plus status of such debt securities will be revoked prospectively for such outstanding debt securities (if any), and holders thereof may still enjoy the tax benefits under the QDS scheme if the QDS conditions continue to be met.

MAS has stated that, notwithstanding the above, QDS with embedded options with economic value (such as call, put, conversion or exchange options which can be triggered at specified prices or dates and are built into the pricing of such debt securities at the onset) which can be exercised within ten years from the date of issuance of such debt securities will continue to be excluded from the QDS Plus Scheme from such date of issuance.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply the Financial Reporting Standard 39 - Financial Instruments: Recognition and Measurement ("**FRS 39**"), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39. Please see the section below on "Adoption of FRS 39 Treatment for Singapore Income Tax Purposes".

3. Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The Inland Revenue Authority of Singapore has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 - Financial Instruments: Recognition & Measurement" (the "**FRS 39 Circular**"). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Notes who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.”;

18. By inserting the following as Appendix VI of the Information Memorandum:

“APPENDIX VI

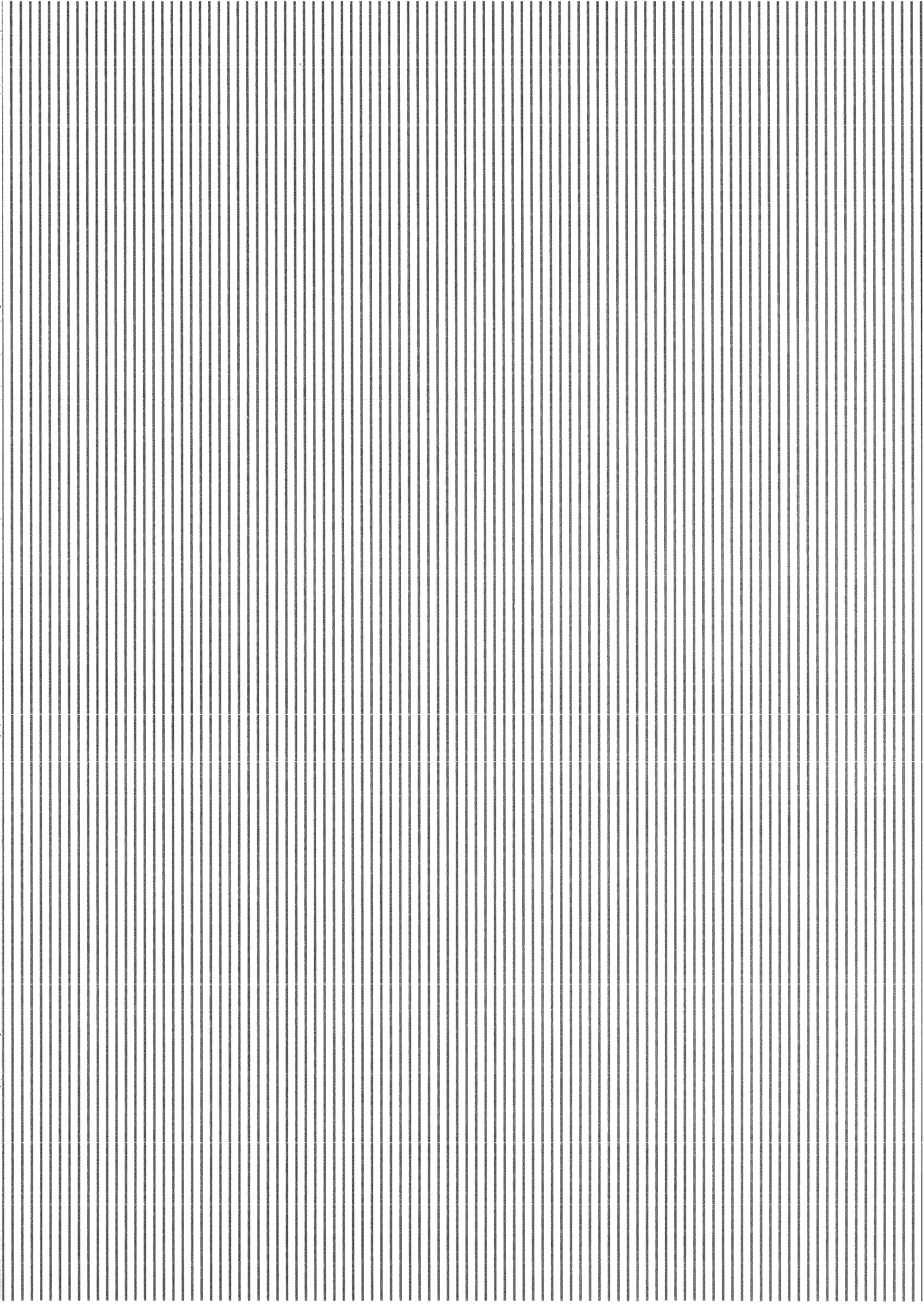
AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS OF PACIFIC INTERNATIONAL LINES (PRIVATE) LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The information in this Appendix VI has been reproduced from the audited consolidated annual financial statements of Pacific International Lines (Private) Limited and its subsidiaries for the financial year ended 31 December 2014 and has not been specifically prepared for inclusion in this Information Memorandum.

Company Registration No. 196700080N

Pacific International Lines (Private) Limited

Annual Financial Statements
31 December 2014



Pacific International Lines (Private) Limited

General Information

Directors

Teo Woon Tiong a.k.a. Chang Yun Chung	(Chairman)
Teo Chew Seng @ Peter Chang	(Deputy Chairman)
Teo Siong Seng	(Managing Director)
Tan Chor Kee	(Deputy Managing Director)
Teo Cho Keng	
Teo Tiou Seng	
Teo Teng Seng	
Kuan Kim Kin	
Tay Kian Phuan William	
Teo Choo Wee	
Lim Jock Fong	
Teo Lay Seng	

Company Secretary

Lin Xin Yue Eunice

Registered Office

140 Cecil Street
#03-00 PIL Building
Singapore 069540

Auditor

Ernst & Young LLP

Pacific International Lines (Private) Limited

General Information

Bankers

For Pacific International Lines (Private) Limited

Australia and New Zealand Banking Group Limited
Bangkok Bank Public Company Limited
Bank of China
BNP Paribas
Chinatrust Commercial Bank
Credit Agricole Corporate and Investment Bank
Credit Suisse
Danish Ship Finance A/S (Danmarks Skibskredit A/S)
DBS Bank Ltd.
DNB Bank ASA
E.Sun Commercial Bank Limited
ING Bank N.V.
JP Morgan Chase Bank N.A
KBC Bank N.V.
Malayan Banking Berhad
Mizuho Corporate Bank, Limited
NIBC Bank N.V.
Nordea Bank
Oversea-Chinese Banking Corporation Limited
Qatar National Bank SAQ
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo - Mitsubishi UFJ, Ltd.
The Export - Import Bank of China
The Hongkong and Shanghai Banking Corporation Limited
UniCredit Bank AG
United Overseas Bank Limited

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 New Zealand
China CITIC Bank International Limited
China Construction Bank
DBS Bank Ltd.
DNB Bank ASA
Guaranty Trust Bank PLC
HDFC Bank
HSH Nordbank AG
IDBI Bank
Indian Bank
Indian Overseas Bank
Industrial and Commercial Bank of China
ING Bank N.V.
Malayan Banking Berhad
Overseas-Chinese Banking Corporation Limited
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
The Bank of Tokyo - Mitsubishi UFJ, Ltd.
The Hong Kong and Shanghai Banking Corporation Limited
United Overseas Bank Limited
Zenith Bank PLC

Pacific International Lines (Private) Limited

General Information

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Pacific International Lines (Private) Limited

Directors' Report

The Directors present their report 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 2014.

Directors of the Company

The Directors of the Company in office at the date of this report are:

Teo Woon Tiong a.k.a. Chang Yun Chung	(Chairman)
Teo Chew Seng @ Peter Chang	(Deputy Chairman)
Teo Siong Seng	(Managing Director)
Tan Chor Kee	(Deputy Managing Director)
Teo Cho Keng	
Teo Tiou Seng	
Teo Teng Seng	
Kuan Kim Kin	
Tay Kian Phuan William	
Teo Choo Wee	
Lim Jock Fong	
Teo Lay Seng	

In accordance with Article 95 of the Company's Articles of Association, all the Directors, with the exception of Mr. Teo Woon Tiong a.k.a. Chang Yun Chung and 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

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 of the Company or any other body corporate.

Pacific International Lines (Private) Limited

Directors' Report

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, Cap. 50, interests in shares and debentures of the holding company and its subsidiaries as stated below:

Name of Director	Direct interest	
	At the beginning of financial year	At the end of financial year
Holding Company		
PIL Holdings Pte Ltd		
Ordinary shares		
Teo Woon Tiong a.k.a. Chang Yun Chung	—	79,275,000
Teo Chew Seng @ Peter Chang	—	3,600,000
Teo Siong Seng	—	3,600,000
Teo Cho Keng	—	1,650,000
Teo Tiou Seng	—	2,400,000
Teo Teng Seng	—	2,250,000
Teo Choo Wee	—	1,650,000
Teo Lay Seng	—	1,275,000

The Company
(i) Ordinary shares

Teo Woon Tiong a.k.a. Chang Yun Chung	79,275,000	—
Teo Chew Seng @ Peter Chang	3,600,000	—
Teo Siong Seng	3,600,000	—
Teo Cho Keng	1,650,000	—
Teo Tiou Seng	2,400,000	—
Teo Teng Seng	2,250,000	—
Teo Choo Wee	1,650,000	—
Teo Lay Seng	1,275,000	—

(ii) S\$300,000,000 5.9% Notes due on 17 July 2017

Teo Woon Tiong a.k.a. Chang Yun Chung	—	S\$1,000,000
Teo Siong Seng	—	S\$1,000,000
Teo Choo Wee	—	S\$1,250,000

Pacific International Lines (Private) Limited

Directors' Report

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

Name of Director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Subsidiaries				
Singamas Container Holding Limited ("Singamas")				
	<i>Ordinary shares of HK\$0.10 each fully paid</i>			
Teo Woon Tiong a.k.a. Chang Yun Chung	493,291	493,291	—	—
Teo Siong Seng	41,301,250	41,801,250	—	—
Teo Tiou Seng	196,780	196,780	—	—
Teo Teng Seng	490,000	490,000	—	—
Tan Chor Kee	—	—	6,000	6,000
Kuan Kim Kin	104,000	104,000	—	—
Lim Jock Fong	—	—	70,000	70,000
Teo Lay Seng	3,350,000	4,550,000	—	—

- (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.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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 2014 the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 17,602,529 (2013: 17,882,089), representing approximately 0.73% (2013: 0.73%) of the shares of Singamas in issue on that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of Singamas in issue at offer date, without prior approval from the Singamas' shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of Singamas in issue on the offer date without prior approval from the Singamas' shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Singamas' share capital or with a value in excess of HK\$5 million must be approved in advance by the Singamas' shareholders.

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

Pacific International Lines (Private) Limited

Directors' Report

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 forfeited during the financial year, and options outstanding as at 31 December 2014 were as follows:

Date of grant	Number of options to subscribe for ordinary shares							End of vesting period	Expiry date
	Outstanding at 1 January 2014	Granted during the year	Exercised during the year	Forfeited during the year after adjustment	Outstanding at 31 December 2014	Before adjustment subscription price per share HK\$	After adjustment subscription price per share HK\$		
28 June 2007	4,616,300	-	-	(87,100)	4,529,200	5.14	3.93	27 June 2008	27 June 2017
28 June 2007	4,616,300	-	-	(87,100)	4,529,200	5.14	3.93	27 June 2009	27 June 2017
28 June 2007	4,616,300	-	-	(87,100)	4,529,200	5.14	3.93	27 June 2010	27 June 2017
6 August 2008	120,644	-	-	(420)	120,224	1.93	1.48	5 August 2009	5 August 2018
6 August 2008	172,643	-	-	(420)	172,223	1.93	1.48	5 August 2010	5 August 2018
6 August 2008	690,568	-	-	(17,420)	673,148	1.93	1.48	5 August 2011	5 August 2018
1 July 2010	372,667	-	-	-	372,667	1.83	1.38	30 June 2011	30 June 2020
1 July 2010	1,296,668	-	-	-	1,296,668	1.83	1.38	30 June 2012	30 June 2020
1 July 2010	1,379,999	-	-	-	1,379,999	1.83	1.38	30 June 2013	30 June 2020
	17,882,089	-	-	(279,560)	17,602,529				

Pacific International Lines (Private) Limited

Directors' Report

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 beginning of financial year 2014	Options granted during financial year 2014	Aggregate options granted since commencement of Scheme to end of financial year 2014	Aggregate options lapsed since commencement of Scheme to end of financial year 2014	Aggregate options exercised since commencement of Scheme to end of financial year 2014	Aggregate options outstanding as at end of financial year 2014
Teo Woon Tiong a.k.a. Chang Yun Chung	1,360,525	-	1,360,525	(867,234)	(493,291)	-
Teo Siong Seng	13,605,250	-	13,605,250	-	(4,098,250)	9,507,000
Teo Tiou Seng	668,730	-	668,730	-	(196,780)	471,950
Kuan Kim Kin	668,730	-	668,730	-	(104,000)	564,730
	16,303,235	-	16,303,235	(867,234)	(4,892,321)	10,543,680

Pacific International Lines (Private) Limited

Directors' Report

Auditor

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

On behalf of the Board of Directors:



Teo Woon Tiong a.k.a. Chang Yun Chung
Director



Teo Siong Seng
Director

Singapore

29 May 2015

Pacific International Lines (Private) Limited

Statement by Directors

We, Teo Woon Tiong a.k.a. Chang Yun Chung and Teo Siong Seng, being two of the Directors of Pacific International Lines (Private) Limited, do hereby state that, in the opinion of the Directors,

- (i) the accompanying consolidated and separate balance sheets, income statements, statements of other comprehensive income, statements of changes in equity and statement of consolidated cash flow together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity of the Group and of the Company and cash flows of the Group for the year then ended, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors:



Teo Woon Tiong a.k.a. Chang Yun Chung
Director



Teo Siong Seng
Director

Singapore

29 May 2015

Pacific International Lines (Private) Limited

**Independent Auditor's Report
For the financial year ended 31 December 2014**

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

Report on the financial statements

We have audited the accompanying financial statements of Pacific International Lines (Private) Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 11 to 122, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity, 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 a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act (the Act) and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Pacific International Lines (Private) Limited

**Independent Auditor's Report
For the financial year ended 31 December 2014**

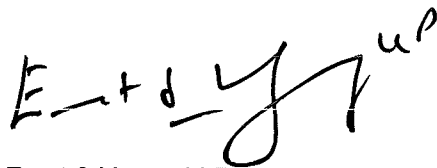
Independent Auditor's Report to the Members of Pacific International Lines (Private) Limited

Opinion

In our opinion, 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 properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs, the results and changes in equity of the Group and of the Company for the year ended 31 December 2014 and cash flows of the Group for the year ended on that date.

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 subsidiaries incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.



Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

29 May 2015

Pacific International Lines (Private) Limited

Income Statements

For the financial year ended 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		US\$'000	US\$'000	US\$'000	US\$'000
<u>Continuing operations</u>					
Turnover	3	4,632,141	4,515,857	2,596,809	2,645,087
Other operating income	4	53,670	54,223	7,668	7,856
Changes in inventories of finished goods and work in progress		58,470	(26,421)	—	—
Raw material and consumables used		(1,231,037)	(991,427)	—	—
Investment and interest income	5	8,153	7,740	32,996	99,237
Staff costs	6	(242,273)	(193,816)	(36,573)	(34,195)
Depreciation	13	(241,599)	(219,144)	(110,511)	(99,940)
Amortisation of intangible assets	14	(205)	(244)	—	—
(Allowance)/write-back of impairment losses	7	(82)	(318)	2,376	1,162
Gain on disposal of shares in subsidiaries		2,212	25,157	121,174	—
(Loss)/gain on disposal of shares in associates		(1,549)	2,244	1,552	13,174
Gain on disposal of shares in other investments		—	69	—	43
Fair value changes in other investments		(636)	(115)	—	—
Fair value changes in derivative financial instruments	8	(114,445)	16,967	(111,574)	8,861
Foreign exchange differences		(639)	(13,559)	(578)	(6,724)
Shipping expenses		(2,645,978)	(2,897,618)	(2,537,528)	(2,716,170)
Administration and non-shipping expenses	9	(286,639)	(246,357)	(11,116)	(10,300)
Finance costs	10	(87,889)	(81,762)	(37,543)	(27,201)
Share of results of associates		15,140	15,300	—	—
Loss before taxation from continuing operations		(83,185)	(33,224)	(82,848)	(119,110)
Taxation	11	(32,681)	(30,134)	(591)	(519)
Loss from continuing operations, net of tax		(115,866)	(63,358)	(83,439)	(119,629)
<u>Discontinued operations</u>					
Loss from discontinued operations, net of tax	12	(688)	(2,768)	—	—
Loss for the year		(116,554)	(66,126)	(83,439)	(119,629)
Attributable to:					
Equity holders of the Company					
Loss from continuing operations		(143,507)	(101,047)	(83,439)	(119,629)
Loss from discontinued operations		(688)	(2,768)	—	—
Loss attributable to equity holders of the Company		(144,195)	(103,815)	(83,439)	(119,629)
Non-controlling interests					
Profit from continuing operations		27,641	37,689	—	—

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

Pacific International Lines (Private) Limited

**Statements of Comprehensive Income
For financial year ended 31 December 2014**

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the year	(116,554)	(66,126)	(83,439)	(119,629)
Other comprehensive income for the year, after tax:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising from translating the financial statements of foreign operations	(3,051)	(4,934)	—	—
Reclassification of foreign currency translation reserve to profit or loss upon disposal of a subsidiary	—	(4,462)	—	—
Fair value gain/(loss) on available-for-sale financial assets	430	864	(8)	12
Fair value (loss)/gain on cash flow hedges	(5,042)	7,124	(4,541)	—
	(7,663)	(1,408)	(4,549)	12
Items that will not be reclassified to profit or loss				
Gain on revaluation of assets	11,635	293	—	—
Total comprehensive income for the year	(112,582)	(67,241)	(87,988)	(119,617)
Total comprehensive income attributed to:				
Equity holders of the Company	(139,000)	(104,820)	(87,988)	(119,617)
Non-controlling interests	26,418	37,579	—	—
	(112,582)	(67,241)	(87,988)	(119,617)
Attributable to:				
Equity holders of the Company				
Total comprehensive income from continuing operations, net of tax	(138,312)	(98,183)	(87,988)	(119,617)
Total comprehensive income from discontinued operations, net of tax	(688)	(6,637)	—	—
	(139,000)	(104,820)	(87,988)	(119,617)

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

Pacific International Lines (Private) Limited

Balance Sheets
As at 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets					
Fixed assets	13	4,345,594	4,261,503	1,879,711	1,796,351
Intangible assets	14	11,323	6,750	–	–
Subsidiaries	15	–	–	1,005,847	982,569
Associates	16	137,465	93,811	38,985	39,081
Other investments	17	53,169	47,847	41,978	41,995
Deferred tax assets	11	481	338	–	–
Deferred transaction costs	18	916	–	916	–
Prepayments	19	17,077	18,005	7,557	8,402
Other debtors	22	8,991	–	–	–
Derivative financial instruments	46(c)	239	–	–	–
		4,575,255	4,428,254	2,974,994	2,868,398
Current assets					
Other investments	17	601	1,240	–	–
Stocks	20	347,636	337,042	68,789	106,418
Trade debtors	21	459,224	448,676	57,644	75,975
Other debtors	22	170,866	159,934	13,827	13,252
Deferred transaction costs	18	75	–	75	–
Prepayments	19	15,205	14,307	7,293	6,757
Derivative financial instruments	46(c)	–	7,423	–	4,329
Amounts due from holding company	23	146,871	–	146,871	–
Amounts due from related companies	23	11,542	15,908	197,981	158,959
Short-term fixed deposits, secured	24	3,969	1,358	–	–
Cash and short-term deposits	25	443,840	424,537	85,526	23,566
		1,599,829	1,410,425	578,006	389,256
Assets of disposal group classified as held for sale	12	–	143,601	–	23,559
		1,599,829	1,554,026	578,006	412,815
Current liabilities					
Derivative financial instruments	46(c)	86,641	548	86,464	–
Trade creditors	26	629,549	632,043	350,978	385,672
Amounts due to bankers	27	660,202	684,095	346,084	395,623
Other creditors and accruals	28	185,325	192,193	47,883	27,433
Amounts due to related companies	29	14,781	17,572	213,737	294,580
Notes	30	–	226,095	–	–
Provision for taxation		9,036	7,276	544	565
		1,585,534	1,759,822	1,045,690	1,103,873
Liabilities directly associated with disposal group classified as held for sale	12	–	1,111	–	–
		1,585,534	1,760,933	1,045,690	1,103,873

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

Pacific International Lines (Private) Limited

Balance Sheets
As at 31 December 2014

		Group		Company	
	Note	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Non-current liabilities					
Derivative financial instruments	46(c)	19,917	1,347	19,526	—
Amounts due to bankers	27	2,003,938	1,902,535	893,179	891,756
Amounts due to related companies	29	102,887	—	102,887	—
Notes	30	223,170	—	223,170	—
Lease creditors	31	150,836	100,105	90,273	19,321
Other creditors		1,218	107	—	—
Deferred tax liabilities	11	11,436	9,640	—	—
		2,513,402	2,013,734	1,329,035	911,077
Net assets		2,076,148	2,207,613	1,178,275	1,266,263
Equity attributable to equity holders of the Company					
Share capital	32	376,127	376,127	376,127	376,127
Capital reserve	34	35,044	31,705	—	—
Revaluation reserve	35	11,635	—	—	—
Fair value reserve	36	1,597	1,171	312	320
Hedging reserve	37	365	5,407	(4,541)	—
Foreign currency translation reserve	38	9,981	17,956	—	—
Share options reserve	39	1,899	1,920	—	—
Other reserve	40	3,261	583	—	—
Revenue reserve		1,195,445	1,221,675	806,377	889,816
Reserves of disposal group classified as held for sale	12	—	117,766	—	—
		1,635,354	1,774,310	1,178,275	1,266,263
Non-controlling interests		440,794	433,303	—	—
Total equity		2,076,148	2,207,613	1,178,275	1,266,263

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

Statements of Changes in Equity
For the year ended 31 December 2014

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

Pacific International Lines (Private) Limited

Statements of Changes in Equity
For the year ended 31 December 2014

2014 Group	Attributable to equity holders of the Company										Reserves of disposal group classified for sale US\$'000		Attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Revaluation reserve US\$'000	Capital reserve US\$'000	Foreign currency translation reserve US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Share options reserve US\$'000	Other reserve US\$'000	Revenue reserve US\$'000	Total reserves US\$'000					
<u>Changes in ownership interest in subsidiaries/associates</u>															
Acquisition/disposal of subsidiaries/associates	-	-	(70)	(4,602)	-	-	-	-	22,420	17,748	(20,385)	(2,637)	714	(1,923)	
Acquisition of non-controlling interests without a change in control	-	-	-	2	-	-	-	2,687 (8)	-	2,689 (8)	-	2,689 (8)	(9,026) (319)	(6,337) (327)	
Share repurchase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total transactions with owners in their capacity as owners															
	-	-	(70)	(4,600)	-	-	-	2,679	22,420	20,429	(20,385)	44	(8,631)	(8,587)	
<u>Others</u>															
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(10,084)	(10,084)	
Transfer from revenue reserve to capital reserve	-	-	3,409	-	-	-	-	-	(3,409)	-	-	-	-	-	
Capital return to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(212)	(212)	
Transfer of forfeited option reserve to revenue reserve	-	-	-	-	-	-	(21)	-	21	-	-	-	-	-	
Total others															
	-	-	3,409	-	-	-	(21)	-	(3,388)	-	-	-	(10,296)	(10,296)	
Closing balance at 31 December 2014															
376,127	11,635	35,044	9,981	1,597	365	1,899	3,261	1,195,445	1,259,227	-	-	1,635,354	440,794	2,076,148	

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

Pacific International Lines (Private) Limited

Statements of Changes in Equity
For the year ended 31 December 2014

	Attributable to equity holders of the Company													
	Share capital US\$'000	Revaluation reserve US\$'000	Capital reserve US\$'000	Foreign currency translation reserve US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Share options reserve US\$'000	Other reserve US\$'000	Revenue reserve US\$'000	Total reserves US\$'000	Reserves of disposal group classified as held for sale US\$'000	Attributable to equity holders of the Company US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
2013 Group														
Opening balance at 1 January 2013	376,127	98,064	33,664	43,693	308	664	2,425	1,356	1,329,468	1,509,642	—	1,885,769	429,112	2,314,881
(Loss)/profit for the year	—	—	—	—	—	—	—	—	(103,815)	(103,815)	—	(103,815)	37,689	(66,126)
Other comprehensive income														
Exchange differences arising from translating the financial statements of foreign operations	—	—	—	(5,145)	—	—	—	—	—	(5,145)	—	(5,145)	211	(4,934)
Reclassification of foreign currency translation reserve to profit or loss upon disposal of a subsidiary	—	—	—	(1,759)	—	—	—	—	—	(1,759)	—	(1,759)	(2,703)	(4,462)
Fair value gain on available-for-sale financial assets	—	—	—	—	863	—	—	—	—	863	—	863	1	864
Fair value gain on cash flow hedges	—	—	—	—	—	4,743	—	—	—	4,743	—	4,743	2,381	7,124
Gain on revaluation of assets (Note 13)	—	293	—	—	—	—	—	—	—	293	—	293	—	293
Other comprehensive income for the year, after tax	—	293	—	(6,904)	863	4,743	—	—	—	(1,005)	—	(1,005)	(110)	(1,115)
Total comprehensive income for the year	—	293	—	(6,904)	863	4,743	—	—	(103,815)	(104,820)	—	(104,820)	37,579	(67,241)
Contributions by and distributions to owners														
Dividend paid-2012 final dividend of S\$0.005 per ordinary share tax exempt	—	—	—	—	—	—	—	—	(2,173)	(2,173)	—	(2,173)	—	(2,173)
Total contributions by and distributions to owners	—	—	—	—	—	—	—	—	(2,173)	(2,173)	—	(2,173)	—	(2,173)

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

Pacific International Lines (Private) Limited

**Statements of Changes in Equity
For the year ended 31 December 2014**

2013 Group	Attributable to equity holders of the Company										Reserves of		Non- controlling interests US\$'000	Total equity US\$'000
	Share capital US\$'000	Revaluation reserve US\$'000	Capital reserve US\$'000	Foreign currency translation reserve US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Share options reserve US\$'000	Other reserve US\$'000	Revenue reserve US\$'000	Total reserves US\$'000	disposal group classified as held for sale US\$'000	Attributable to equity holders of the Company US\$'000		
Changes in ownership interest in subsidiaries														
Acquisition/disposal of subsidiaries	-	-	(4,283)	-	-	-	-	-	-	(4,283)	-	(4,283)	(17,281)	(21,564)
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	-	(158)	-	(158)	-	(158)	(651)	(809)
Exercise of share options	-	-	-	-	-	-	-	(39)	-	(39)	-	(39)	88	49
Total changes in ownership interests in subsidiaries	-	-	(4,283)	-	-	-	-	(197)	-	(4,480)	-	(4,480)	(17,844)	(22,324)
Total transactions with owners in their capacity as owners	-	-	(4,283)	-	-	-	-	(197)	(2,173)	(6,653)	-	(6,653)	(17,844)	(24,497)
Others														
Reserves attributable to disposal group classified as held for sale (Note 12)	-	(98,933)	-	(18,833)	-	-	-	-	-	(117,766)	117,766	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(15,564)	(15,564)
Transfer from revenue reserve to capital reserve	-	-	2,324	-	-	-	-	-	(2,324)	-	-	-	-	-
Reclass from revaluation reserve to other reserve	-	576	-	-	-	-	-	(576)	-	-	-	-	-	-
Recognition of equity-settled share-based payments in a subsidiary	-	-	-	-	-	-	14	-	-	14	-	14	20	34
Transfer of forfeited option reserve to revenue reserve	-	-	-	-	-	-	(519)	-	519	-	-	-	-	-
Total others	-	(98,357)	2,324	(18,833)	-	-	(505)	(576)	(1,805)	(117,752)	117,766	14	(15,544)	(15,530)
Closing balance at 31 December 2013	376,127	-	31,705	17,956	1,171	5,407	1,920	583	1,221,675	1,280,417	117,766	1,774,310	433,303	2,207,613

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

Pacific International Lines (Private) Limited

**Statements of Changes in Equity
For the year ended 31 December 2014**

Company	Share capital US\$'000	Fair value reserve US\$'000	Hedging reserve US\$'000	Revenue reserve US\$'000	Total reserves US\$'000	Total Equity US\$'000
At 1 January 2014	376,127	320	–	889,816	890,136	1,266,263
Total comprehensive income for the year	–	(8)	(4,541)	(83,439)	(87,988)	(87,988)
At 31 December 2014	376,127	312	(4,541)	806,377	802,148	1,178,275
At 1 January 2013	376,127	308	–	1,011,618	1,011,926	1,388,053
Total comprehensive income for the year	–	12	–	(119,629)	(119,617)	(119,617)
<u>Contributions by and distributions to owners</u>						
Dividend paid-2012 final dividend of S\$0.005 per ordinary share tax exempt	–	–	–	(2,173)	(2,173)	(2,173)
At 31 December 2013	376,127	320	–	889,816	890,136	1,266,263

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

Pacific International Lines (Private) Limited

Statement of Consolidated Cash Flow
For the year ended 31 December 2014

	Group	
	2014	2013
	US\$'000	US\$'000
Cash flows from operating activities		
Loss before taxation from continuing operations	(83,185)	(33,224)
Loss before taxation from discontinued operations	(672)	(2,692)
Loss before taxation	(83,857)	(35,916)
Adjustments for:		
Amortisation of intangible assets	205	244
Depreciation of fixed assets	241,599	220,047
Dividend income from investment securities	(803)	(956)
Fair value loss in other investments	636	115
Fair value loss/(gain) on derivative financial instruments	93,664	(10,786)
Fixed assets written off, net of amount recovered		
- Continuing operations	10,407	2,206
- Discontinued operations	2	2
Reversal of fixed assets previously written-off	(17)	(3)
Gain on disposal of fixed assets	(21,798)	(35,389)
Intangible assets written off	80	-
Gain on disposal of shares in subsidiaries	(2,212)	(25,157)
Loss/(gain) on disposal of shares in associates	1,549	(2,244)
Gain on disposal of other investments	-	(69)
Interest income	(7,350)	(6,784)
Interest expense	81,761	73,510
Amortisation of deferred transaction costs	2,454	2,844
Amortisation of Notes issuance costs	995	877
Impairment loss on associates	31	-
Allowance for doubtful debts	51	318
Share of results of associates	(11,784)	(14,134)
Recognition of equity-settled share-based payments	-	34
Gain on bargain purchase	(14)	(1,096)
Currency realignment	7,359	(3,427)
Operating income before working capital changes	312,958	164,236
Increase in prepayments, trade and other debtors	(170,205)	(72,114)
(Increase)/decrease in stocks	(10,594)	15,544
(Decrease)/increase in trade and other creditors	(35,297)	55,007
Cash flows generated from operations	96,862	162,673
Interest income received	7,327	6,805
Interest paid	(71,887)	(74,121)
Income taxes paid	(29,564)	(32,371)
Net cash flows generated from operating activities	2,738	62,986

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

Pacific International Lines (Private) Limited

**Statement of Consolidated Cash Flow
For the year ended 31 December 2014**

	Group	
	2014	2013
	US\$'000	US\$'000
Cash flows from investing activities		
Addition of loan by a subsidiary's associate	(9,045)	(226)
Repayment of loan by an associate	295	273
Additional investment in associates	(37,514)	(532)
Purchase of other investments	(5,014)	(9,182)
Proceeds from sales of other investments	37	1,115
Cash inflow arising from disposal of subsidiaries	144,302	12,637
Cash inflow arising from disposal of associate	2,137	3,900
Cash outflow arising from acquisition of subsidiaries	(2,129)	(52)
Dividends from associates	8,854	7,400
Dividends from other investments	803	956
Addition to deferred expenditure and other intangible assets	(52)	(143)
Placement of short-term fixed deposits, secured	(2,611)	(421)
Proceeds from sales of fixed assets	83,410	62,518
Proceeds from sales of fixed assets written off	97	27
Purchase of fixed assets	(296,494)	(628,190)
Net cash flows used in investing activities	(112,924)	(549,920)
Cash flows from financing activities		
Additional investment in subsidiaries	(6,337)	(809)
Capital contribution by non-controlling interest of the subsidiary	4	15
Dividends paid	—	(2,173)
Dividends paid by subsidiaries to minority shareholders	(10,084)	(15,564)
Capital return by subsidiaries to minority shareholders	(212)	—
Proceeds from borrowings	787,277	1,171,144
Repayment of borrowings	(707,276)	(851,581)
Proceeds from issuance of Notes	242,131	—
Repayment of Notes	(224,380)	—
Payment of transaction costs related to borrowings	(7,049)	(5,484)
(Increase)/decrease in net amounts due from associates	(29)	5,800
Increase in net amounts due to related parties	103,575	—
Proceeds from exercise of share options by a subsidiary	—	49
Repayment of lease creditors, net	(42,315)	(39,017)
Payment of repurchase of shares	(327)	—
Net cash flows generated from financing activities	134,978	262,380
Net increase/(decrease) in cash and cash equivalents	24,792	(224,554)
Effect of exchange rate changes on cash and cash equivalents	(5,831)	7,233
Cash and cash equivalents at beginning of year	424,879	642,200
Cash and cash equivalents at end of year (Note 25)	443,840	424,879

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

Pacific International Lines (Private) Limited

Notes to the Financial Statements For the financial year ended 31 December 2014

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 Company is a wholly owned subsidiary of PIL Holdings Pte. Ltd., a company incorporated in the Republic of Singapore.

The principal activities of the Company are those of shipowner and ship operator. The subsidiaries are engaged in activities of investment holding, manufacturing of containers, container depot operations, travel and shipping agents, owners of landed properties, freight forwarders and shipowners. 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 at 31 December are:

	Name of company	Principal activities	Country of incorporation	Percentage of interest held by the Company	
				2014 %	2013 %
<i>Subsidiaries held by the Company</i>					
	Advance Container Lines (Pte) Ltd	Ship operator	Singapore	100	100
*	Berkat Shipping (Pte) Ltd	Dormant	Singapore	75	75
*	Eastern Maritime (Cambodia) Limited	Shipping agency	Cambodia	70	70
*	McKay Shipping Limited	Shipping agency	New Zealand	55	55
*	Odette Enterprises Limited	Investment holding	British Virgin Islands	100	100
*	Pacific Asia Express Pty Ltd	Shipping agency	Australia	65	65
*	Pacific Delta Shipping (Private) Limited	Shipping agency	Pakistan	51 ^{<^}	51 ^{<^}
*	Pacific Eagle Lines Pte Ltd	Dormant	Singapore	51	51
*	Pacific International Lines (China) Ltd	Shipping agency	People's Republic of China	100	100
	Pacific Bunkering Services Pte. Ltd.	Bunker trading	Singapore	100	100
*	PIL Logistics Pte. Ltd.	Provision of supply chain management services, warehousing and logistics	Singapore	100	100
*	Pacific International Lines (HK) Limited	Shipping agency	Hong Kong	94.74	94.74

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Percentage of interest held by the Company	
			2014 %	2013 %
Subsidiaries held by the Company (cont'd)				
Pacific Ship Investment (Pte.) Ltd.	Ship owning and ship chartering	Singapore	100	100
* Pacific International Line South Africa (Proprietary) Limited	Shipping agency	South Africa	84	—
* Pacific Manning Agency Colombo (Private) Limited	Recruitment and training of shipping crews	Sri Lanka	100	—
* Pacific Marine Logistics India Private Limited	Marketing of containers, logistics and warehousing services	India	100	—
* Pacific Properties Company (W.L.L)	Investment holding	Egypt	75	—
PDL International Pte. Ltd.	Ship operator and agency	Singapore	53	53
* PIL (Bangladesh) Ltd.	Shipping agency	Bangladesh	65	65
* PIL Djibouti Ltd	Shipping agency	Djibouti	50.83	50.83
* PIL Egypt (S.A.E)	Shipping agency	Egypt	51	51
* PIL (Ghana) Limited	Shipping agency	Ghana	65	65
* PIL (India) Private Limited	Investment holding	India	100	100
* PIL Korea Ltd.	Shipping agency	Korea	100	51
* PIL Mumbai Private Limited	Shipping agency	India	70	70
* PIL Nigeria Limited	Shipping agency	Nigeria	65	65
PIL Realty (Private) Limited	Property investment	Singapore	—	100
PIL Travels (Private) Limited	Travel agency	Singapore	—	100
* PIL (Uganda) Limited	Shipping agency	Uganda	100	100
⌘ PIL (UK) Limited	Ship operator, shipping management & agency	United Kingdom	100	100

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company		Principal activities	Country of incorporation	Percentage of interest held by the Company	
				2014 %	2013 %
Subsidiaries held by the Company (cont'd)					
⌘	PIL (UK) GP Limited	Investment holding	United Kingdom	100	100
⌘	PIL (UK) GP 2 Limited	Investment holding	United Kingdom	100	100
⌘	PIL (UK) SP Limited	Investment holding	United Kingdom	100	100
	PSI (2) Pte. Ltd.	Ship owning and ship chartering	Singapore	100	100
	PSI (3) Pte. Ltd.	Ship owning and ship chartering	Singapore	100	100
	PSI (4) Pte. Ltd.	Ship owning and ship chartering	Singapore	100	100
*	PST Management Pte. Ltd.	Ship owning and ship chartering	Singapore	100	100
*	PT Pilindo Megah Selatan	Ship owner	Indonesia	80	80
*	Singamas Container Holdings Limited	Investment holding	Hong Kong	39.45 [#]	39.41 [#]
*	Singamas Container Industry Co., Ltd.	Manufacturing of collapsible flatrack containers and container parts	People's Republic of China	20 ^{^^}	20 ^{^^}
*	Strategic Times Limited	Renting of containers	British Virgin Islands	100	100
*	Tranpac Holdings Inc.	Investment holding, renting of containers and vessels	Republic of Panama	100	100
*	Trans Maritime Pte Ltd	Dormant	Singapore	51	51
*	Wuxi Jiangtai International Transportation and Warehousing Co., Ltd	Container freight station, forwarding agent, trucking warehouse, container depot, etc	People's Republic of China	90	90

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Subsidiaries held by the Company (cont'd)

^{<>} The financial year-end for this company differs from the Group. Pacific Delta Shipping (Private) Limited has financial year-end on 30 June.

[#] 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.

Name of company	Principal activities	Country of incorporation	Percentage of interest held by the Company	
			2014 %	2013 %
<i>Associates held by the Company</i>				
AAW Global Logistics Pty Ltd	Shipping agency	Australia	40 ^{<>}	40 ^{<>}
Bahari Oilfield Services FPZ Limited	Operating of oil and gas supply base	Tanzania	49	—
Bandari Oil and Gas Terminal Limited	Operating of quay	Tanzania	49	—
BMT Pacific Ltd.	Operation of wharf and providing terminal related services	Thailand	—	24
CSIC Pacific (Private) Limited	Chartering of vessel to ship operator	Singapore	50	50
Eastern Maritime (Colombo) Limited	Shipping agency	Sri Lanka	40	40
Eastern Maritime (Thailand) Ltd.	Shipping agency	Thailand	41	41
Hope Pacific Pte. Ltd.	Sale and distribution of variable frequency drives & heating, ventilating & air-conditioning, absorption chillers	Singapore	50	—
K & T Logistics Limited	Container freight station, trucking warehouse, container depot, etc	Bangladesh	35	35
Ningbo Taiping International Trade Transportation Co., Ltd	Container freight station, forwarding agent, trading, trucking, warehouse, container depot, etc	People's Republic of China	45	45

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Percentage of interest held by the Company	
			2014 %	2013 %
Associates held by the Company (cont'd)				
Ningbo Free Trade Zone Taiping Logistic Co., Ltd	International trade; entrepot trade; warehousing service for general cargo	People's Republic of China	27**	27**
Pacific International Lines (Jordan) (WLL)	Shipping agency	Jordan	50	50
Pacific International Line South Africa (Proprietary) Limited	Shipping agency	South Africa	—	50
Pacific International Lines Yemen	Shipping agency	Yemen	49	49
Pacific Seatran Lines Ltd	Crew management	Thailand	49	49
Pacific World Shipping Limited	Shipping agency	Mauritius	40 ^{<^>}	40 ^{<^>}
PIL Benin	Shipping agency	Benin	49	49
PIL-PSA Singapore Terminal Pte. Ltd.	Port services provider	Singapore	49	49
PIL Shipping Co. Ltd.	Shipping agency	Sudan	60	60
Pacific International Lines (Taiwan) Ltd.	Shipping agency	Taiwan	49	49
PIL (U.A.E) L.L.C.	Shipping agency	United Arab Emirates	49	49
PIL Vietnam Co., Ltd.	Shipping agency	Vietnam	70	70
PT. Segara Pacific Maju	Container depot	Indonesia	45	45
Singamas Thai Logistics Co., Ltd.	Provision of container storage and repair services	Thailand	24 [@]	24 [@]
Sokhna Container Depot Limited	Container depot	Egypt	60	60
Stellar Bonded Terminals Nigeria Limited	Owners, operators and managers of bonded terminals, ports, inland container depots, etc.	Nigeria	35	35
Wuhan Sinotrans Pacific Int'l Air Service Co., Ltd	Air freight forwarding (in liquidation)	People's Republic of China	50	50

Pacific International Lines (Private) Limited

Notes to the Financial Statements For the financial year ended 31 December 2014

1. Corporate information (cont'd)

Associates held by the Company (cont'd)

↔ The financial year-ends for these companies differ from the Group. AAW Global Logistics Pty Ltd and Pacific World Shipping Limited have financial year-ends on 30 June.

@ Singamas Thai Logistics Co., Ltd. is also an associate of Singamas Container Holdings Limited.

** Ningbo Free Trade Zone Taiping Logistics Co., Ltd is also an associate of Ningbo Taiping International Trade Transportation Co., Ltd.

Name of company		Principal activities	Country of incorporation	Percentage of interest held by the Group	
				2014 %	2013 %
Subsidiaries held by subsidiaries					
Through Singamas Container Holdings Limited					
*	DY Terminal Ltd.	Provision of container storage and repair services	Hong Kong	39.45	39.41
*	Eng Kong Container & Warehousing Ltd.	Investment holding	Hong Kong	28.92	28.89
*	Eng Kong Container Services Ltd.	Provision of container storage, drayage and repair services	Hong Kong	28.92	28.89
*	Guangdong Shun An Da Pacific Container Co., Ltd.	Marketing dry freight and specialised containers in the People's Republic of China	British Virgin Islands	39.45	39.41
*	Hui Zhou Pacific Container Co., Ltd.	Manufacturing of dry freight containers	People's Republic of China	35.90	35.86
*	Ningbo Pacific Container Co., Ltd.	Manufacturing of dry freight and specialised containers	People's Republic of China	39.45	39.41
*	Qidong Pacific Logistics Equipment Co, Ltd.	Manufacturing of refrigerated containers	People's Republic of China	39.45	39.41
*	Qidong Pacific Port Co., Ltd.	Provision of container terminal services	People's Republic of China	39.45	39.41
*	Qidong Singamas Energy Equipment Co., Ltd.	Manufacturing of dry freight and specialised containers	People's Republic of China	39.45	39.41

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Percentage of interest held by the Group		
			2014 %	2013 %	
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	39.45	39.41
*	Shanghai Baoshan Pacific Container Co., Ltd.	Manufacturing of dry freight containers and specialised containers	People's Republic of China	30.46	29.16
*	Shanghai Pacific International Container Co., Ltd.	Manufacturing of tank containers	People's Republic of China	25.60	23.65
*	Shanghai Reeferco Container Co., Ltd.	Manufacturing of refrigerated containers	People's Republic of China	35.86	35.82
*	Singamas Container Industry Co., Ltd.	Manufacturing of collapsible flatrack and specialised containers	People's Republic of China	29.59	29.56
*	Singamas Container Holdings (Shanghai) Limited	Provision of technical and development services of container manufacturing	People's Republic of China	39.45	39.41
*	Singamas Depots Holdings Ltd.	Investment holding	Hong Kong	39.45	39.41
*	Singamas Management Services Limited	Provision of management services	British Virgin Island	39.45	39.41
*	Singamas Logistics (Qingdao) Co., Ltd.	Provision of container storage and repair services	People's Republic of China	23.67	23.65
*	Singamas Logistics (Tianjin) Co., Ltd.	Provision of container storage and repair services	People's Republic of China	39.45	39.41
*	Singamas North America, Inc.	Marketing containers in the USA	United States of America	39.45	39.41
*	Singamas Terminals (China) Ltd.	Investment holding	British Virgin Islands	39.45	39.41

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company		Principal activities	Country of incorporation	Percentage of interest held by the Group	
				2014 %	2013 %
Subsidiaries held by subsidiaries (cont'd)					
Through Singamas Container Holdings Limited (cont'd)					
*	Singamas Terminals Holdings Ltd.	Investment holding	British Virgin Islands	39.45	39.41
*	Singamas Terminals (HK) Ltd.	Investment holding	British Virgin Islands	39.45	39.41
*	Singamas Terminals (Hong Kong) Ltd.	Provision of mid-stream services	Hong Kong	39.45	39.41
*	Singamas Warehouse (Shanghai) Company Ltd.	Investment holding	British Virgin Islands	39.45	39.41
*	Superb Gain Holdings Limited	Property holding	British Virgin Islands	39.45	39.41
*	Tianjin Pacific Container Co., Ltd.	Manufacturing of dry freight and specialised containers	People's Republic of China	38.27	38.23
*	Tianjin Singamas Container Co., Ltd.	Provision of container storage, repair and trucking services and serving as a freight station	People's Republic of China	39.45	39.41
*	Well Key Limited	Provision of human resource management service	Hong Kong	39.45	39.41
*	Wellmass Group Ltd.	Investment holding	British Virgin Islands	23.67	23.65
*	Xiamen Pacific Container Manufacturing Co., Ltd.	Manufacturing of dry freight containers	People's Republic of China	39.45	39.41
*	Yixing Singamas Metal Products Co., Ltd.	Manufacturing of container parts	People's Republic of China	37.48	37.44

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company		Principal activities	Country of incorporation	Percentage of interest held by the Group	
				2014	2013
				%	%
Subsidiaries held by subsidiaries (cont'd)					
Through McKay Shipping Limited					
*	Seatrans New Zealand Limited	Dormant	New Zealand	55	55
	PDL International Pte. Ltd.	Ship operator and agency	Singapore	6.6	6.6
Through McKay Shipping Limited and PDL International Pte. Ltd.					
*	Pacific Bulk Fuel Ltd	Bulk Fuel Services	New Zealand	57.30 ⁺	57.30 ⁺
Through Odette Enterprises Limited					
*	Eastern Maritime Company Limited	Investment holding and property investment	Hong Kong	100	100
Through PIL (India) Private Limited					
*	Tranpac Software Solutions Private Limited	Software Support Services & Development	India	100	100
Through PDL International Pte.Ltd.					
*	Pacific Direct Line Limited	Shipping agency	New Zealand	59.60	59.60
*	SCI Transam Immobilier	Rental of building	New Caledonia	59.60	59.60
*	Tideline Consulting Inc	Container rental	Vanuatu	59.60	59.60
*	Transam Samoa Holdings Limited	Dormant	Samoa	30.40	30.40
*	Transam Samoa Limited	Shipping agency	Samoa	30.40	30.40
*	Transam Shipping Tonga Limited	Shipping agency	Kingdom of Tonga	59.60	59.60
*	Heather Street Limited	Property owner	New Zealand	44.70	44.70

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company		Principal activities	Country of incorporation	Percentage of interest held by the Group	
				2014 %	2013 %
Subsidiaries held by subsidiaries (cont'd)					
Through PIL Logistics Pte. Ltd.					
*	PIL Logistics (China) Co Ltd	Logistics, warehousing & supply management	People's Republic of China	100	100
*	PIL Logistics (SHA-WGQ) Co Ltd (China)	Logistics, warehousing & supply management	People's Republic of China	100	100
*	PIL Logistics (Thailand) Ltd	Logistics, warehousing & supply management	Thailand	49 ^{bb}	49 ^{bb}
Through PIL (UK) Limited					
⌘	PIL Agencies (UK) Limited	Shipping agency	United Kingdom	100	100
⌘	Camomile Canopia Trading (UK) Ltd	General partner	Cayman Island	24.90 ^{##}	24.90 ^{##}
⌘	Wigmore (No.2) Ltd	Sponsor partner	United Kingdom	24.90 ^{##}	24.90 ^{##}
Through PIL (UK) GP Limited					
⌘	Millennium Harbour Limited	Act as nominee owner of the assets	Hong Kong	100	100
⌘	Kota Jasa Limited	Act as nominee owner of the assets	Hong Kong	100	100
Through Selatan Maritime Pte Ltd					
*	PIL (Kenya) Limited	Shipping agency	Kenya	100	100
Through Tranpac Holdings Inc.					
*	Tranpac Shipping Enterprises Ltd	Dormant	Hong Kong	100	100

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Percentage of interest held by the Group	
			2014 %	2013 %
<i>Associates held by subsidiaries</i>				
Through Singamas Container Holdings Limited				
Dalian Singamas International Container Co., Ltd.	Provision of container storage and repair services	People's Republic of China	14.52	14.50
Fuzhou Singamas Container Co., Ltd.	Provision of container storage and repair services	People's Republic of China	15.78	15.76
Modex Holding Limited	Manufacturing and leasing of offshore containers	British Virgin Islands	11.24	—
Ningbo Victory Container Co., Ltd.	Provision of container storage and repair services	People's Republic of China	15.78	15.76
Qidong Singamas Offshore Equipment Co Ltd	Manufacturing of offshore containers	People's Republic of China	25.37	—
Shanghai Huasing International Container Freight Transportation Co., Ltd	Container freight station, forwarding agent, trucking warehouse, container depot, etc.	People's Republic of China	15.78	15.76
Singamas Thai Logistics Co., Ltd.	Provision of container storage and repair services	Thailand	9.86	9.85
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	11.05	11.03

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Percentage of interest held by the Group		
			2014 %	2013 %	
Associates held by subsidiaries (cont'd)					
Through McKay Shipping Limited					
ISS-McKay Ltd	Agency services to bulk, tramper, non-liner and cruise principals.	New Zealand	26.95	26.95	
Kenun Agency Limited	Ship operator and agency	Noumea	13.75	—	
Pacific Marine Management Limited	Ship consultancy business	New Zealand	27.50	27.50	
Ventures II Limited	Dormant	New Zealand	13.75	13.75	
Through PDL International Pte. Ltd.					
Agence Kenua	Shipping agency	New Caledonia	14.90	14.90	
Australia Pacifique Logistique Pty Limited	Transportation	Australia	—	30.40	
Container Repairs and Sales Limited	Container repairs, cleaning, storage and associated services of shipping containers	New Zealand	29.80	29.80	
Fastpak Fishing Inc (DBA Pago Shipping Agencies)	Shipping agency	American Samoa	30.40	30.40	
Greater Pacific Shipping LP	Ship operator	New Zealand	15.90	13.24	
Transam Fiji Limited	Shipping agency	Fiji	23.84	23.84	
Transam Cook Islands	Shipping agency	Cook Islands	29.80	29.80	
Transam Genera Fumigation	Container cleaning	New Zealand	29.80	29.80	
Rhia Australia Limited	Ship operator	New Zealand	—	38.14	
Rhia Investments Limited	Ship operator	New Zealand	—	28.71	

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

1. Corporate information (cont'd)

Name of company	Principal activities	Country of incorporation	Percentage of interest held by the Group		
			2014 %	2013 %	
<i>Associates held by subsidiaries (cont'd)</i>					
Through PDL International Pte. Ltd. (cont'd)					
Rhia Noumea Limited	Ship operator	New Zealand	—	29.80	
SCI Gatope	Property owner	New Caledonia	19.86	19.86	
Southpac Shipping Limited	Ship operator	New Zealand	32.78	32.78	
Through PIL Logistics Pte. Ltd.					
FASA PIL Logistics Company Limited	Logistics, warehousing and supply management	Vietnam	40	40	
PIL Logistics Polymer Bagging Sdn Bhd	Handling bagging activities	Malaysia	50	—	
PIL Logistics USA, Inc.	Logistics, warehousing & supply management	United States of America	50	—	
<i>Other associates held</i>					
Through Pacific Asia Express Pty Ltd and AAW Global Logistics Pty Ltd					
Regional Shipping & Logistics Serv PL	Shipping agency	Australia	52.50 ⁺⁺	52.50 ⁺⁺	

φφ PIL Logistics (Thailand) Ltd is deemed to be a subsidiary of PIL Logistics Pte. Ltd. through the control of the composition of the board of directors.

+ Pacific Bulk Fuel Ltd is deemed to be a subsidiary 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.

Camomile Canopia Trading (UK) Ltd and Wigmore (No.2) Ltd are accounted as subsidiaries of the Group as PIL (UK) Limited controls more than 50% of the voting rights.

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 (φ) are audited by an associated firm of Ernst & Young LLP, Singapore.

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

2. Summary of significant accounting policies

2.1 Basis of preparation

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 have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

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.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

The Group and the Company have not adopted the following standards and interpretations that have been issued but not yet effective:

	<i>Effective date (Annual periods beginning on or after)</i>
Amendments to FRS 1 Disclosure Initiative	1 January 2016
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 19 Employee Benefits	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018

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

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

FRS 115 Revenue from Contracts with Customers

FRS 115 is effective for financial periods beginning on or after 1 January 2017. FRS 115 establishes a five-step model that apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates.

FRS 109 Financial Instruments

FRS 109 is effective for financial periods beginning on or after 1 January 2018. FRS 109 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 39. The approach in FRS 109 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets, and enables companies to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows. FRS 109 is principle-based, and will more closely align hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 115 and FRS 109 will have an impact on the Group.

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 the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date 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

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is 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. The accounting policy for goodwill is set out in Note 2.9(a). 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.

(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.

A list of the Group's significant subsidiaries is shown in Note 1 to the financial statements.

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

2.6 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable 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*

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's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the associates' net assets and share of translation differences arising from foreign associates.

Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associates and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

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

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

2.7 Associates (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss with respect to the Group's investment in the associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associates.

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 over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's separate financial statements, investments in associates 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 2.18. 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)

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.

When an asset is revalued, any increase in the carrying amount is recognised in other comprehensive income and accumulated in equity under assets revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in profit or loss. However, the decrease is debited directly to the revaluation reserve to the extent of any credit balance existing in the reserve in respect of that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the revaluation reserve in respect of an asset is transferred directly to revenue reserve on retirement or disposal of the asset.

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 years
Machinery, equipment and motor vehicles	-	3 to 20 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.

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

2.9 Intangible assets

(a) Goodwill

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. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the unit may be impaired. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. 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 for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss through the 'amortisation of intangible assets' line item.

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

2.9 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

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.

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.

Deferred expenditures

Deferred expenditures represent expenses, including prepayment of rentals, with expected future economic lives of more than one year. The cost is amortised on a period of 2 to 5 years, using the straight line method, over their expected future economic lives.

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.

2.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when 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 cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an assets or cash-generating unit 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.

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

2.10 Impairment of non-financial assets (cont'd)

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

For assets, excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash generating unit'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.

2.11 Stocks

Raw materials, work-in-progress and finished goods relating to containers are stated at the lower of cost and net realisable value.

Cost for finished goods and work-in-progress, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure.

Ship requisite and bunker fuel are stated at lower of cost on first-in, first-out basis and net realisable value.

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.

2.12 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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

2.12 *Financial assets (cont'd)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) ***Financial assets at fair value through profit or loss***

Derivative financial instruments that do not qualify for hedge accounting are classified as financial assets at fair value through profit or loss. Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Marketable securities held on a short-term basis are classified as financial assets at fair value through profit or loss and are stated at fair value on an individual security basis. Gains or losses on this category of financial assets are recognised in profit or loss.

(ii) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) ***Available-for-sale financial assets***

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income, except for that impairment losses, foreign exchange gains and losses on monetary instruments 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 classified from equity to profit or loss as reclassification adjustment when the financial asset is derecognised.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; and discounted cash flow analysis.

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

2.12 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.

2.13 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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

2.13 Impairment of financial assets (cont'd)

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.14 Cash and short-term deposits

Cash and short-term deposits comprise cash at bank and on hand and unsecured fixed deposits.

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

2.15 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

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancellable or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.16 *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 at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.17 *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.

2.18 *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.

2.19 *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.

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

2.20 *Employee benefits*

(a) *Defined contribution plans*

As required by law, the Group's companies make contributions to the various state pension schemes. 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. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

(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 premium. 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.

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

2.21 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases.

2.22 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)

2.23 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The results of voyages are recognised based on the percentage of completion of the voyages as at balance sheet date. The percentage of the voyages that remains unearned after balance sheet date are shown in the financial statements under current liabilities at freight income less all known expenditure incurred to date. Provision for foreseeable losses on incomplete voyages is made in the year in which such losses are determined.

Revenue from the sale of products are recognised upon passage of title to the customer which generally coincides with their delivery or acceptance.

Revenue from the provision of services are recognised upon the rendering of the services.

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases.

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

Interest income is recognised using the effective interest method.

2.24 Survey and docking costs

The fleet is generally maintained on a continuous survey basis and survey expenses are charged in arriving at the operating profit for the year in which they are incurred.

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

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

2.25 Taxes (cont'd)

(b) *Deferred tax*

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets 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 assets and unused tax losses can be utilised, except:

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

The carrying amount of deferred tax asset is reviewed at each balance sheet date 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 each balance sheet date 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.

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

2.26 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as cross 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.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

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.

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

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

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.

2.27 *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 48, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 *Significant accounting estimates and judgments*

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. However, 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.

(a) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year 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.

Impairment of goodwill

The Group assesses whether there are any indicators of impairment for goodwill arising on consolidation at each financial year end. Goodwill arising on consolidation is tested for impairment annually and at the times when such indicators arise. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill as at 31 December 2014 was US\$11,062,000 (2013: US\$6,246,000).

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**Notes to the Financial Statements
For the financial year ended 31 December 2014**

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

2.28 Significant accounting estimates and judgments (cont'd)

(a) Key sources of estimation uncertainty (cont'd)

Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of fixed assets to be within 3 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's fixed assets at 31 December 2014 was US\$4,345,594,000 (2013: US\$4,261,503,000).

Impairment of trade debtors

The Group assesses at each financial year end whether there is objective evidence that trade debtors have been impaired. In the assessment, the Group considers factors such as significant financial difficulties or probability of insolvency of the debtor, default or significant delay in payments, historical write-off statistics and potential credit risks.

Impairment was performed on historical loss experience with similar credit risk characteristics and on an individual basis based on specific credit risk exposure. The carrying amounts of trade debtors as at the financial year end are disclosed in Note 21.

Fair value of derivative financial instruments

The Directors appointed independent valuer or counterparty to compute the fair value financial instruments not quoted in an active market. Judgments were used in selecting an appropriate valuation technique and valuations techniques commonly used by market practitioners were applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instruments. The net fair value of the Group's derivative financial instruments as at 31 December 2014 was estimated at an asset of US\$239,000 (2013: US\$7,423,000) and liability of US\$106,558,000 (2013: US\$1,895,000). The fair value of the Company's derivative financial instruments as at 31 December 2014 was estimated at a liability of US\$105,990,000 (2013: an asset of US\$4,329,000).

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

2.28 Significant accounting estimates and judgments (cont'd)

(b) Critical judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made certain judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the consolidated financial statements.

Income taxes

The Group has exposure to income taxes in more than one jurisdiction. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables, deferred tax assets and deferred tax liabilities at 31 December 2014 are US\$9,036,000 (2013: US\$7,276,000), US\$481,000 (2013: US\$338,000) and US\$11,436,000 (2013: US\$9,640,000) respectively.

Impairment of investments and financial assets

The Group follows the guidance of FRS 39 in determining when an investment or financial asset is other-than-temporarily impaired. This determination requires significant judgment. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost; and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

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3. Turnover

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Freight and charter hire	3,000,357	3,107,618	2,596,809	2,645,087
Invoiced sales of containers	1,478,548	1,253,731	—	—
Others	153,236	154,508	—	—
	4,632,141	4,515,857	2,596,809	2,645,087

4. Other operating income

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Gain on fixed assets written off	—	—	72	24
Reversal of fixed assets previously written-off	17	3	17	3
Gain on disposal of fixed assets	21,798	35,389	5,053	5,148
Management fees	473	357	1,078	1,457
Rental income	664	552	384	383
Other container income	1,545	8,009	—	—
Containers freight station income	2,654	2,391	—	—
Gain on bargain purchase (Note 15)	14	1,096	—	—
Government incentive	18,663	867	426	59
Others	7,842	5,559	638	782
	53,670	54,223	7,668	7,856

5. Investment and interest income

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Gross dividends received from:				
- Quoted subsidiaries	—	—	3,076	6,151
- Unquoted subsidiaries	—	—	21,068	86,817
- Unquoted associates	19	—	8,587	5,413
- Other quoted investments	35	39	35	35
- Other unquoted investments	749	917	—	561
	803	956	32,766	98,977
Interest from banks and other sources	7,350	6,784	230	260
	8,153	7,740	32,996	99,237

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6. Staff costs

This is stated after charging:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Employer's contribution to defined contribution plans	13,594	12,777	2,544	2,690
Share-based payments (Note 33)	—	34	—	—

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

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Write back of allowance for impairment loss on subsidiaries (Note 15)	—	—	2,332	—
Impairment loss on associates	(31)	—	—	—
(Allowance)/write-back of allowance for doubtful debts				
- Trade debtors (Note 21)	(886)	(608)	—	—
- Other debtors (Note 22)	835	290	—	—
- Subsidiaries (Note 23)	—	—	44	1,162
	(82)	(318)	2,376	1,162

8. Fair value changes in derivative financial instruments

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Net fair value (loss)/gain on derivative financial instruments:				
- Bunker swaps	(111,574)	8,861	(111,574)	8,861
- Interest rate swaps	239	—	—	—
- Foreign currency forward contracts	(3,110)	8,106	—	—
	(114,445)	16,967	(111,574)	8,861

9. Administration and non-shipping expenses

This is stated after charging:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Fixed assets written off, net of amount recovered	10,407	2,206	—	—

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10. Finance costs

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Interest on loans	63,622	56,368	26,100	23,466
Other interest expense	8,537	6,566	2,572	743
Bank commission and charges	2,681	4,541	1,439	2,992
Amortisation of deferred transaction costs				
- Amount due to bankers (Note 27)	2,356	2,844	13	–
- Amount due to related companies (Note 29)	81	–	81	–
- Others (Note 18)	17	–	17	–
Interest on Notes	9,600	10,566	6,575	–
Amortisation of Notes issuance costs	995	877	746	–
	87,889	81,762	37,543	27,201

11. Taxation

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Income statements				
<i>Current taxation – Continuing operations:</i>				
Current tax expense	30,807	31,007	505	524
Under/(over) provision in respect of prior years	85	(55)	86	(5)
	30,892	30,952	591	519
<i>Deferred taxation – Continuing operations:</i>				
Movement in temporary differences	1,789	(818)	–	–
Income tax expense attributable to continuing operations	32,681	30,134	591	519
Income tax expense attributable to discontinued operations (Note 12)	16	76	–	–
	32,697	30,210	591	519

The shipping profits of the Company and its subsidiaries are exempt from taxation.

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.

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Notes to the Financial Statements
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11. Taxation (cont'd)

The reconciliation between tax charge on the losses of the Group and the Company for the financial year and the amount that arise by applying the Singapore statutory income tax rate to losses before taxation are as follows:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Loss before taxation – continuing operations	(83,185)	(33,224)	(82,848)	(119,110)
Loss before taxation – discontinued operations (Note 12)	(672)	(2,692)	–	–
	(83,857)	(35,916)	(82,848)	(119,110)
Tax calculated at statutory tax rate of 17% (2013: 17%)	(14,256)	(6,106)	(14,084)	(20,249)
Adjustments:				
Non-taxable income	(12,267)	(16,430)	(21,745)	(3,136)
Expenses not deductible for tax purposes	19,242	17,680	2,353	1,807
Effect of different tax rates of other countries	5,684	6,713	–	–
Tax exempt losses	29,906	26,101	34,029	22,209
Deferred tax assets not recognised	140	124	–	–
Utilisation of previously unrecognised tax losses or capital allowances	(1,261)	(1,101)	–	–
Tax effect on tax losses arising in the current year not recognised	5,896	6,624	–	–
Tax relief	(248)	(582)	–	–
Share of results of associates	(2,084)	(2,489)	–	–
Withholding tax on undistributed profits	1,830	–	–	–
Others	30	(269)	(48)	(107)
	32,612	30,265	505	524
Under/(over) provision in prior years – continuing operations	85	(55)	86	(5)
Income tax expense recognised in profit or loss	32,697	30,210	591	519

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

11. Taxation (cont'd)

Deferred taxation as at 31 December relates to the following:

	Group			
	Balance Sheet		Consolidated Income Statement	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets				
Differences in depreciation	–	39	39	138
Other items	339	292	(47)	(74)
Foreign currency translation	142	7	–	–
	<u>481</u>	<u>338</u>		
Deferred tax liabilities				
Differences in depreciation	(144)	(121)	23	(169)
Revaluation of freehold and long leasehold land and buildings	(1,859)	(1,859)	–	–
Undistributed profit	(9,424)	(7,650)	1,774	(713)
Foreign currency translation	(9)	(10)	–	–
	<u>(11,436)</u>	<u>(9,640)</u>	<u>1,789</u>	<u>(818)</u>

Unrecognised tax losses and unabsorbed capital allowances

The Group has tax losses of approximately US\$33,658,000 (2013: US\$103,201,000) and unabsorbed capital allowances of approximately US\$7,536,000 (2013: Nil) 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 and capital allowances are subject to the agreement of the tax authorities and compliance with certain provision of the tax legislation of the respective countries in which the Group operates.

Pacific International Lines (Private) Limited

Notes to the Financial Statements For the financial year ended 31 December 2014

12. Discontinued operations and disposal group classified as held for sale

During the previous financial year, the Company announced its decision to dispose two of its wholly-owned subsidiaries, PIL Realty (Private) Limited ("PIL Realty") and PIL Travels (Private) Limited ("PIL Travels") to a related company. The disposal of PIL Realty and PIL Travels was completed on 15 May 2014 for a cash consideration of S\$180,910,000, equivalent to US\$144,733,000.

In accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*, the results of the PIL Realty and PIL Travels have been presented separately on the Group Income Statement as Discontinued operations for the financial years ended 31 December 2014 and 31 December 2013. On the Group's Balance Sheet, the financial position of the PIL Realty and PIL Travels as at 31 December 2013 was aggregated and presented as "Assets of disposal group classified as held for sale", "Liabilities directly associated with disposal group classified as held for sale" and "Reserves of disposal group classified as held for sale".

Balance sheet disclosures

The major classes of assets and liabilities of PIL Realty and PIL Travels classified as held for sale and the related reserves as at 31 December 2013 are as follows:

	Group 2013 US\$'000
Assets:	
Fixed assets	142,986
Deferred tax assets	—*
Trade debtors	144
Other debtors	122
Prepayments	7
Cash at bank and on hand (Note 25)	342
	<hr/>
Assets of disposal group classified as held for sale	143,601
	<hr/>
Liabilities:	
Trade creditors	(443)
Other creditors and accruals	(274)
Provision for taxation	(32)
Lease creditors	(197)
Deferred tax liabilities	(165)
	<hr/>
Liabilities directly associated with disposal group classified as held for sale	(1,111)
	<hr/>
Net assets of disposal group classified as held for sale	142,490
	<hr/>

* Denotes amount less than US\$1,000

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

12. Discontinued operations and disposal group classified as held for sale (cont'd)

Balance sheet disclosures (cont'd)

	Group 2013 US\$'000
Reserves:	
Revaluation reserve	98,933
Foreign currency translation reserve	18,833
	<u>117,766</u>

Income statement disclosures

The results of PIL Realty and PIL Travels for the years ended 31 December are as follows:

	Group 2014 US\$'000	2013 US\$'000
Revenue	387	1,214
Expenses	(1,055)	(3,893)
Loss from operations	(668)	(2,679)
Finance costs	(4)	(13)
Loss before taxation from discontinued operations	(672)	(2,692)
Taxation:		
Related to ordinary activities of the discontinued operations (Note 11)	(16)	(76)
Loss from discontinued operations, net of tax	(688)	(2,768)

Cash flow statement disclosures

The cash flows attributable to PIL Realty and PIL Travels are as follows:

	Group 2014 US\$'000	2013 US\$'000
Operating	(108,624)	(3,035)
Investing	(8)	(14)
Financing	108,717	(57)
Net cash inflows/(outflows)	85	(3,106)

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

13. 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 or valuation							
At 1 January 2013	122,194	109,550	245,112	3,396,691	455,813	627,257	4,956,617
Additions	—	6,425	9,494	28,573	69,764	566,965	681,221
Reclassifications	—	—	31,716	782,577	34,187	(848,480)	—
Reinstatement	—	—	—	—	84	—	84
Disposals	—	—	(1,870)	—	(47,238)	—	(49,108)
Revaluation gain	—	—	293	—	—	—	293
Fixed assets written off	—	—	—	—	(5,522)	—	(5,522)
Acquisition of subsidiaries (Note 15)	1,282	—	2,396	11,314	594	—	15,586
Disposal of subsidiaries	—	(33,638)	(38,804)	—	(41,851)	—	(114,293)
Elimination of accumulated depreciation on revaluation	—	—	(656)	—	—	—	(656)
Currency realignment	(4,410)	734	260	830	156	4,525	2,095
Attributable to discontinued operations (Note 12)	(116,200)	—	(25,529)	—	(6,123)	—	(147,852)
At 31 December 2013 and 1 January 2014	2,866	83,071	222,412	4,219,985	459,864	350,267	5,338,465
Additions	2,249	—	18,685	12,089	58,451	303,929	395,403
Reclassifications	—	—	146,969	341,201	21,033	(509,203)	—
Reinstatement	—	—	—	—	38	—	38
Disposals	—	—	—	(99,258)	(53,050)	—	(152,308)
Revaluation gain	—	11,635	—	—	—	—	11,635
Fixed assets written off	—	—	—	—	(25,022)	—	(25,022)
Acquisition of subsidiaries (Note 15)	—	—	1,287	—	21	—	1,308
Elimination of accumulated depreciation on revaluation	—	(777)	—	—	—	—	(777)
Currency realignment	(104)	(333)	(3,400)	(6,564)	(1,527)	(2,014)	(13,942)
At 31 December 2014	5,011	93,596	385,953	4,467,453	459,808	142,979	5,554,800

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

13. Fixed assets (cont'd)

Group	Freehold and long leasehold land US\$'000	Short leasehold land US\$'000	Buildings US\$'000	Motor vessels US\$'000	Machinery, equipment and motor vehicles US\$'000	Assets under construction US\$'000	Total US\$'000
Accumulated depreciation and impairment loss							
At 1 January 2013	-	12,684	55,877	673,433	193,383	-	935,377
Depreciation charge for the year:							
- Continuing operations	-	1,604	8,976	160,681	47,883	-	219,144
- Discontinued operations	-	-	656	-	247	-	903
Disposals	-	-	(360)	-	(21,577)	-	(21,937)
Fixed assets written off	-	-	-	-	(3,287)	-	(3,287)
Disposal of subsidiaries	-	-	(17,023)	-	(25,642)	-	(48,679)
Reinstatement	-	-	-	-	42	-	42
Elimination of accumulated depreciation on revaluation	-	-	(647)	-	-	-	(647)
Currency realignment	-	87	598	563	(336)	-	912
Attributable to discontinued operations (Note 12)	-	-	-	-	(4,866)	-	(4,866)
At 31 December 2013 and 1 January 2014							
Depreciation charge for the year	-	8,361	48,077	834,677	185,847	-	1,076,962
Disposals	-	1,773	11,161	178,280	50,385	-	241,599
Fixed assets written off	-	-	-	(66,789)	(23,896)	-	(90,685)
Reinstatement	-	-	-	-	(14,519)	-	(14,519)
Elimination of accumulated depreciation on revaluation	-	-	-	-	10	-	10
Currency realignment	-	(777)	-	-	-	-	(777)
	-	53	(377)	(2,112)	(948)	-	(3,384)
At 31 December 2014	-	9,410	58,861	944,056	196,879	-	1,209,206
Net carrying amount							
At 31 December 2014	5,011	84,186	327,092	3,523,397	262,929	142,979	4,345,594
At 31 December 2013	2,866	74,710	174,335	3,385,308	274,017	350,267	4,261,503

Notes to the Financial Statements
For the financial year ended 31 December 2014

13. Fixed assets (cont'd)

Company	Buildings US\$'000	Motor vessels US\$'000	Machinery, equipment and motor vehicles US\$'000	Assets under construction US\$'000	Total US\$'000
Cost					
At 1 January 2013	7,417	1,704,847	105,240	249,579	2,067,083
Additions	—	25,771	3,002	353,900	382,673
Reclassifications	—	499,058	—	(499,058)	—
Reinstatement	—	—	33	—	33
Disposals	—	—	(3,107)	(13,700)	(16,807)
Fixed assets written off	—	—	(132)	—	(132)
At 31 December 2013 and 1 January 2014	7,417	2,229,676	105,036	90,721	2,432,850
Additions	—	6,984	4,260	215,636	226,880
Reclassifications	—	262,623	71	(262,694)	—
Reinstatement	—	—	26	—	26
Disposals	—	(97,129)	(6,302)	—	(103,431)
Fixed assets written off	—	—	(959)	—	(959)
At 31 December 2014	7,417	2,402,154	102,132	43,663	2,555,366

Notes to the Financial Statements
For the financial year ended 31 December 2014

13. Fixed assets (cont'd)

Company	Buildings US\$'000	Motor vessels US\$'000	Machinery, equipment and motor vehicles US\$'000	Assets under construction US\$'000	Total US\$'000
Accumulated depreciation and impairment loss					
At 1 January 2013	4,301	486,047	48,751	—	539,099
Depreciation charge for the year	297	87,482	12,161	—	99,940
Reinstatement	—	—	24	—	24
Disposals	—	—	(2,433)	—	(2,433)
Fixed assets written off	—	—	(131)	—	(131)
At 31 December 2013 and 1 January 2014	4,598	573,529	58,372	—	636,499
Depreciation charge for the year	280	100,030	10,201	—	110,511
Reinstatement	—	—	8	—	8
Disposals	—	(64,299)	(6,130)	—	(70,429)
Fixed assets written off	—	—	(934)	—	(934)
At 31 December 2014	4,878	609,260	61,517	—	675,655
Net carrying amount					
At 31 December 2014	2,539	1,792,894	40,615	43,663	1,879,711
At 31 December 2013	2,819	1,656,147	46,664	90,721	1,796,351

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

13. Fixed assets (cont'd)

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Analysis of net carrying amount:				
Motor vessels				
Owned	3,409,339	3,350,028	1,711,428	1,656,147
Leased	114,058	35,280	81,466	–
	<u>3,523,397</u>	<u>3,385,308</u>	<u>1,792,894</u>	<u>1,656,147</u>
Machinery, equipment and motor vehicles				
Owned	205,853	173,130	16,202	18,886
Leased	57,076	100,887	24,413	27,778
	<u>262,929</u>	<u>274,017</u>	<u>40,615</u>	<u>46,664</u>
Assets under construction				
Owned	126,266	332,005	26,950	72,459
Leased	16,713	18,262	16,713	18,262
	<u>142,979</u>	<u>350,267</u>	<u>43,663</u>	<u>90,721</u>

(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) Revaluation of leasehold land and buildings

Short leasehold land is revalued to its fair value determined by professionally qualified valuers or management as and when deemed appropriate by management. The date of the revaluation was at 27 October 2014.

If the short leasehold land were measured using the cost model, the carrying amount for the Group as at 31 December 2014 would be US\$10,489,370.

As at 31 December 2013, the Group had freehold and long leasehold land and buildings carried at revaluation model classified as assets of disposal group classified as held for sale as the Company had announced its decision to dispose PIL Realty and PIL Travels, as mentioned in Note 12.

Pacific International Lines (Private) Limited

Notes to the Financial Statements

For the financial year ended 31 December 2014

13. Fixed assets (cont'd)

(iii) Assets held under hire purchase and finance lease

During the year, the Group has acquired fixed assets by means of hire purchase and finance lease with an aggregate fair value of US\$98,573,000 (2013: US\$52,475,000).

(iv) Assets pledged as security

Leased assets are pledged as security for the related finance lease liabilities. As for owned assets, the Group and the Company has certain assets with carrying amounts of US\$3,416,923,000 (2013: US\$3,424,812,000) and US\$1,658,800,000 (2013: US\$1,600,431,000) respectively, being mortgaged to secure the Group's bank loans.

(v) Capitalisation of borrowing costs

The Group's fixed assets include borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of motor vessels. During the year, the borrowing costs capitalised as fixed assets amounted to US\$343,000 (2013: US\$556,000). The rates used to determine the amount of borrowing costs eligible for capitalisation was 3.5% p.a. to 3.6% p.a. (2013: 2.3% p.a. to 3.2% p.a.).

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

14. Intangible assets

Group	Deferred expenditure US\$'000	Patents US\$'000	Goodwill US\$'000	Club member- ship US\$'000	Others US\$'000	Total US\$'000
Cost						
At 1 January 2013	599	4,583	7,126	138	498	12,944
Internal development	138	—	—	—	5	143
Written off	(238)	—	—	—	—	(238)
Currency realignment	22	—	—	—	(53)	(31)
At 31 December 2013 and 1 January 2014	521	4,583	7,126	138	450	12,818
Internal development	19	—	—	—	33	52
Acquisition of subsidiaries (Note 15)	—	—	4,816	—	—	4,816
Written off	(268)	—	—	(80)	—	(348)
Currency realignment	(11)	—	—	—	(14)	(25)
At 31 December 2014	261	4,583	11,942	58	469	17,313
Accumulated amortisation and impairment loss						
At 1 January 2013	312	4,583	880	—	307	6,082
Amortisation during the year	197	—	—	—	47	244
Written off	(238)	—	—	—	—	(238)
Currency realignment	13	—	—	—	(33)	(20)
At 31 December 2013 and 1 January 2014	284	4,583	880	—	321	6,068
Amortisation during the year	158	—	—	—	47	205
Written off	(268)	—	—	—	—	(268)
Currency realignment	(5)	—	—	—	(10)	(15)
At 31 December 2014	169	4,583	880	—	358	5,990
Net carrying amount						
At 31 December 2014	92	—	11,062	58	111	11,323
At 31 December 2013	237	—	6,246	138	129	6,750
Average remaining amortisation years 2014	4	—	—	—	4	
Average remaining amortisation years 2013	3	—	—	—	3	

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

14. Intangible assets (cont'd)

Impairment test for goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified within the operating segments.

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

	Group	
	2014	2013
	US\$'000	US\$'000
Shipping	4,816	–
Manufacturing	6,246	6,246
Net carrying amount	<u>11,062</u>	<u>6,246</u>

Shipping and manufacturing

The recoverable amount of the shipping business is 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.

Key assumptions used include those regarding discount rates, growth rates and expected changes to 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.

The estimated growth rate used for shipping business and manufacturing business are 2% (2013: Nil) and 5% (2013: 5%) respectively. The weighted average cost of capital ("WACC") used for shipping business and manufacturing business are 5% (2013: Nil) and 10% (2013: 10%).

Sensitivity to changes in assumptions

The Group takes into consideration that any reasonable change in key assumptions on which the Group has based on to determine the recoverable amount would not cause the CGU's carrying amount to exceed its recoverable amount.

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

15. Subsidiaries

	Company	
	2014	2013
	US\$'000	US\$'000
Quoted shares, at cost	61,265	61,265
Unquoted shares, at cost	483,583	475,426
Less: Impairment loss		
At 1 January	(7,454)	(7,578)
Write-back during the year (Note 7)	2,332	—
Disposals	—	926
Reclassification	—	(802)
At 31 December	(5,122)	(7,454)
	539,726	529,237
Amounts due from subsidiaries (net)	466,121	453,332
	1,005,847	982,569

The amounts due from subsidiaries (net) 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 in accordance with FRS 39 because its fair value cannot be measured reliably.

The market value of the quoted shares as at 31 December 2014 is US\$158,661,000 (2013: US\$223,900,000).

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit allocated to NCI during the reporting period US\$'000	Accumulated NCI at the end of reporting period US\$'000	Dividends paid to NCI US\$'000
<u>31 December 2014:</u>					
Singamas Container Holdings Limited ("SCHL")	Hong Kong	60.55%	19,873	424,142	6,248
<u>31 December 2013:</u>					
Singamas Container Holdings Limited ("SCHL")	Hong Kong	60.59%	31,890	415,681	12,463

The Group has de-facto control over SCHL on the basis that the remaining voting rights in SCHL are widely dispersed.

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

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 follow:

Summarised balance sheet

	SCHL	
	2014	2013
	US\$'000	US\$'000
Current		
- Assets	910,851	928,336
- Liabilities	(431,888)	(562,670)
Net current assets	478,963	365,666
Non-current		
- Assets	515,536	460,217
- Liabilities	(322,065)	(171,650)
Net non-current assets	193,471	288,567
Net assets	672,434	654,233

Summarised statement of comprehensive income

	SCHL	
	2014	2013
	US\$'000	US\$'000
Profit after tax from continuing operations	32,900	39,288
Other comprehensive income	(279)	855
Total comprehensive income	32,621	40,143

Other summarised information

	SCHL	
	2014	2013
	US\$'000	US\$'000
Net cash flows from/(used in) operations	72,261	(76,054)

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

15. Subsidiaries (cont'd)

2014

a) Acquisition of subsidiaries

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

Name of subsidiary	Date of acquisition	Equity interest acquired	Consideration US\$'000
Pacific Marine Logistics India Private Limited	28 Feb 2014	100%	2
Pacific International Line South Africa (Proprietary) Limited ("PIL SA")	31 Aug 2014	34%	6,323

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

	US\$'000
Fixed assets (Note 13)	1,308
Investment in associates	1,998
Trade debtors	6,620
Prepayment	11
Other debtors	2,258
Deferred tax assets	202
Cash at bank and on hand	4,196
Total assets	16,593
Other creditors	(11,436)
Provision for taxation	(706)
Total liabilities	(12,142)
Total identifiable net assets	4,451
Non-controlling interests measured at the non-controlling interests' proportionate share of net identifiable assets	(711)
Goodwill (Note 14)	4,816
Gain on bargain purchase (Note 4)	(14)
	8,542

Consideration transferred for the acquisition of subsidiaries

	US\$'000
Cash paid	6,325
Fair value of equity interest held by the Group immediately before acquisition	2,217
	8,542

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

15. Subsidiaries (cont'd)

2014 (cont'd)

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

Effect of the acquisition of subsidiaries on cash flow

	US\$'000
Cash and cash equivalents of subsidiary acquired	4,196
Less: Total consideration	(6,325)
Net cash outflow on acquisition of subsidiaries	(2,129)

The goodwill of US\$4,816,000 recognised in the Group represented the control premium paid for the business combination.

The Group recognised a gain of US\$2,217,000 as a result of measuring at fair value its 50% equity interest in PIL SA held before the business combination. The gain is included in the "Other operating income" line item in the Group's profit or loss for the year ended 31 December 2014.

If the acquisition of the above subsidiaries had occurred on 1 January 2014, Group turnover would have been US\$4,647,311,000 and the loss for the year would have been US\$109,166,000.

b) *Disposal of subsidiaries*

On 15 May 2014, the Group completed its disposal of its entire shareholding interest in its wholly-owned subsidiaries, PIL Realty (Private) Limited ("PIL Realty") and PIL Travels (Private) Limited ("PIL Travels") to a related company at consideration of S\$180,910,000, equivalent to US\$144,733,000.

Further information on the disposal group held for sale is disclosed in Note 12 to the financial statements.

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

15. Subsidiaries (cont'd)

2014 (cont'd)

b) Disposal of subsidiaries (cont'd)

The cumulative net assets of PIL Realty and PIL Travels recorded in the consolidated financial statements on 15 May 2014, and the cash flow effect of the disposal are summarised below:

	US\$'000
Fixed assets	144,840
Trade debtors	117
Other debtors	127
Prepayment	3
Cash at bank and on hand	431
Amount due from holding company	837
Total assets disposed	146,355
Trade creditors	(534)
Other creditors and accruals	(516)
Provision for taxation	(50)
Deferred tax liabilities	(165)
Amount due to holding company	(2)
Total liabilities disposed	(1,267)
Total identifiable net assets	145,088
Non-controlling interests	—
Net assets disposed	145,088

Effect of the disposal of subsidiaries on cash flow

	US\$'000
Total consideration	144,733
Less: Cash and cash equivalents of subsidiaries disposed	(431)
Net cash inflow on disposal of subsidiaries	144,302

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

15. Subsidiaries (cont'd)

2014 (cont'd)

c) Acquisition of non-controlling interests

During the year, the Group acquired additional equity interest in subsidiary from its non-controlling interest for a cash consideration of US\$6,337,000. The aggregate net assets carrying value at acquisition was US\$104,565,000 and the carrying value of the additional equity interest acquired by the Group was US\$9,026,000. The difference of US\$2,689,000 between the consideration and the carrying value of the additional equity interest acquired has been recognised in "Other reserve" within equity.

2013

a) Acquisition of subsidiary

In year 2013, the Group step-acquired and obtained control of the following subsidiary:

Name of subsidiary	Date of acquisition	Equity interest acquired	Consideration US\$'000
Heather Street Limited	6 May 2013	25%	244

The fair value of the subsidiary' assets and liabilities at the date of acquisition are summarised below:

	US\$'000
Fixed assets (Note 13)	15,586
Stocks	726
Trade debtors	3,167
Other debtors	335
Cash at bank and on hand	436
Total assets	20,250
Trade creditors	(1,419)
Amount due to bankers	(7,319)
Other creditors and accruals	(2,050)
Provision for taxation	(9)
Total liabilities	(10,797)
Total identifiable net assets	9,453
Non-controlling interests measured at the non-controlling interests' proportionate share of net identifiable assets	(4,217)
Gain on bargain purchase (Note 4)	(1,096)
	4,140

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

15. Subsidiaries (cont'd)

2013 (cont'd)

a) Acquisition of subsidiary (cont'd)

Consideration transferred for the acquisition of subsidiary

US\$'000

Cash paid	488
Fair value of equity interest held by the Group immediately before acquisition	3,652
	<u>4,140</u>

Effect of the acquisition of subsidiary on cash flow

US\$'000

Cash and cash equivalents of subsidiary acquired	436
Less: Total consideration	(488)
Net cash outflow on acquisition of subsidiary	<u>(52)</u>

If the acquisitions of the above subsidiary had occurred on 1 January 2013, Group turnover would have been US\$4,521,235,000 and loss for the year would have been US\$65,943,000.

b) Disposal of subsidiaries

In year 2013, the Group disposed the following subsidiaries:

Name of subsidiaries	Equity interest disposed	Consideration US\$'000
Foshan Shunde Leliu Wharf & Container Co. Ltd.	39.41%	23,097
Foshan Shunde Singamas Tank Container Co. Ltd.	23.25%	27,322
Guangdong Shun An Da Pacific Container Co. Ltd.	39.41%	25,895

The cumulative net assets of the subsidiaries at the date of disposal were as follows:

	US\$'000
Fixed assets	65,614
Stocks	4,347
Trade debtors	9,182
Other debtors	7,230
Cash at bank and on hand	13,258
Total assets	<u>99,631</u>
Trade creditors	(298)
Other creditors and accruals	(17,732)
Provision for taxation	(129)
Total liabilities	<u>(18,159)</u>
Total identifiable net assets	81,472
Non-controlling interests	(24,216)
	<u>57,256</u>

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

15. Subsidiaries (cont'd)

2013 (cont'd)

b) Disposal of subsidiaries (cont'd)

Effect of the disposal of subsidiaries on cash flow

	US\$'000
Total consideration	76,314
Cash receivable	(50,419)
Less: Cash and cash equivalents of subsidiaries disposed	(13,258)
Net cash inflow on disposal of subsidiaries	12,637

c) Acquisition of non-controlling interests

In year 2013, the Group acquired additional equity interest in subsidiary from its non-controlling interest for a cash consideration of US\$809,000. The aggregate net assets carrying value at acquisition was US\$631,000 and the carrying value of the additional equity interest acquired by the Group was US\$651,000. The difference of US\$158,000 between the consideration and the carrying value of the additional equity interest acquired has been recognised in "Other reserve" within equity.

16. Associates

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Unquoted shares	88,694	49,267	33,255	33,043
Less: Impairment loss	(1,535)	(1,504)	(1,504)	(1,504)
	87,159	47,763	31,751	31,539
Share of post-acquisition reserves	33,031	37,527	—	—
Long-term loans to associates	17,275	8,521	7,234	7,542
	137,465	93,811	38,985	39,081

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

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

16. Associates (cont'd)

The summarised financial information of the associates is as follow:

	Group	
	2014	2013
	US\$'000	US\$'000
Revenue	284,883	519,780
Net profit after income tax	24,474	32,303
Total assets	279,806	459,439
Total liabilities	(149,010)	(229,720)

There are no significant associates in the Group.

17. Other investments

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current:				
Available-for-sale financial assets				
Shares and securities, quoted	4,262	3,843	533	550
Shares and other investments, unquoted	50,379	45,546	41,445	41,445
Less: Impairment loss				
At 1 January	(1,542)	(1,544)	—	—
Currency realignment	70	2	—	—
At 31 December	(1,472)	(1,542)	—	—
	53,169	47,847	41,978	41,995
Current:				
Financial assets at fair value through profit or loss				
Shares and securities, quoted	601	1,240	—	—
Total other investments	53,770	49,087	41,978	41,995

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

17. Other investments (cont'd)

Available-for-sale financial assets

(i) Quoted shares and securities

These consist of quoted shares listed on the Singapore Exchange Securities Trading Limited and a fixed rate of 7.25% p.a. quoted securities amounting to US\$3,678,000 (2013: US\$3,250,000) for the Group.

The 7.25% p.a. quoted securities has no fixed maturity date and the issuer has the option to call back the securities on every 30 June.

(ii) Unquoted shares

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

Financial assets at fair value through profit or loss

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

18. Deferred transaction costs

	Group and Company 2014 US\$'000
Balance at 1 January	–
Additions during the financial year	1,008
Amortisation during the financial year (Note 10)	(17)
	<hr/>
Balance at 31 December	991
	<hr/>
Amount to be amortised:	
Not later than one year	75
Later than one year	916
	<hr/>
	991
	<hr/>

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

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

19. Prepayments

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current:				
Prepaid insurance	15,352	15,472	974	289
Advance charter hire	–	–	5,982	6,901
Container rental	601	1,212	601	1,212
Other prepayments	1,124	1,321	–	–
	17,077	18,005	7,557	8,402
Current:				
Prepaid insurance	8,054	7,468	4,619	4,207
Advance charter hire	608	318	919	919
Container rental	611	611	611	611
Other prepayments	5,932	5,910	1,144	1,020
	15,205	14,307	7,293	6,757
Total prepayments	32,282	32,312	14,850	15,159

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	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Ship requisite stocks	1,099	1,213	1,099	1,213
Bunker fuel stocks	73,333	114,195	66,832	104,284
Manufacturing stocks:				
Raw materials	115,054	126,630	–	–
Work-in-progress	52,480	35,112	–	–
Finished goods	102,120	57,655	–	–
Others	3,550	2,237	858	921
Total stocks at lower of cost and net realisable value	347,636	337,042	68,789	106,418

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

21. Trade debtors

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Trade debtors	463,060	451,749	57,984	76,315
Less: Allowance for doubtful debts	(3,836)	(3,073)	(340)	(340)
	459,224	448,676	57,644	75,975

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 debtors that are past due but not impaired

Trade debtors that are past due but not impaired are substantially with parties who have good credit ratings.

The aging of the Group's and the Company's trade debtors that are past due but not impaired as at balance sheet date is as follows:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Past due 1 to 90 days	134,265	188,342	45,473	61,167
Past due 91 days to 120 days	6,421	6,263	691	1,617
Past due 121 days to one year	15,179	6,246	2,301	1,012
Past due more than one year	1,915	2,080	537	–
	157,780	202,931	49,002	63,796

Trade debtors that are past due and impaired

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Past due and individually impaired	3,836	3,073	340	340
Less: Allowance for doubtful debts	(3,836)	(3,073)	(340)	(340)
At 31 December	–	–	–	–
Movement in allowance accounts:				
At 1 January	(3,073)	(3,243)	(340)	(340)
Charge for the year (Note 7)	(886)	(608)	–	–
Write-off during the year	60	683	–	–
Currency realignment	63	95	–	–
	(3,836)	(3,073)	(340)	(340)

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

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

21. Trade debtors (cont'd)

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	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Marine claim receivables	9,357	9,508	9,357	9,508
Ship and office staff advances	1,757	1,185	1,567	865
Recoverables and deposits	159,075	147,129	3,065	3,041
Unbilled revenue	10,234	3,523	–	–
	180,423	161,345	13,989	13,414
Less: Allowance for doubtful debts	(566)	(1,411)	(162)	(162)
	179,857	159,934	13,827	13,252

Presented as:

Non-current	8,991	–	–	–
Current	170,866	159,934	13,827	13,252
	179,857	159,934	13,827	13,252

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Movement in allowance accounts:				
At 1 January	(1,411)	(229)	(162)	(162)
Write-back for the year (Note 7)	835	290	–	–
Write-off during the year	–	46	–	–
Reclassification from non-current to current	–	(1,432)	–	–
Currency realignment	10	(88)	–	–
Attributable to discontinued operations	–	2	–	–
At 31 December	(566)	(1,411)	(162)	(162)

During the financial year, a reversal of impairment loss of US\$835,000 (2013: US\$290,000) was recognised in the income statements subsequent to a debt recovery assessment performed on its other debtors.

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

23. Amounts due from holding company / related companies

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Holding company	146,871	–	146,871	–
Subsidiaries	–	–	191,378	147,006
Associates	11,548	15,914	6,608	12,002
	11,548	15,914	197,986	159,008
Less: Allowance for doubtful debts	(6)	(6)	(5)	(49)
	11,542	15,908	197,981	158,959
Movement in allowance accounts:				
At 1 January	(6)	(6)	(49)	(4,114)
Write-back for the year (Note 7)	–	–	44	1,162
Write-off during the year	–	–	–	2,859
Currency realignment	–	–	–	44
	(6)	(6)	(5)	(49)

The amounts due from holding company, subsidiaries and associates are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

During the financial year, a reversal of impairment loss of US\$44,000 (2013: US\$1,162,000) was recognised in the income statements subsequent to a debt recovery assessment performed on its related company.

24. Short-term fixed deposits, secured

The short-term fixed deposits have been pledged for certain banking facilities granted to the Group.

The weighted average interest rates are from 2% p.a. to 9.0% p.a. (2013: 0.15% p.a. to 12.0% p.a.).

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

25. Cash and short-term deposits

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Fixed deposits with banks	37,853	4,121	34,919	–
Cash at bank and on hand	405,987	420,416	50,607	23,566
	<u>443,840</u>	<u>424,537</u>	<u>85,526</u>	<u>23,566</u>

For the purpose of consolidated cash flow statement, cash and cash equivalent comprise the following at the end of reporting period:

	Group	
	2014	2013
	US\$'000	US\$'000
Cash and short-term deposits:		
- Continuing operations	443,840	424,537
- Discontinued operations (Note 12)	–	342
	<u>443,840</u>	<u>424,879</u>

The interest earned on cash at bank for the Group ranged from 0.01% p.a. to 9.0% p.a. (2013: 0.01% p.a. to 10.0% p.a.).

The interest earned on fixed deposits with banks for the Group ranged from 0.4% p.a. to 8.8% p.a. (2013: 3.0% p.a. to 9.0% p.a.) respectively. Fixed deposits with banks are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group.

26. Trade creditors

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

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

27. Amounts due to bankers

	Maturities	Group		Company	
		2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Current					
Bank trust receipts					
- Unsecured		2,060	—	—	—
Revolving loans					
- Unsecured		283,787	338,783	214,000	242,457
- Secured		2,580	3,096	—	—
Bills payable, unsecured		84,879	63,478	—	—
Term loans					
- Unsecured		35,000	1,165	—	—
Less: Unamortised deferred transaction costs		(1,356)	—	—	—
		33,644	1,165	—	—
- Secured		254,308	278,533	132,137	153,166
Less: Unamortised deferred transaction costs		(1,056)	(960)	(53)	—
		253,252	277,573	132,084	153,166
		660,202	684,095	346,084	395,623
Non-current					
Term loans					
- Unsecured	2017	315,000	164,000	—	—
Less: Unamortised deferred transaction costs		(2,373)	(5,086)	—	—
		312,627	158,914	—	—
- Secured	2016-2028	1,697,455	1,749,789	893,643	891,756
Less: Unamortised deferred transaction costs		(6,144)	(6,168)	(464)	—
		1,691,311	1,743,621	893,179	891,756
		2,003,938	1,902,535	893,179	891,756

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

27. Amounts due to bankers (cont'd)

Deferred transaction costs

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January	(12,214)	(9,574)	–	–
Additions during the financial year	(1,071)	(5,484)	(530)	–
Amortisation during the financial year (Note 10)	2,356	2,844	13	–
	(10,929)	(12,214)	(517)	–
Amount to be amortised:				
Not later than one year	(2,412)	(2,317)	(53)	–
Later than one year	(8,517)	(9,897)	(464)	–
	(10,929)	(12,214)	(517)	–

The unsecured revolving loans are interest bearing, ranging from 1.3% p.a. to 6.6% p.a. (2013: 0.8% p.a. to 3.3% p.a.).

Term loans are secured by way of mortgages on certain vessels and properties (Note 13) of the Group and the Company. Term loans interest rates are ranging from 0.6% p.a. to 12.7% p.a. (2013: 0.6% p.a. to 12.7% p.a.).

The interest rates of these amounts due to bankers are repriced at intervals of one to six months.

28. Other creditors and accruals

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Other creditors and accruals	155,362	166,830	38,268	21,517
Current portion of lease creditors:				
Finance lease commitments				
(Note 31)	29,806	25,229	9,535	5,838
Hire purchase creditors (Note 31)	157	134	80	78
	185,325	192,193	47,883	27,433

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

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

29. Amounts due to related companies

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Current:				
Subsidiaries	–	–	200,249	279,928
Associates	14,092	17,572	12,803	14,652
Related companies	689	–	685	–
	14,781	17,572	213,737	294,580
Non-current:				
Related companies	103,351	–	103,351	–
Less: Unamortised deferred transaction costs	(464)	–	(464)	–
	102,887	–	102,887	–

Deferred transaction costs

	Group and Company 2014 US\$'000
Balance at 1 January	–
Additions during the financial year	(545)
Amortisation during the financial year (Note 10)	81
	(464)
Amount to be amortised:	
Not later than one year	(110)
Later than one year	(354)
	(464)

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

The amounts due to subsidiaries are unsecured, repayable on demand and to be settled in cash. The amounts consist both non-interest bearing and an interest bearing amount of US\$3,599,000 (2013: US\$4,117,000) which bears interest at 4.5% p.a. (2013: 4.5% p.a.).

The amounts due to related companies (non-current) are unsecured, repayable in 5 years and interest bearing. Amount due to related companies (non-current) interest rates are ranging from 1.99% to 2.29% (2013: Nil).

30. Notes

Issued by the Company

On 17 July 2014, the Company issued a three-year SGD 300,000,000 notes (equivalents to US\$242,131,000) (the "Notes"). The Notes will mature on 17 July 2017 and bears a fixed interest rate of 5.9% per annum payable semi-annually. The Notes is listed on the Singapore Exchange Securities Trading Limited and is unsecured. The purpose of the issue was to refinance existing borrowings, finance investments of the Company and for general working capital purposes.

Concurrent with the issuance of the Notes, the Company entered into a cross currency swap of a similar duration to convert the 3-Year SGD fixed rate liability of S\$300,000,000 to USD fixed rate liability of US\$242,131,000.

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

Issued by the Company's subsidiary

On 14 April 2011, the Company's subsidiary, Singamas Container Holdings Limited issued a three-year CNY1,380,000,000 (equivalent to US\$210,600,000) notes (the "Notes"). The Notes is listed on the Singapore Exchange Securities Trading Limited.

The Notes is denominated and settled in CNY, and bears coupon at 4.75% p.a. payable semi-annually in arrears. The Notes is unsecured and carried effective interest rate of 5.16% p.a..

On 14 April 2014, the Notes was redeemed in full, which was financed by a new term loan amounting to US\$310,000,000 and repayments will commence on 24 September 2015 and continue until 24 September 2017.

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

31. Lease creditors

	Maturities	Group		Company	
		2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Finance lease commitments					
Total commitments		180,073	124,831	99,480	24,837
Repayable within 1 year (Note 28)		(29,806)	(25,229)	(9,535)	(5,838)
Repayable after 1 year	2018-2025	150,267	99,602	89,945	18,999
Hire purchase creditors					
Total commitments		726	637	408	400
Repayable within 1 year (Note 28)		(157)	(134)	(80)	(78)
Repayable after 1 year	2017-2025	569	503	328	322
Total lease creditors		150,836	100,105	90,273	19,321

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

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Finance leases - Minimum lease payments				
Not later than one year	37,915	32,041	12,312	6,360
Later than one year but not later than five years	106,506	110,865	36,495	18,184
Later than five years	73,985	4,875	73,985	1,931
Total minimum lease payments	218,406	147,781	122,792	26,475
Less: Amounts representing finance charges	(38,333)	(22,950)	(23,312)	(1,638)
Present value of minimum lease payments	180,073	124,831	99,480	24,837
Finance leases - Present value of payments				
Not later than one year	29,806	25,229	9,535	5,838
Later than one year but not later than five years	86,204	95,389	25,882	17,361
Later than five years	64,063	4,213	64,063	1,638
Present value of minimum lease payments	180,073	124,831	99,480	24,837

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

31. Lease creditors (cont'd)

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Hire purchase creditors -				
Minimum lease payments				
Not later than one year	186	159	94	92
Later than one year but not later than five years	615	497	349	301
Later than five years	3	51	3	51
Total minimum lease payments	804	707	446	444
Less: Amounts representing finance charges	(78)	(70)	(38)	(44)
Present value of minimum lease payments	726	637	408	400
Hire purchase creditors -				
Present value of payments				
Not later than one year	157	134	80	78
Later than one year but not later than five years	566	453	325	272
Later than five years	3	50	3	50
Present value of minimum lease payments	726	637	408	400

The discount rates implicit in the leases are 1.9% p.a. to 10.4% p.a. (2013: 1.9% p.a. to 10.4% p.a.).

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

Pacific International Lines (Private) Limited

Notes to the Financial Statements
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32. Share capital

	Group and Company			
	2014		2013	
	No of shares		No of shares	
	'000	US\$'000	'000	US\$'000
Issued and fully paid:				
At 1 January/31 December	554,400	376,127	554,400	376,127

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

33. Share-based payments

Share options under the share option scheme (the "Scheme") of Singamas Container Holdings Limited ("Singamas"), a subsidiary of the Company, are granted to Directors and employees of Singamas pursuant to the ordinary resolution passed by shareholders at the 2007 annual general meeting. The details of the Scheme are disclosed in pages 4 to 6 of the Directors' Report. The options are granted with vesting periods 1 year, 2 years and 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.

Details of the share options outstanding during the year are as follows:

	Number of share options	
	2014	2013
Outstanding at beginning of year	17,882,089	24,989,953
- Granted	—	—
- Forfeited	(279,560)	(6,838,938)
- Exercised	—	(268,926)
Outstanding at year end	17,602,529	17,882,089

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

Date of share options granted	Fair value of share options
1 July 2010	HK\$0.61 to HK\$0.81
6 August 2008	HK\$0.53 to HK\$0.72
28 June 2007	HK\$1.62 to HK\$2.52

Share option expense of Nil (2013: US\$34,000) was recognised in profit or loss for the year ended 31 December 2014.

Pacific International Lines (Private) Limited

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For the financial year ended 31 December 2014**

33. Share-based payments (cont'd)

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

Share options granted on	1 July 2010	6 August 2008	28 June 2007
Closing share price at the date of grant	HK\$1.54	HK\$1.83	HK\$5.25
Exercise price	HK\$1.38	HK\$1.93	HK\$5.14
Option life	10 years	10 years	10 years
Expected volatility	65%	45%	48%
Semi-annual dividend yield	1.7%	2.8%	1%
Risk-free interest rate	2.29%	3.55%	4.78%

34. 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.

35. Revaluation reserve

Revaluation reserve records increases in the fair value of freehold and long leasehold land, short leasehold land and buildings, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

36. Fair value reserve

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

37. 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 or impaired.

38. 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.

39. Share options reserve

Employee share options reserve represents the share-based payments granted to employees (Note 33). 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.

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40. 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.

41. Operating lease commitments

As lessee

The Group and the Company have entered into commercial leases on certain motor vessels, equipment, containers and leasehold land and buildings. These leases have tenure ranging between 1 to 10 years.

Operating lease payments recognised in the income statement during the year amounted to US\$257,293,000 (2013: US\$309,573,000).

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2014 US\$'000	2013 US\$'000	2014 US\$'000	2013 US\$'000
Not later than one year	68,969	70,927	167,568	167,191
Later than one year but not later than five years	184,039	182,459	516,229	486,477
Later than five years	33,877	24,247	175,212	203,822
	286,885	277,633	859,009	857,490

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 commercial lease on motor vessels and office space. These leases have lease term ranging between 1 to 9 years. Future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2014 US\$'000	2013 US\$'000
Not later than one year	48,485	49,217
Later than one year but not later than five years	193,816	194,245
Later than five years	92,457	140,878
	334,758	384,340

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42. 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	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Commitments in respect of:				
- Acquisition of fixed assets	145,192	361,665	136,010	269,729
- Investment in an associate	5,175	1,640	—	—

43. Contingent liabilities

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Secured:				
Corporate guarantees given to banks on behalf of subsidiaries	—	—	757	—
Corporate guarantees given to banks on behalf of a related company	23,700	—	23,700	—
Performance guarantees given in respect of subsidiaries	—	—	—	241
Performance guarantees given in respect of third parties	104	102	104	102
Guarantees for banks facilities utilised by an associate	19	165	—	—
Payment guarantees given to third parties	—	11,580	—	11,580
Performance guarantees given in respect of related companies	192	—	192	—
	24,015	11,847	24,753	11,923

The management is of the view that no material losses under the above guarantees or claims are expected.

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44. 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 during the year at terms agreed between the parties:

	Group		Company	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Subsidiaries:				
Charter hire fees received	—	—	(99,743)	(102,160)
Freight charges received	—	—	(3,136)	(2,417)
Management fee received	—	—	(718)	(1,179)
Sale of vessel	—	—	—	(13,700)
Charter hire fees paid	—	—	137,201	133,546
Freight charges paid	—	—	100,483	105,027
Commission fees paid	—	—	42,799	31,071
Rental paid	—	—	724	2,136
Container rental fee paid	—	—	19,358	3,849
Storage, trucking, other fees paid	—	—	3,769	3,546
Purchase of bunker	—	—	172,924	153,616
Interest paid	—	—	383	97
Others	—	—	1,032	3,298
Associates:				
Interest received	—	—	(49)	(52)
Charter hire fees paid	—	—	3,176	3,176
Terminal fees paid	—	—	101,610	102,374
Commission fees paid	—	—	13,328	13,864
Related parties:				
Rental paid	1,412	—	1,412	—
Others	1,364	—	1,364	—

44. Significant related party transactions (cont'd)

(b) *Compensation of key management personnel*

	Group	
	2014 US\$'000	2013 US\$'000
Short-term employee benefits	12,417	11,735
Provident fund contribution	314	302
Post-employment benefits	240	19
Share-based payments	—	30
Termination benefits	69	—
Total compensation paid to key management personnel	13,040	12,086
Comprise amounts paid to:		
Directors of the Company	5,893	5,716
Other key management personnel	7,147	6,370
Total	13,040	12,086

45. Financial risk management objectives and policies

The Group and the Company is 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 uses 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.

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

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

(i) Credit risk (cont'd)

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

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

	Group	
	2014	2013
	US\$'000	US\$'000
<u>By geographical areas</u>		
Africa	29,381	28,279
Asia	237,275	256,999
Australasia	17,851	20,611
Europe	43,261	31,044
The Americas	131,456	111,743
	459,224	448,676

(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 is 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 maintains a level of cash and cash equivalents and has 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.

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

(b) *Liquidity risk (cont'd)*

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

Group	1 year or less US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
2014				
Non-derivative financial liabilities				
Trade creditors	629,549	—	—	629,549
Other creditors and accruals	99,888	21	—	99,909
Amounts due to related companies	17,148	111,238	—	128,386
Amounts due to bankers (secured)	300,287	1,227,926	608,266	2,136,479
Amounts due to bankers (unsecured)	407,258	334,494	—	741,752
Notes	13,402	416,894	—	430,296
Lease creditors	38,101	107,121	73,988	219,210
Other creditors	—	61	1,157	1,218
Derivative financial liabilities				
Bunker swaps	86,464	—	—	86,464
Foreign currency forward contract	15	—	—	15
Cross currency swap	—	19,526	—	19,526
Interest rate swaps	509	63	—	572
	1,592,621	2,217,344	683,411	4,493,376
2013				
Non-derivative financial liabilities				
Trade creditors	632,043	—	—	632,043
Other creditors and accruals	95,872	—	—	95,872
Amounts due to related companies	17,572	—	—	17,572
Amounts due to bankers (secured)	325,587	1,187,585	711,444	2,224,616
Amounts due to bankers (unsecured)	405,385	173,716	—	579,101
Notes	231,426	—	—	231,426
Lease creditors	32,200	111,362	4,926	148,488
Other creditors	—	107	—	107
Derivative financial liabilities				
Interest rate swaps	1,427	546	—	1,973
	1,741,512	1,473,316	716,370	3,931,198

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

(b) *Liquidity risk (cont'd)*

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

Company	1 year or less US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
2014				
Non-derivative financial liabilities				
Trade creditors	350,978	—	—	350,978
Other creditors and accruals	38,268	—	—	38,268
Amounts due to related companies	216,104	111,238	—	327,342
Amounts due to bankers (secured)	152,903	584,601	389,866	1,127,370
Amounts due to bankers (unsecured)	214,298	—	—	214,298
Notes	13,402	416,894	—	430,296
Lease creditors	12,406	36,844	73,988	123,238
Derivative financial liabilities				
Bunker swaps	86,464	—	—	86,464
Cross currency swap	—	19,526	—	19,526
	1,084,823	1,169,103	463,854	2,717,780
2013				
Non-derivative financial liabilities				
Trade creditors	385,672	—	—	385,672
Other creditors and accruals	21,517	—	—	21,517
Amounts due to related companies	294,580	—	—	294,580
Amounts due to bankers (secured)	173,265	583,872	385,016	1,142,153
Amounts due to bankers (unsecured)	243,803	—	—	243,803
Lease creditors	6,452	18,485	1,982	26,919
	1,125,289	602,357	386,998	2,114,644

45. 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 and the Company enters into interest rate swaps, in which the Group and the Company agrees 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, except for derivative financial instruments, as at balance sheet date, an increase/decrease of 50 (2013: 50) basis point in interest rate would have decreased/increased the Group's profit or loss by approximately US\$12,327,000 (2013: US\$11,021,000) respectively. Similarly, the Company's profit or loss would be decreased/increased by approximately US\$7,009,000 (2013: US\$6,472,000) respectively.

At balance sheet date, the Group has certain derivative financial instruments and an increase/decrease of 50 (2013: 50) basis point in interest rate would have increased/decreased the Group's equity and profit or loss by approximately US\$102,000 (2013: US\$348,000) and US\$50,000 (2013: US\$199,000) 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 has transactional currency exposures arising from the sales and purchases that are denominated in currencies other than the functional currency. The Group and the Company seeks to manage the effect of the currency exposure by entering currency swaps and foreign currency forward contracts.

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45. 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	
2014		
Trade debtors		13,288
Other debtors		1,288
Amount due from related companies		7,248
Cash and short-term deposits		7,585
Trade creditors		(24,398)
Other creditors and accruals		(3,659)
Amounts due to related companies		(114,538)
Lease creditors		(328)
	SGD US\$'000	CNY US\$'000
2013		
Trade debtors	15,057	27,804
Other debtors	539	104,972
Amount due from related companies	7,551	—
Cash and short-term deposits	4,324	158,478
Trade creditors	(17,379)	(127,965)
Amounts due to bankers	—	(64,643)
Other creditors and accruals	(4,486)	(58,475)
Amounts due to related companies	(11,065)	(26)
Lease creditors	(1,122)	—

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

(c) **Market risk factors (cont'd)**

(ii) **Foreign currency risk (cont'd)**

Company

SGD
US\$'000

2014

Trade debtors	5,491
Other debtors	1,032
Amounts due from related companies	206
Cash and short-term deposits	5,094
Trade creditors	(17,707)
Other creditors and accruals	(3,222)
Amounts due to related companies	(111,838)
Lease creditors	(1,218)

SGD **INR**
US\$'000 **US\$'000**

2013

Trade debtors	5,011	—
Other debtors	443	—
Amounts due from related companies	170	8,874
Cash and short-term deposits	3,374	—
Trade creditors	(11,214)	—
Other creditors and accruals	(3,382)	—
Amounts due to related companies	(12,639)	—
Lease creditors	(1,122)	—

Volatility of USD against the respective foreign currencies

	2014	2013
	%	%
CNY	—	5
SGD	5	5
INR	—	5

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Notes to the Financial Statements
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45. Financial risk management objectives and policies (cont'd)

(c) **Market risk factors (cont'd)**

(ii) **Foreign currency risk (cont'd)**

Based on the volatility of USD against the respective foreign currencies at balance sheet date, the Group's and the Company's profit or loss would have increased/(decreased) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates and tax rates remain constant.

Group	Income statement	
	2014	2013
	US\$'000	US\$'000
USD against SGD		
- Strengthened	(5,676)	(329)
- Weakened	5,676	329
USD against CNY		
- Strengthened	—	2,007
- Weakened	—	(2,007)
Company		
	Income statement	
	2014	2013
	US\$'000	US\$'000
USD against SGD		
- Strengthened	(6,108)	(968)
- Weakened	6,108	968
USD against INR		
- Strengthened	—	444
- Weakened	—	(444)

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

(c) **Market risk factors (cont'd)**

(iii) **Bunker price risk**

The Group and the Company is exposed to fluctuations in the prices of bunker fuel, which is a commodity consumed in its shipping operations. To manage bunker price risk, the Company enters 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% (2013: 10%) at balance sheet date, the Company's profit or loss would have increased/(decreased) by the amounts of US\$10,124,000 (2013: US\$12,589,000), as a result of changes in fair value of bunker swap contracts. This analysis assumes that all other variables, in particular interest rates and tax rates remain constant.

46. Financial instruments

(a) **Fair values**

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Fair value hierarchy

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

The fair value hierarchy has the following levels:

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

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46. 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 by level of fair value hierarchy:

Group	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
2014				
Recurring fair value measurements				
Financial assets				
Fair value through profit or loss (Note 17)	601	—	—	601
Available-for-sale (Note 17)				
- Shares and securities, quoted	584	—	—	584
- 7.25% p.a. perpetual bonds, quoted	3,678	—	—	3,678
Derivative financial instruments (Note 46 (c))				
- Interest rate swaps	—	239	—	239
Financial assets as at 31 December 2014	4,863	239	—	5,102
Non-financial asset				
Short leasehold land	—	—	22,261	22,261
Financial liabilities				
Derivative financial instruments (Note 46 (c))				
- Bunker swaps	—	86,464	—	86,464
- Interest rate swaps	—	553	—	553
- Cross currency swap	—	19,526	—	19,526
- Foreign currency forward contracts	—	15	—	15
Financial liabilities as at 31 December 2014	—	106,558	—	106,558

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46. 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
2013				
Recurring fair value measurements				
Financial assets				
Fair value through profit or loss (Note 17)	1,240	–	–	1,240
Available-for-sale (Note 17)				
- Shares and securities, quoted	593	–	–	593
- 7.25% p.a. perpetual bonds, quoted	3,250	–	–	3,250
Derivative financial instruments (Note 46 (c))				
- Bunker swaps	–	4,329	–	4,329
- Foreign currency forward contracts	–	3,094	–	3,094
Financial assets as at 31 December 2013	5,083	7,423	–	12,506
Financial liabilities				
Derivative financial instruments (Note 46 (c))				
- Interest rate swaps	–	1,895	–	1,895
Financial liabilities as at 31 December 2013	–	1,895	–	1,895
Non-recurring fair value measurements				
Disposal group classified as held for sale	–	–	142,276	142,276

Level 2 fair value measurements

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

Level 3 fair value measurements

The fair value of the disposal group classified as held for sale is based on unobservable sales price agreed with a related company.

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46. Financial instruments (cont'd)

(a) Fair values (cont'd)

Movement in level 3 assets measured at fair value

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (level 3):

	Group 2014 US\$'000
At 1 January 2014	—
Recognised in equity	11,635
At 31 December 2014	11,635
Total gain for the year included in equity for non-financial assets	11,635

No assets were measured at fair value based on significant unobservable inputs (level 3) as at 31 December 2013.

Level 3 fair value measurement

The fair value of the assets categorised under Level 3 of the fair value hierarchy was determined using a combination of the valuation techniques as follows:

Valuation Techniques	Key Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable Inputs to Fair Value
Comparison method	Adopted value per square meter ("psm") of Net Lettable Area ("NLA") of sale evidence for comparable land	From US\$169 psm of NLA	The higher the adopted value, the higher the fair value.
Residual value method	Estimated gross development value ("GDV") (psm of net saleable area ("NSA") and estimated cost to complete development	Estimated GDV at US\$183 psm of NSA and estimated cost to complete development	The higher the estimated GDV, the higher the fair value; the higher the estimated cost to complete development, the lower the fair value.

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

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	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities:				
Hire purchase creditors	726	637	746	622
Amounts due to bankers	4,197	4,231	3,894	4,259
Finance lease commitments	80,594	99,994	80,585	99,984
Notes	223,170	226,095	228,256	226,451

	Company			
	Carrying amount		Fair value	
	2014	2013	2014	2013
	US\$'000	US\$'000	US\$'000	US\$'000
Financial liabilities:				
Notes	223,170	—	228,256	—
Hire purchase creditors	408	400	388	378

As at 31 December 2014, the unquoted shares and other investments carried at cost less impairment loss amounted to US\$48,907,000 (2013: US\$44,004,000) and US\$41,445,000 (2013: US\$41,445,000) in the Group and the Company respectively.

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46. 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 2014	Loans and receivables US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	Available- for-sale US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Other investments	–	–	601	53,169	–	53,770
Derivative financial instruments	–	–	–	–	239	239
Trade debtors	459,224	–	–	–	–	459,224
Other debtors	103,781	–	–	–	–	103,781
Amounts due from holding company	146,871	–	–	–	–	146,871
Amounts due from related companies	11,542	–	–	–	–	11,542
Short-term fixed deposits, secured	3,969	–	–	–	–	3,969
Cash and short- term deposits	443,840	–	–	–	–	443,840
	1,169,227	–	601	53,169	239	1,223,236
Liabilities						
Derivative financial instruments	–	–	86,479	–	20,079	106,558
Trade creditors	–	629,549	–	–	–	629,549
Amounts due to bankers	–	2,664,140	–	–	–	2,664,140
Notes	–	223,170	–	–	–	223,170
Other creditors and accruals	–	185,325	–	–	–	185,325
Amounts due to related companies	–	117,668	–	–	–	117,668
Lease creditors	–	150,836	–	–	–	150,836
Other creditors	–	1,218	–	–	–	1,218
	–	3,971,906	86,479	–	20,079	4,078,464

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46. Financial Instruments (cont'd)

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

Group 2013	Loans and receivables US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	Available- for-sale US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Other investments	–	–	1,240	47,847	–	49,087
Derivative financial instruments	–	–	4,329	–	3,094	7,423
Trade debtors	448,676	–	–	–	–	448,676
Other debtors	96,149	–	–	–	–	96,149
Amounts due from related companies	15,908	–	–	–	–	15,908
Short-term fixed deposits, secured	1,358	–	–	–	–	1,358
Cash and short- term deposits	424,537	–	–	–	–	424,537
	986,628	–	5,569	47,847	3,094	1,043,138
Liabilities						
Derivative financial instruments	–	–	–	–	1,895	1,895
Trade creditors	–	632,043	–	–	–	632,043
Amounts due to bankers	–	2,586,630	–	–	–	2,586,630
Notes	–	226,095	–	–	–	226,095
Other creditors and accruals	–	192,193	–	–	–	192,193
Amounts due to related companies	–	17,572	–	–	–	17,572
Lease creditors	–	100,105	–	–	–	100,105
Other creditors	–	107	–	–	–	107
	–	3,754,745	–	–	1,895	3,756,640

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46. Financial Instruments (cont'd)

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

Company 2014	Loans and receivables US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	Available for-sale US\$'000	Derivatives used for hedging US\$'000	Total US\$'000
Assets						
Other investments	–	–	–	41,978	–	41,978
Trade debtors	57,644	–	–	–	–	57,644
Other debtors	13,827	–	–	–	–	13,827
Amounts due from holding company	146,871	–	–	–	–	146,871
Amounts due from related companies	197,981	–	–	–	–	197,981
Cash and short- term deposits	85,526	–	–	–	–	85,526
	501,849	–	–	41,978	–	543,827
Liabilities						
Derivative financial instruments	–	–	86,464	–	19,526	105,990
Trade creditors	–	350,978	–	–	–	350,978
Amounts due to bankers	–	1,239,263	–	–	–	1,239,263
Other creditors and accruals	–	47,883	–	–	–	47,883
Amounts due to related companies	–	316,624	–	–	–	316,624
Notes	–	223,170	–	–	–	223,170
Lease creditors	–	90,273	–	–	–	90,273
	–	2,268,191	86,464	–	19,526	2,374,181

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

46. Financial Instruments (cont'd)

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

Company 2013	Loans and receivables US\$'000	Liabilities at amortised cost US\$'000	Fair value through profit or loss US\$'000	Available for-sale US\$'000	Total US\$'000
Assets					
Other investments	—	—	—	41,995	41,995
Derivative financial instruments	—	—	4,329	—	4,329
Trade debtors	75,975	—	—	—	75,975
Other debtors	13,252	—	—	—	13,252
Amounts due from related companies	158,959	—	—	—	158,959
Cash and short-term deposits	23,566	—	—	—	23,566
	271,752	—	4,329	41,995	318,076
Liabilities					
Trade creditors	—	385,672	—	—	385,672
Amounts due to bankers	—	1,287,379	—	—	1,287,379
Other creditors and accruals	—	27,433	—	—	27,433
Amounts due to related companies	—	294,580	—	—	294,580
Lease creditors	—	19,321	—	—	19,321
	—	2,014,385	—	—	2,014,385

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

46. Financial Instruments (cont'd)

(c) *Derivative financial instruments*

Derivative financial instruments included in the balance sheets at 31 December are as follows:

	Group			
	2014		2013	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Current				
Interest rate swaps	–	162	–	548
Foreign currency forward contracts	–	15	3,094	–
Bunker swaps	–	86,464	4,329	–
	–	86,641	7,423	548
Non-current				
Interest rate swaps	239	391	–	1,347
Cross currency swap	–	19,526	–	–
	239	19,917	–	1,347
	239	106,558	7,423	1,895

	Company			
	2014		2013	
	Assets US\$'000	Liabilities US\$'000	Assets US\$'000	Liabilities US\$'000
Current				
Bunker swaps	–	86,464	4,329	–
Non-current				
Cross currency swap	–	19,526	–	–
	–	105,990	4,329	–

:

46. Financial Instruments (cont'd)

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

(i) **Foreign currency forward contracts**

The Group entered foreign currency forward contracts to manage its exposure in foreign currencies.

Hedge accounting has not been adopted for the following contracts:

Remaining notional amount	Maturity	Exchange rate
USD1,416,000	2015	Notional amount multiplied by agreed NZD/USD exchange rate.

(ii) **Bunker swaps**

The bunker swaps outstanding of the Group and Company for year ended 31 December 2014 have notional quantities of 330,000 MT (2013: 210,000 MT) at various agreed bunker prices. The maturity dates of these bunker swaps are less than one year. Hedge accounting has not been adopted.

(iii) **Interest rate swaps**

The Group entered into interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a portion of the floating interest rate on those bank borrowings into a fixed rate. The Group applies hedge accounting for certain hedging relationship which qualifies for hedge accounting.

Remaining notional amount	Maturity	Interest rate
US\$14,160,944	2015	Notional amount multiplied by a variable factor at an agreed percentage on a monthly basis.
US\$6,320,832	2016	Notional amount multiplied by a variable factor at an agreed percentage on a monthly basis.
US\$186,000,000	2017	Notional amount multiplied by a variable factor at an agreed percentage on a monthly basis.

Pacific International Lines (Private) Limited

**Notes to the Financial Statements
For the financial year ended 31 December 2014**

46. Financial Instruments (cont'd)

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

(iv) Cross currency swap

The Group entered into cross currency swap to manage its exposure in foreign currencies.

Hedge accounting has been adopted for the following contracts:

Remaining notional amount	Maturity	Exchange rate
SGD300,000,000	2017	Notional amount multiplied by agreed USD/SGD exchange rate.

47. 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 2014 and 31 December 2013.

48. 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 amounts due to bankers and trade creditors.

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

48. Segment information (cont'd)

Segment reporting by operating segments

2014

	Shipping US\$'000	Manufacturing US\$'000	Discontinued operations US\$'000	Adjustment and elimination US\$'000	Total US\$'000
Turnover					
External sales	3,089,427	1,542,714	387	(387)	4,632,141
Inter-segment sales	1,445,577	3,769	—	(1,449,346)	—
Total turnover	4,535,004	1,546,483	387	(1,449,733)	4,632,141
Segment result					
Depreciation and amortisation	137,173	93,507	(668)	668	230,680
Share of results of associates	(215,193)	(26,611)	—	—	(241,804)
Non-controlling interests	15,710	(570)	—	—	15,140
(Loss)/profit before finance cost and taxation	(5,784)	(21,857)	—	—	(27,641)
Finance cost	(68,094)	44,469	(668)	668	(23,625)
Taxation	(74,087)	(13,802)	(4)	4	(87,889)
(Loss)/profit attributable to equity holders of the Company	(13,056)	(19,625)	(16)	16	(32,681)
	(155,237)	11,042	(688)	688	(144,195)
Segment assets					
Associates	5,636,589	1,353,010	—	(951,980)	6,037,619
Consolidated total assets	64,088	73,377	—	—	137,465
	5,700,677	1,426,387	—	(951,980)	6,175,084
Segment liabilities					
	4,296,962	753,954	—	(951,980)	4,098,936
Other segment items:					
Capital expenditures					
- Fixed assets	357,981	38,542	—	—	396,523

Pacific International Lines (Private) Limited

Notes to the Financial Statements
For the financial year ended 31 December 2014

48. Segment information (cont'd)

Segment reporting by operating segments (cont'd)

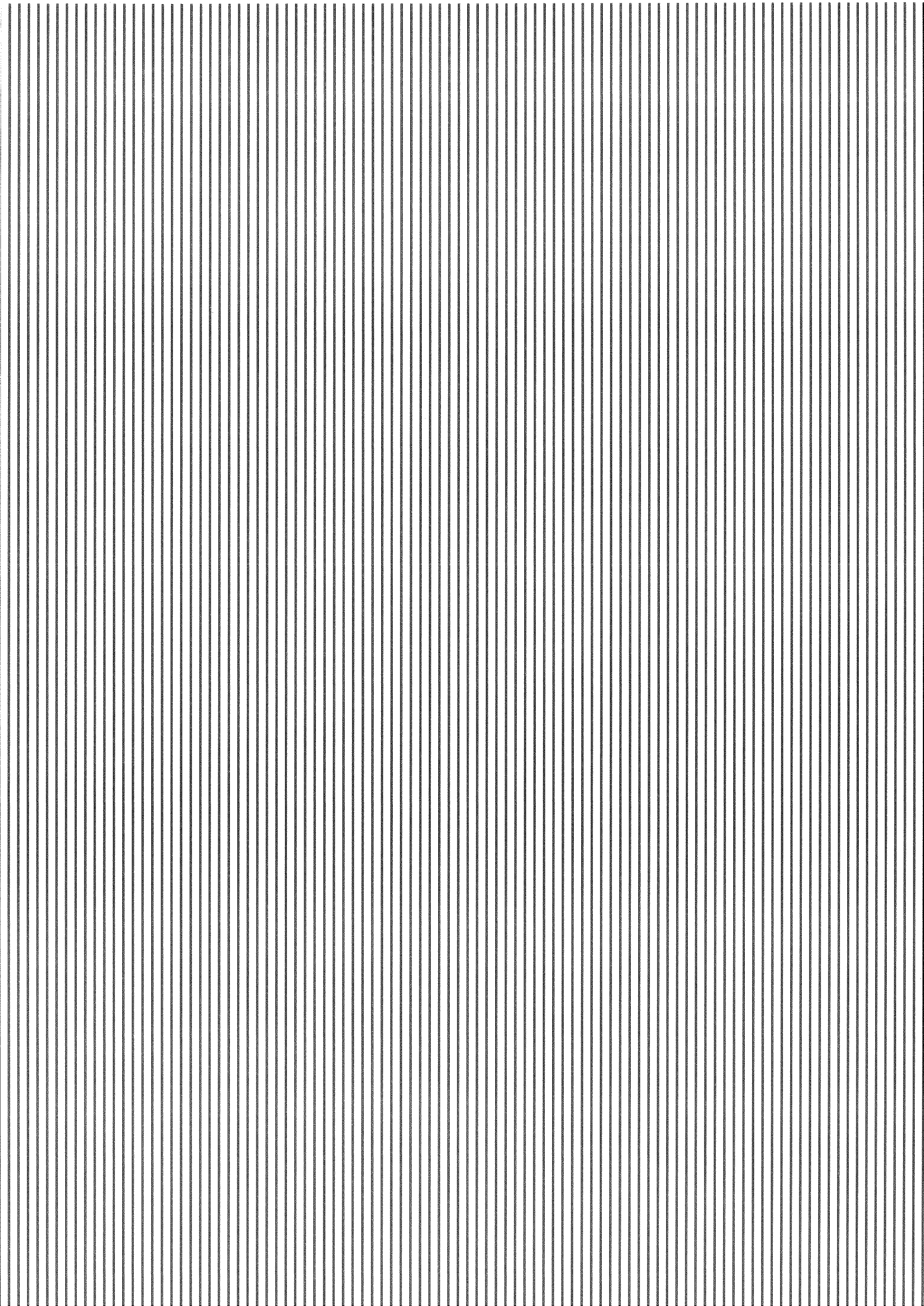
2013	Shipping US\$'000	Manufacturing US\$'000	Discontinued operations US\$'000	Adjustment and elimination US\$'000	Total US\$'000
Turnover					
External sales	3,236,764	1,279,093	1,214	(1,214)	4,515,857
Inter-segment sales	1,426,336	3,895	–	(1,430,231)	–
Total turnover	4,663,100	1,282,988	1,214	(1,431,445)	4,515,857
Segment result					
Depreciation and amortisation	153,540	96,318	(1,776)	1,776	249,858
Share of results of associates	(197,786)	(21,602)	(903)	903	(219,388)
Non-controlling interests	14,668	632	–	–	15,300
(Loss)/profit before finance cost and taxation	(11,910)	(25,779)	–	–	(37,689)
Finance cost	(41,488)	49,569	(2,679)	2,679	8,081
Taxation	(63,561)	(18,201)	(13)	13	(81,762)
(Loss)/profit attributable to equity holders of the Company	(12,275)	(17,859)	(76)	76	(30,134)
	(117,324)	13,509	(2,768)	2,768	(103,815)
Segment assets					
Associates	5,523,498	1,358,115	143,601	(1,136,745)	5,888,469
Consolidated total assets	63,372	30,439	–	–	93,811
	5,586,870	1,388,554	143,601	(1,136,745)	5,982,280
Segment liabilities					
	4,033,491	734,320	1,111	(994,255)	3,774,667
Other segment items:					
Capital expenditures					
- Fixed assets	619,030	62,191	–	–	681,221

49. Events occurring after the reporting period

On 10 March 2015, the Company entered into a sale and purchase agreement with Luen Thai Enterprises Ltd for the purchase of 65.0% equity interest of Mariana Express Lines Pte Ltd ("MELL") for an aggregate purchase price of US\$3,250,000. MELL is incorporated and domiciled in Singapore. The principal activities consist of the provision of containerised shipping services and freight forwarding services.

50. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 29 May 2015.



About EY

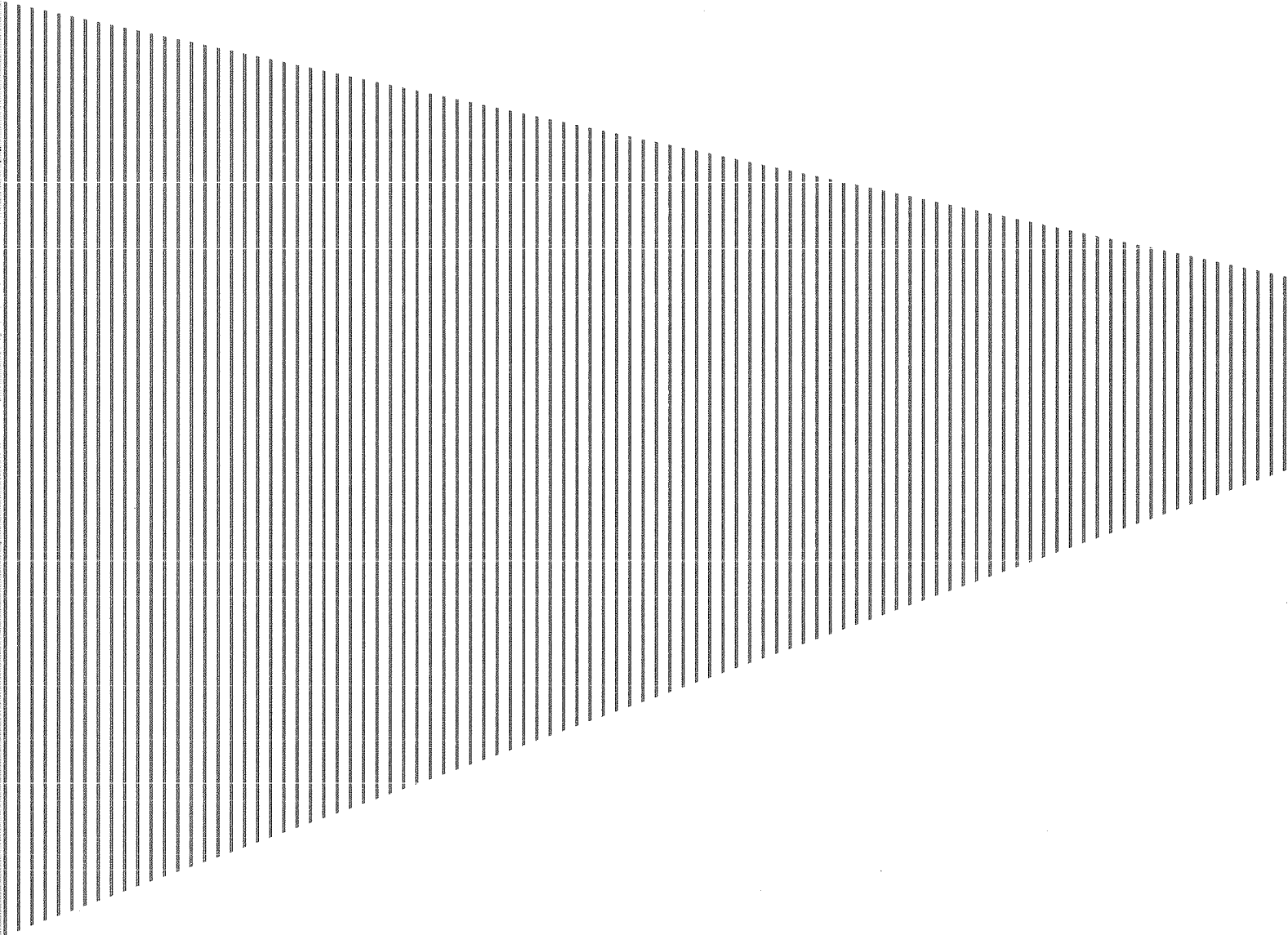
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19. By inserting the following as Appendix VII of the Information Memorandum:

“APPENDIX VII

**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF PACIFIC INTERNATIONAL LINES
(PRIVATE) LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL HALF YEAR ENDED 30
JUNE 2015**

The information in this Appendix VII has been reproduced from the unaudited consolidated half year financial statements of Pacific International Lines (Private) Limited and its subsidiaries for the financial period ended 30 June 2015 and has not been specifically prepared for inclusion in this Information Memorandum.

Pacific International Lines (Private) Limited
Unaudited Income Statements
for the financial period ended 30 June 2015

	Group	
	June 2015 Unaudited US\$'000	June 2014 Unaudited US\$'000
<u>Continuing Operations</u>		
Turnover	2,106,024	2,252,393
Other operating income	13,180	15,430
Changes in inventories of finished goods and work in progress	(10,697)	10,270
Raw material and consumables used	(526,442)	(535,481)
Investment and interest income	2,862	3,149
Staff costs	(127,010)	(109,014)
Depreciation	(131,065)	(122,465)
Amortisation of intangible assets	(50)	(186)
Write-back for impairment losses	375	217
Gain on disposal of shares in subsidiaries	-	2,212
Fair value changes in other investments	(27)	(253)
Fair value changes in derivative financial instruments	23,538	2,843
Foreign exchange differences	10,098	5,250
Shipping expenses	(1,081,950)	(1,400,961)
Administration and non-shipping expenses	(131,090)	(129,070)
Finance costs	(48,279)	(42,221)
Share of results of associates	5,131	7,456
Profit/(Loss) before taxation from continuing operations	<u>104,598</u>	<u>(40,431)</u>
Taxation	(10,423)	(15,887)
Profit/(Loss) from continuing operations, net of tax	<u>94,175</u>	<u>(56,318)</u>
<u>Discontinued operations</u>		
Loss from discontinued operation, net of tax	-	(688)
Profit/(Loss) for the period	<u>94,175</u>	<u>(57,006)</u>
Attributable to:		
Equity holders of the Company		
Profit/(Loss) from continuing operations	82,311	(69,882)
Loss from discontinued operations	-	(688)
Profit/(Loss) attributable to equity holders of the Company	<u>82,311</u>	<u>(70,570)</u>
Non-controlling interests		
Profit from continuing operations	<u>11,864</u>	<u>13,564</u>

Pacific International Lines (Private) Limited
Unaudited Statements of Comprehensive Income
for the financial period ended 30 June 2015

	Group	
	June 2015 Unaudited US\$'000	June 2014 Unaudited US\$'000
Profit/(Loss) for the period	94,175	(57,006)
Other comprehensive income for the period, after tax:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising from translating the financial statements of foreign operations	(3,493)	(1,247)
Fair value (loss)/gain on available-for-sale financial assets	(868)	2,103
Fair value loss on cash flow hedges	(2,223)	(1,063)
	(6,584)	(207)
Total comprehensive income for the period	87,591	(57,213)
Total comprehensive income attributable to:		
Equity holders of the Company	78,903	(70,725)
Non-controlling interests	8,688	13,512
	87,591	(57,213)
Attributable to:		
Equity holders of the Company		
Total comprehensive income from continuing operations, net of tax	78,903	(71,589)
Total comprehensive income from discontinued operations, net of tax	-	864
	78,903	(70,725)

Pacific International Lines (Private) Limited
Unaudited Balance Sheets as at 30 June 2015

	Group	
	June 2015 Unaudited US\$'000	Dec 2014 Audited US\$'000
Non-current assets		
Fixed assets	4,333,854	4,345,594
Intangible assets	14,562	11,323
Subsidiaries	-	-
Associates	155,430	137,465
Other investments	52,417	53,169
Deferred tax assets	430	481
Deferred transaction costs	879	916
Prepayments	15,359	17,077
Other debtors	8,975	8,991
Derivative financial instruments	-	239
	4,581,906	4,575,255
Current assets		
Other investments	570	601
Stocks	337,411	347,636
Trade debtors	411,786	459,224
Other debtors	121,537	170,866
Deferred transaction costs	75	75
Prepayments	19,971	15,205
Derivative financial instruments	4,013	-
Amounts due from holding company	146,871	146,871
Amounts due from related companies	17,735	11,542
Short-term fixed deposits, secured	2,822	3,969
Cash and short-term deposits	458,097	443,840
	1,520,888	1,599,829
Current liabilities		
Derivative financial instruments	149	86,641
Trade creditors	562,103	629,549
Amounts due to bankers	719,056	660,202
Other creditors and accruals	244,161	185,325
Amounts due to related companies	14,879	14,781
Provision for taxation	6,565	9,036
	1,546,913	1,585,534
Non-current liabilities		
Derivative financial instruments	25,046	19,917
Amounts due to bankers	1,828,689	2,003,938
Amounts due to related companies	100,917	102,887
Notes	219,554	223,170
Lease creditors	205,300	150,836
Other creditors	1,987	1,218
Deferred tax liabilities	11,793	11,436
	2,393,286	2,513,402
Net assets	2,162,595	2,076,148
Equity attributable to equity holders of the Company		
Share capital	376,127	376,127
Capital reserve	38,636	35,044
Revaluation reserve	11,635	11,635
Fair value reserve	729	1,597
Hedging reserve	(1,858)	365
Foreign currency translation reserve	10,077	9,981
Share options reserve	1,899	1,899
Other reserve	3,490	3,261
Revenue reserve	1,274,163	1,195,445
	1,714,898	1,635,354
Non-controlling interests	447,697	440,794
Total equity	2,162,595	2,076,148

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