ANNUAL REPORT 2016

COSCO CORPORATION (SINGAPORE) LIMITED

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CORPORATE PROFILE

A MARINE GROUP SPECIALISING IN SHIP REPAIR, SHIP BUILDING AND MARINE ENGINEERING

COSCO Corporation (Singapore) Limited, operates one of the largest ship repair, ship building, marine engineering and dry bulk shipping outfits in China and Singapore. It is the SGX Mainboard-listed subsidiary of China COSCO Shipping Corporation Limited ("China COSCO Shipping Group"), China's largest shipping group and one of the top shipping conglomerates in the world.

Through our 51% stake in COSCO Shipyard Group, one of the largest shipyard groups in China with yards strategically located along China's coastline, we offer turnkey services in ship repair, ship building and marine engineering. Our portfolio includes deep-water oil rigs, FPSO (Floating Production Storage and Offloading) units, installation vessels, barges and platform vessels.

Our yards cater to a worldwide clientele, delivering new builds of varying types and sizes including bulk carriers, oil tankers, special purpose carriers and Liquefied Natural Gas (LNG) carriers.

We aim to provide cost-effective solutions that meet the current and future needs of the marine industry. Since 2009, we have been part of the FTSE ST China Index and the FTSE ST China Top Index.

CORPORATE STRUCTURE

Ship Repair, Ship Building and Marine Engineering

- 90% COSCO Marine Engineering (Singapore) Pte Ltd
  - 100% COSCO Engineering Pte Ltd
- 50% COSCO (Nantong) Shipyard Co., Ltd
- 39% COSCO (Dalian) Shipyard Co., Ltd
- 51% COSCO Shipyard Group Co., Ltd
  - 100% COSCO (Zhoushan) Shipyard Co., Ltd
  - 95% COSCO (Shanghai) Shipyard Co., Ltd
  - 75% COSCO (Guangdong) Shipyard Co., Ltd
  - 60% COSCO (Qidong) Offshore Co., Ltd
  - 59% COSCO (Dalian) Shipyard Co., Ltd
    - 100% Dalian Developer Drilling Co., Ltd
  - 50% COSCO (Nantong) Shipyard Co., Ltd
  - 100% COSCO (Hongkong) Shipyard Co., Ltd
  - 60% COSCO (Nantong) Clavon Ship Engineering Co., Ltd
  - 86.5% COSCO Shipyard Engineering Service (Dalian) Co., Ltd
    - 40% Tru-Marine COSCO (Tianjin) Engineering Co., Ltd
  - 51% Zhongxing Sea-Land Engineering Co., Ltd
  - 100% COSCO Shipyard Total Automation Co., Ltd
  - 30% Diesel Marine Dalian Ltd
  - 30% Diesel Marine International (Nantong) Co., Ltd
  - 30% DMI (Guangzhou) Ltd

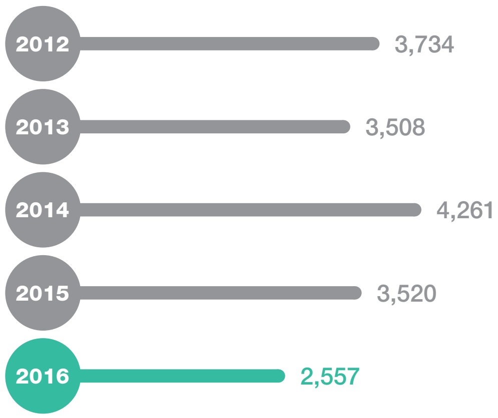
CORPORATE STRUCTURE

Dry Bulk Shipping and Others

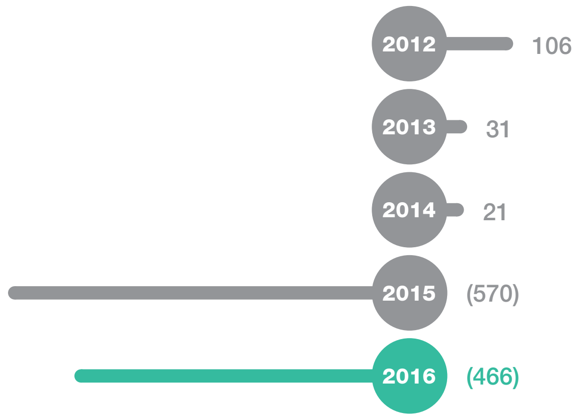
- 100% COSCO (Singapore) Pte Ltd
  - 100% Cos Fair Shipping Pte Ltd
  - 100% Cos Glory Shipping Inc.
  - 100% Hanbo Shipping Limited
  - 100% Sanbo Shipping Limited
  - 100% Cos Knight Shipping Maritime Inc.
  - 100% Cos Lucky Shipping Maritime Inc.
  - 100% Cos Orchid Shipping Pte Ltd
  - 100% Cos Prosperity Shipping Pte Ltd
- 100% Harington Property Pte Ltd

FINANCIAL HIGHLIGHTS

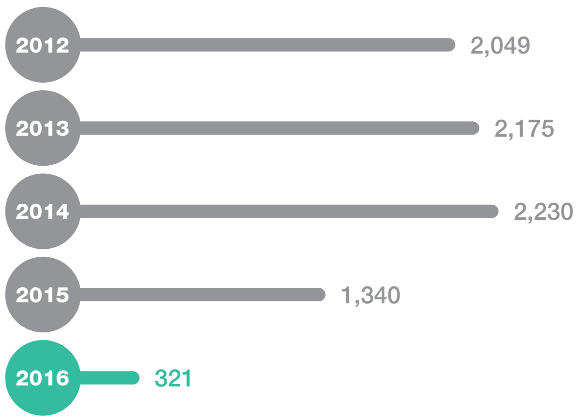
TURNOVER (S$'M)



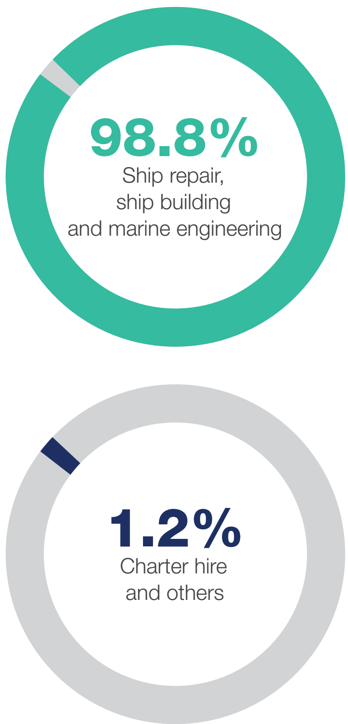
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (S$'M)



NET ASSETS (S$'M)



REVENUE BY ACTIVITIES (%)



FINANCIAL HIGHLIGHTS

5-YEAR PROFIT AND LOSS ACCOUNTS (S$'M)	2012	2013	2014	2015	2016
Turnover	3,734	3,508	4,261	3,520	2,557
Profit/(Loss) Before Income Tax	230	61	17	(901)	(878)
Income Tax Expense/(Credit)	60	8	(9)	14	98
Net Profit/(Loss)	170	53	26	(915)	(976)
Non-Controlling Interests	64	22	5	(345)	(510)
Net Profit/(Loss) Attributable to Equity Holders of the Company	106	31	21	(570)	(466)

OTHER KEY STATISTICS	2012	2013	2014	2015	2016
Number of Shares (m)	2,239.2	2,239.2	2,239.2	2,239.2	2,239.2
Diluted Earnings per Share (cents)	4.7	1.4	0.9	(25.5)	(20.8)
Dividend per Share (cents)	2.0	1.0	0.5	Nil	Nil
Dividend Cover (times)	2.4	1.4	1.9	NA	NA
Net Tangible Assets per Share (cents)	56.8	59.2	60.7	36.3	14.6
Net Asset Value per Share (cents)	57.2	59.7	61.1	36.7	15.0
Gearing Ratio (net of cash)(times)	1.0	1.3	2.5	6.0	17.2
Return on Equity (%)	8.2	2.3	1.5	(52.1)	(80.6)
Return on Assets (%)	1.5	0.4	0.2	(5.6)	(4.6)

SIGNIFICANT DEVELOPMENTS

Deliveries in 2016

BigRoll Barentsz
Module carrier

M.V. Yu Peng
30k cargo and training ship

M.V. De Bo 2
Salvage lifting vessel

SIGNIFICANT DEVELOPMENTS

M.V. Front Lynx
111,000 DWT oil tanker

Vivekanand 2
Jack-up rig

Safe Notos
Semi-submersible accommodation vessel

SIGNIFICANT DEVELOPMENTS

Current Projects

N698 Mariner Sentinel
Emergency response & rescue vessel

Western Isles
FPSO

N603 Anita Devi
Platform supply vessel

SIGNIFICANT DEVELOPMENTS

Vos Patience
Platform supply vessel

N503 An Xun 2
Semi-submersible accommodation vessel

Sevan Developer
Sevan 650 drilling unit

Safe Euros
Advanced semi-submersible accommodation vessel

OUR MAJOR SHIPYARDS

Shipyard	Capabilities	Dry dock (DWT)	Floating dock (DWT)
● Dalian	Marine Engineering/Shipbuilding/Repair	80,000	80,000 180,000 300,000
● Qidong	Marine Engineering	200,000	–
● Nantong	Marine Engineering/Repair	–	150,000 80,000
● Shanghai	Marine Engineering/Repair	–	35,000 80,000
● Zhoushan	Marine Engineering/Shipbuilding/Repair	80,000 400,000 230,000	–
● Guangdong	Marine Engineering/Shipbuilding/Repair	–	80,000 150,000
Total		**990,000**	**1,135,000**

MAJOR DELIVERIES IN 2016

Name of Vessel	Type of Vessel	Delivered In
COSCO Dalian Shipyard		
M.V. De Bo 2	Salvage lifting vessel	March 2016
BigRoll Barentsz	Module carrier	April 2016
BigRoll Bering	Module carrier	June 2016
M.V. Portland Sentinel	Emergency response & rescue vessel	July 2016
Vivekanand 1	Jack-up rig	August 2016
Vivekanand 2	Jack-up rig	August 2016
BigRoll Baffin	Module carrier	November 2016
M.V. Yu Peng	30k cargo and training ship	December 2016
COSCO Zhoushan Shipyard		
M.V. Front Ocelot	111,000 DWT tanker	January 2016
M.V. Front Lynx	111,000 DWT oil tanker	March 2016
M.V. Front Leopard	111,000 DWT oil tanker	May 2016
M.V. Front Jaguar	111,000 DWT oil tanker	June 2016
COSCO Guangdong Shipyard		
M.V. Vos Partner	Platform supply vessel	January 2016
M.V. Gloucester Express	Livestock carrier	January 2016
M.V. Greyman Express	Livestock carrier	April 2016
M.V. Gudali Express	Livestock carrier	July 2016
M.V. Vos Passion	Platform supply vessel	August 2016
COSCO Qidong Shipyard		
Safe Notos	Semi-submersible accommodation vessel	February 2016


GLOUCESTER EXPRESS

As one of the integrated marine groups, we strive to achieve stable progress and value, while remaining agile and responsive to the needs of the marine industry.

MESSAGE FROM CHAIRMAN

Wang Yu Hang
Chairman

"The offshore and marine (O&M) industry encountered very daunting market conditions. Since the sharp decline of oil prices in 2014, the shrinkage of investment from the oil and gas sector has gradually taken away the wind from under the O&M construction market."

Dear Shareholders

The year ended 31 December 2016 was a very difficult one for the Group. The offshore and marine (O&M) industry encountered very daunting market conditions. Since the sharp decline of oil prices in 2014, the shrinkage of investment from the oil and gas sector has gradually taken away the wind from under the O&M construction market. This has been further aggravated by very weak growth in global trade.

Harsh market conditions have greatly impacted the Group's results for the year. Group's revenue totalled $2.6 billion, a decline of 27.3% from $3.5 billion in 2015 due to lower revenue contribution from all business segments.

Overall, the Group's net loss attributable to equity holders of the Company is $466.5 million in 2016, 18.2% lower from the net loss of $570.0 million in 2015.

OIL PRICE VOLATILITY CLOUDS OFFSHORE & MARINE BUSINESS

Both shipyard and shipping revenues continued to decline in 2016. Turnover from shipyard operations, which accounted for 98.8% of the Group's total, fell by 27.4% to $2.5 billion, from $3.5 billion in 2015, due mainly to lower contribution from shipbuilding, ship repair and marine engineering. The Group's shipyards also had to contend with fewer orders and lower contract prices in the face of the depressed market.

During the year, the Group delivered 18 projects. COSCO Zhoushan shipyard delivered four oil tankers; COSCO Guangdong shipyard delivered three livestock carriers and two platform supply vessels; COSCO Dalian shipyard delivered three module carriers, two jack-up rigs, one emergency response & rescue vessel, one salvage lifting vessel and one cargo and training ship; and COSCO Qidong shipyard delivered one semi-submersible accommodation vessel.

MESSAGE FROM CHAIRMAN

The dry bulk shipping segment saw revenue declining further to $30.5 million from $39.4 million for the previous year, as over-capacity continued to build up in the face of shrinking demand and lower rates. Because of the continued difficult market conditions and the high cost of maintaining the Group's dry bulk fleet, the Group has scrapped two of its dry bulk carriers in October 2016 and February 2017, and may consider scrapping more dry bulk carriers in 2017.

NEW ORDERS SEVERELY IMPACTED BY DEARTH OF FRESH CAPEX

Although the price of Brent crude oil had risen to the US$50 per barrel mark by the end of 2016, orders were few and far between as oil exploration and production companies continued to withhold spending in the face of economic uncertainties and oil price volatility.

In spite of the weak market conditions, the Group won a total of 11 new contracts in 2016. They include one trailing suction hopper dredger, one self-elevating workover unit, two crude oil tankers and seven container vessels.

The new projects were secured at lower prices and the Group expects operating margins from new shipbuilding, offshore and marine engineering projects to face continuous downward pressures. The Group also expects higher costs to be incurred for new product types.

As at 31 December 2016, the Group's gross order book stood at approximately US$6.4 billion with progressive deliveries up to 2019, subject to revision from any new cancellation, variation or scheduling of orders that may arise. The order book includes modules of drillship, Sevan 650 drilling unit, semi-submersible tender assist drilling rig, jack-up rig, platform supply vessel and FPSO contracts, and several offshore marine engineering projects which have been substantially completed in construction but are yet to be delivered due to customers' request for extension.

ECONOMIC AND MARKET UNCERTAINTIES WILL LIMIT RECOVERY

According to the International Monetary Fund (IMF), global economic growth in 2016 was the weakest since the 2008 financial crisis. However, 2017 is expected to see growth in the US continuing to be strong, and gradual recovery in the Eurozone. Emerging markets and developing economies showed signs of strength and have been slated to drive growth in 2017.

IMF's update on its World Economic Outlook report released in January 2017 estimated global economic growth in 2016 to be 3.1%, in line with its October forecast. Global growth is projected at 3.4% for 2017 and 3.6 % for 2018, also unchanged from its October estimates.

For the energy industry, 2016 was a tumultuous year with great uncertainties over which direction oil prices were going. On 20 January 2016, Brent crude oil traded at US$27.10 per barrel, the lowest in the past 12 years. Prices began to climb above the US$50 per barrel mark only from mid-October 2016 after OPEC and other oil producing countries came to a preliminary agreement to cut their output.

Given the low oil prices during most parts of the year, conditions were highly unfavourable for the O&M market. Major oil and exploration companies continued to tighten spending, cancelled orders or deferred deliveries. Many major O&M players around the world have been facing hardship and taking drastic measures to stay afloat.

In January 2017, the International Energy Agency (IEA) was quoted as saying that oil prices, which had reached around US$56 per barrel, will experience "much more volatility" in 2017.

In addition, the IEA cautioned that although the agreement between OPEC and other oil producing countries to cut oil output would shore up prices, it would also encourage increased production from the United States and other nations. It said that higher prices could also weaken global demand.

MESSAGE FROM CHAIRMAN

"Going forward, the performance of the Group's business hinges on the further recovery of oil price and the resumption of investment in offshore exploration and production, as well as a quicker pickup in global trade."

Prospects for the O&M market is hampered by fleet oversupply and lower rates amidst a continued slide in global rig utilisation. IHS Petrodata's weekly rig count on 19 January 2017 showed that worldwide utilisation of jack-ups, semi-submersibles and drillships stood at 67.7% of 459 marketed/contracted units, compared to 74.0% of 556 marketed/contracted units a year ago. Total supply of rigs was listed as 829, compared to 850 a year ago.

Compounding the weak market is the substantial number of floaters and jack-ups that are under construction or on order and are due for delivery through to 2020. Analysts expect rig contractors to continue deferring deliveries of a sizeable number of their orders in 2017.

Reports have also indicated that global demand for offshore supply vessels (OSV) will continue to decline, while the fleet continues to grow.

We expect oil producers and exploration companies to watch the market very closely before committing to any new capital expenditure.

Earlier in September 2016, the World Trade Organisation slashed its forecast for growth in trade of goods from 2.8% to just 1.7% in 2016. Its global trade growth forecast for 2017 was revised to between 1.8% and 3.1%, down from 3.6% previously.

Due to slower trade growth, dry bulk shipping sector also saw its worst year in 2016. The Baltic Dry Index plummeted to a historic average low of 290 points on 10 February – the lowest since the index was launched. It recovered to close at 961 points by the end of the year. However, the continued oversupply of ships could depress rates.

According to Clarkson Research, total contracting activity in 2016 fell 71.0% from 2015 – with just 480 reported orders, the lowest in 20 years. Clarksons' new building price index fell 6.1% from 131 points in 2015 to 123 points in 2016.

The shipbuilding sector remains challenging in spite of some predictions that the market could pick up after 2017, with demand coming largely from the Asia Pacific region, as well as Latin America and the Middle East.

Going forward, the performance of the Group's business hinges on the further recovery of oil price and the resumption of investment in offshore exploration and production, as well as a quicker pickup in global trade.

MEETING CHALLENGES, IMPROVING CAPABILITIES

In the face of the challenging market conditions, the Group continues to take a prudent approach to its operations and finances. Efforts include tighter monitoring and control of cost, wastage and risks, and further improvements in our project execution and productivity.

Our marketing team continues to adjust its strategies and approaches to the uncertainties in the market to secure new contracts. It has become even more customer responsive and service-centric, and it is further exploring new application areas for our ship building and offshore and marine expertise.

MESSAGE FROM CHAIRMAN

"The Parent Group plans to acquire the Group's equity interests in COSCO Shipyard Group Co., Ltd, COSCO (Nantong) Shipyard Co., Ltd and COSCO (Dalian) Shipyard Co., Ltd. The Parent Group has informed the Group that it will remain supportive of the Group's future development."

While oil prices have nearly doubled in January 2017 to around US$56 per barrel compared to a year ago, downward pressures are ever present and could still persist due to market uncertainties. There are concerns about increased output from North American shale producers coupled with lower global oil demand and increased use of renewables and clean energy. The global economy is facing many imponderables, especially the changing political landscape in various parts of the world that has revived the threat of protectionism that could derail growth. 2017 will be very challenging for the Group.

As a result of the severe difficulties faced by the Group, no dividend has been recommended by the Board of Directors.

We had requested for a suspension of trading in our equities in December 2016 as our Parent Group, China COSCO Shipping Corporation Ltd, had in that month announced a restructuring exercise for its heavy industry manufacturing units. The Group was subsequently informed that the purpose of the proposed restructuring is to centralise operations and management of the shipyard businesses of the Parent Group. The Parent Group plans to acquire the Group's equity interests in COSCO Shipyard Group Co., Ltd, COSCO (Nantong) Shipyard Co., Ltd and COSCO (Dalian) Shipyard Co., Ltd. The Parent Group has informed the Group that it will remain supportive of the Group's future development.

The Group has not entered into any definitive agreement with any party and there is no assurance that any transaction will materialise.

The Board is grateful for the continued support of the staff, shareholders and valued customers, as the Group continues to navigate cautiously in the highly uncertain global business landscape.

We would like to welcome onboard Mr Gu Jing Song, Vice Chairman, President and Non-Independent Executive Director and Mr Li Xi Bei, Non-Independent Executive Director who both joined the Group on 30 August 2016. The Board would also like to record its appreciation to Captain Wu Zi Heng, former Vice Chairman and President, Mr Liu Lian An, former Non-Independent Executive Director and Mr Ma Zhi Hong, former Non-Independent and Non-Executive Director, for their contributions to the Group during their tenures.

WANG YU HANG
Chairman

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

Gu Jing Song
Vice Chairman and President

"Continued anemic global economic growth and slow trade, combined with oil price volatility, made 2016 a very difficult year for the Group."

1. How would you describe market conditions in 2016?

The uncertainties surrounding oil price recovery continued to haunt the offshore and marine (O&M) market in 2016. Oil price had stayed below the US$50 per barrel mark until OPEC and other oil producing countries got together in November 2016 and decided to cut output. However, there was too much over-capacity with too few orders for the O&M sector. The market slowdown in the past 2 to 3 years has led to over-capacity in major rig building establishments.

In the dry bulk shipping and ship building sectors, conditions remained highly challenging. The oversupply of vessels and stagnant trade growth continued to depress both markets. While China had expanded its dry bulk imports, shipments of iron ore and coal into Asian and European countries slipped.

Continued anemic global economic growth and slow trade, combined with oil price volatility, made 2016 a very difficult year for the Group.

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

2. What affected COSCO Corporation's performance the most?

The continued drag on oil price had forced offshore oil producers to make bigger cuts or to suspend their capital expenditure in the face of the unceasing market unpredictability.

As we had reported earlier, in 2015 and 2016 the Group experienced delivery extensions and order cancellations for several of its projects.

Another factor affecting our performance is inflationary pressures on our efforts to control cost and maximise yield from our projects. Material costs and other expenses have been rising rapidly these past years, while our projects have been secured at lower prices in a highly competitive market.

We delivered 18 projects in 2016 compared to 21 for 2015. Among those delivered were two Super 116E jack-up drilling rigs, three BigRoll Series MC–class module carriers and four oil tankers.

The Group's gross order book, which stood at approximately US$6.4 billion at 31 December 2016, also includes several offshore and marine engineering projects which have been substantially completed in construction but are yet to be delivered due to customers' requests for extension.

3. What are the efforts made by COSCO to address the challenging market conditions?

The Group has over the years been focusing its effort across the shipyard value chain to increase productivity and production execution efficiency to maximise yield from every project. We target skills development for our workers, production process improvements, wastage reduction and cost saving measures, as well as stringent quality control.

We will continue to pursue fervently our "Customer-centric, Service-oriented" approach to doing business to build relationships and promote our shipyard capability, including applying our expertise for constructing other marine products.

In addition, we also have continued to develop our in-house research and development (R&D) capability to support customers' product design needs.

These efforts are aimed at ensuring that our shipyard group will have the capability to build valued products and meet increasingly more stringent standards and more sophisticated product needs from our customers in the years ahead.

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

4. What are your concerns about the market, going forward?

Our main concern is whether oil prices will continue to hold above the US$50 level. This will depend on how committed are the OPEC members and other oil producing countries in reducing the output they had agreed to at the end of 2016.

The oil price volatility has caused producers and exploration companies to make very deep cuts in their capital expenditure over the last three years contributing to increasingly difficulties for the O&M sector. Our concern is when will confidence return to the market and spur these companies to start spending again. Even if oil prices recover to a sustainable level, it would also take some time before offshore exploration and production companies start spending again on new equipment and support vessels.

Reports have said that American shale oil companies that have become leaner and more efficient are resuming drilling as they see the rising price of oil as viable. All eyes are now focused on the North American shale producers, as the market is very concerned about the threat of resumption in shale oil drilling, which can upset the rebalancing that had begun to take place after OPEC members and other oil producing countries had joined hands to cut their output. Revival of shale oil production activities will not help the O&M sector. Instead, increased shale oil output flooding the market could re-ignite the global supply glut, leading to further market uncertainties.

Another concern is the pace of global economic growth, which remains fragile with protectionism rearing its head. The International Monetary Fund (IMF) in its update report on World Economic Outlook released in January 2017 flagged its concern, saying "there is a wide dispersion of possible outcomes around the projections, given uncertainty surrounding the policy stance of the incoming U.S. administration and its global ramifications".

Finally, borrowing costs have been going up, and companies would have to learn to adjust as it could contribute to higher operating costs. The IMF had raised its concern about the growing size of the global debt and had suggested that it "raises the risk of unprecedented deleveraging that could hamper growth worldwide." Any tightening of credit availability and rise in financing cost could affect the ability of customers to meet their financial obligations in relation to their contractual agreements with the Group. This could adversely impact the Group's financial position.

Our teams at COSCO will continue to work harder and more productively to overcome the pressing challenges of the weak and uncertain market.

"Our teams at COSCO will continue to work harder and more productively to overcome the pressing challenges of the weak and uncertain market."


BIGROLL BAFFIN
BIGROLL

With a strong track record of delivering diverse offshore marine projects to different clients, we will continue to capitalise on opportunities to attain long-term growth. Our technical capabilities has allowed us to provide an extensive portfolio of engineering solutions, including heavy lift vessels, shuttle tankers, oil rigs, platform supply vessels, drilling tender barges and bulk carriers.

SHIP REPAIR, SHIP BUILDING AND MARINE ENGINEERING

OVERVIEW

COSCO Corporation (COSCO) offers capabilities in ship repair, ship building and offshore marine engineering through six major shipyards strategically located along China's coastline.

The six modern shipyards under the COSCO Shipyard Group, a subsidiary of COSCO Corporation (the Group), are located from Guangdong in the south to Zhoushan, Shanghai, Nantong, through Qidong along the central coast, to Dalian in the north. Their assets, resources and technical capabilities have been developed over many years to meet the evolving needs of the global O&M industry.

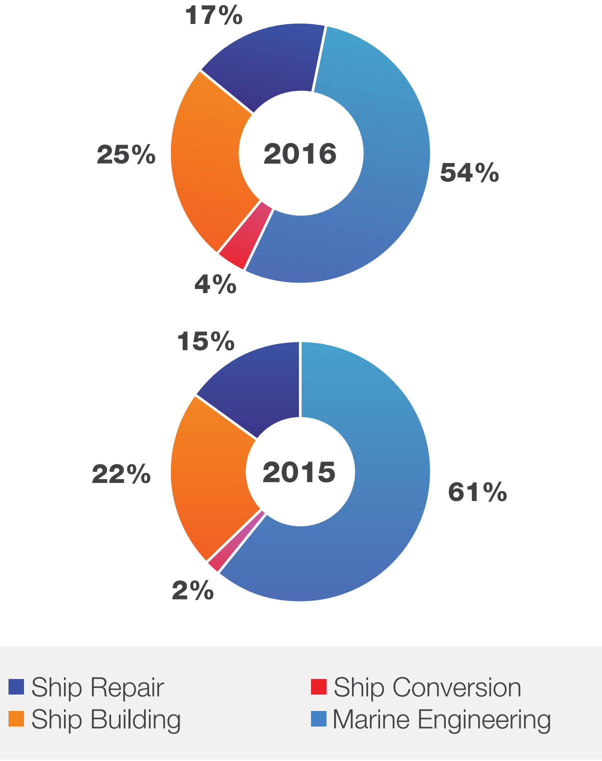
Today, the Group is one of the largest offshore and marine engineering players in the People's Republic of China. It has built and delivered a wide range of products over the years, including FPSO, semi-submersible accommodation rig and vessel, Sevan 650 drilling unit, semi-submersible tender assist drilling rig, jack-up rig, platform supply vessel, emergency response/rescue/field support vessel, DP3 accommodation barge, subsea supply vessel, shuttle tanker, cargo transfer vessel, and modules of drillship.

2016 was a very difficult year for the Group as massive cuts and deferments in capital spending by oil companies severely hampered its performance. We received many requests to reschedule deliveries. As a result, we did not deliver as many projects in 2016 as in the previous year.

Operating in the face of increasingly difficult market conditions, efforts were stepped up by COSCO Shipyard to further promote its brand and strengthen relationship with customers around the world. Besides receiving visits from many customers to the Group's shipyard facilities, it has also reached out to customers and new prospects through participation in and visits to international maritime exhibitions.

From 6 to 8 June, the COSCO Shipyard Group exhibited at Posidonia 2016, the 25th international maritime exhibition in Athens, Greece. Over 1,800 exhibitors from 89 countries participated in the 3-day event that is said to be the biggest in the event's almost 50 year-long history. The event gave the marketing team from COSCO Shipyard the opportunity to network with prominent shipping industry executives and promote its ship repair, ship building and offshore & marine construction capabilities.

SHIPYARD REVENUE IN FY2016 BY TYPE OF JOBS



SHIP BUILDING & MARINE ENGINEERING

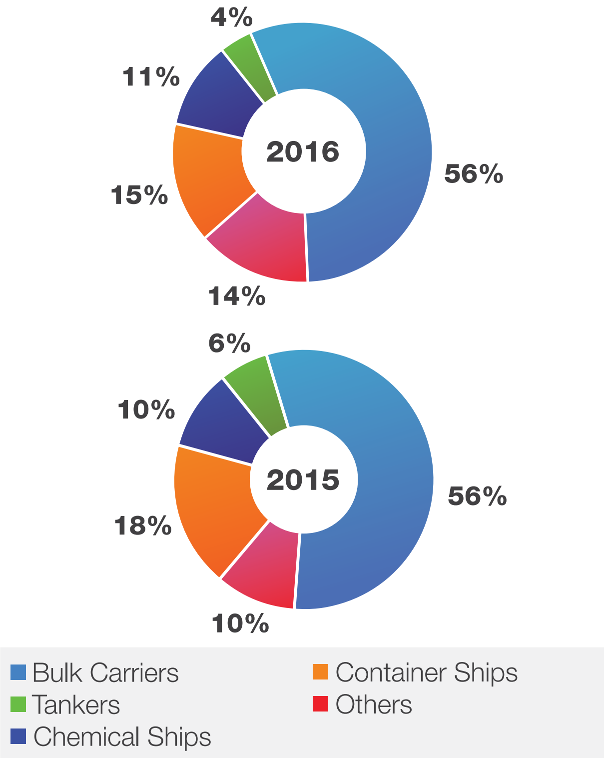
The Group's efforts to widen its expertise and diversify its customer base over the years has enabled it to offer a wide range of products, including dry bulk carriers, tankers and container ships and various specialised vessels, jack-up and semi-submersible platforms and rigs, drillships and support vessels such as accommodation and supply vessels.

COSCO has further built its capabilities to execute more sophisticated and technologically advanced products for the offshore oil and gas industry. It remains ready and committed to provide customised package of services to the industry that requires new equipment and systems to meet marine transport and global energy demand.

Thus, in spite of the harsh market conditions during the year, the Group has been able to concentrate its resources and expertise to deliver a mix of product types to customers.

SHIP REPAIR, SHIP BUILDING AND MARINE ENGINEERING

TYPE OF VESSELS REPAIRED IN FY2016 BY NUMBER OF VESSELS



We delivered a total of 18 vessels and offshore projects. They comprise four 111,000 DWT tankers, three livestock carriers, three module carriers, two jack-up rigs, two platform supply vessels, one 30,000 DWT cargo and training ship, one salvage lifting vessel, one emergency response & rescue vessel, and one semi-submersible accommodation vessel.

The Group achieved a first when COSCO Dalian shipyard delivered two new Super 116E Jack-up Drilling Rigs – "Vivekanand 1" and "Vivekanand 2" – to their owner, Foresight Group of companies on 26 August 2016. These LeTourneau-designed rigs are the first of its type to be built in China. They will be chartered to India's state-owned Oil & Natural Gas Corporation (ONGC) and will be deployed in the west coast of India. Both rigs measuring 74.09 metres in LOA (length of all), 62.8 metres in width, are designed to operate at water depths of 350 feet and capable of performing drilling operations at depth of up to 30,000 feet.

Two offshore platform supply vessels (PSV), the "Vos Partner" and "Vos Passion", were delivered by COSCO Guangdong shipyard to their European owner in January and August, respectively. Both vessels measure 83.4 metres in LOA, 18 metres in breadth, 8 metres in depth, and have a deck area of 850 square metres. It can hold up to 4,200 tonnes of cargo. Equipped with DP2 dynamic positioning system, each can reach a speed of 13.5 knots.

Besides offshore projects, the Group also delivered other types of vessels to its customers in 2016. Worthy of mention is COSCO Dalian shipyard's delivery of three MC Class newly-designed Module Carrier of the BigRoll series to its Dutch owner, BIGLIFT.

The BigRoll Barentsz, BigRoll Bering and BigRoll Baffin are specifically designed to deliver modules and equipment for large projects in remote areas such as the Arctic. They are constructed with a focus on high ballasting capacity, low fuel consumption, high service speed and great sea-keeping behaviour, and provides for lower acceleration forces on the cargo. The innovative hull design and propulsion configuration ensure a reliable and fast transit time. Each measuring 173 metres in LOA, 42 metres in breadth, 12 metres in module depth, and design draft of 5.5 metres, they are Finnish Swedish 1A Ice Class and able to work under 55 centigrade below zero.

COSCO Zhoushan shipyard delivered four 111,000 DWT Long Range 2 (LR2) Crude/Product Oil Tankers to its European buyer. The "Front Ocelot" was delivered in January, "Front Lynx" in March, "Front Leopard" in May and "Front Jaguar" in June. Each vessel measures 251.9 metres in LOA, and 44 metres in breadth. They are classed with DNV-GL and were the first Crude/Product Oil Tankers to be built by COSCO Zhoushan shipyard, marking another chapter in the COSCO Shipyard Group's developmental milestones.

Following the delivery of four similar vessels earlier, COSCO Guangdong shipyard completed the delivery of the three remaining livestock carriers in 2016 to Vroon B.V. of the Netherlands, an international shipping company that operates and manages a diverse fleet of some 200 vessels. The 5th vessel, christened "Gloucester Express", was delivered in January 2016, followed by the "Greyman Express" in April and the "Gudali Express" in July. Each of the carriers features 134.8 metres in LOA, breadth of 19.6 metres, depth of 14.8 metres, and a cruising range of around 18 knots.

SHIP REPAIR, SHIP BUILDING AND MARINE ENGINEERING

In October 2016, the Group scored another first when COSCO Dalian shipyard delivered China's first second generation multi-purpose Cargo and Training Ship, the "Yu Peng", which is the most advanced training vessel of its kind in the country to date.

Designed by Shanghai Ship Research and Design Institute, and built according to CCS design specifications, the Yu Peng measures 200 metres in LOA, 27.8 metres in breadth, and 15.5 metres modular depth. It has a loading capacity of 30,000 tonnes and maximum speed of 17.5 knots. The vessel is being used for navigation training, scientific research, marine and environmental engineering studies, ocean shipping functions such as container cargo shipment, etc.

In July, COSCO Dalian shipyard delivered the "Portland Sentinel", an emergency response & rescue vessel to its Asian buyer. It measures 62 metres in LOA, 15.50 metres in breadth and 6 metres in depth.

Another project delivered during the year was the De Bo 2, a salvage lifting vessel built by COSCO Dalian shipyard. Delivered in March 2016, the vessel measures 159.6 metres in LOA, 38.8 metres in breadth, 10.9 metres in depth, with maximum handling capacity of 20,500 tonnes.

NEW CONTRACTS

The Group's gross order book as at 31 December 2016 stood at approximately US$6.4 billion with progressive deliveries up to 2019. It includes modules of drillship and FPSO contracts for certain Brazilian customers which amounted to approximately US$1.3 billion. It also includes several offshore marine engineering projects which have been substantially completed in construction but are yet to be delivered due to customers' requests for extension of delivery. The numbers are subject to revision arising from any new, cancellation, variation or scheduling of orders that may arise.

New orders received in 2016 include one trailing suction hopper dredger, one self-elevating workover unit, two crude oil tankers and seven container vessels.

On 2 February 2016, COSCO Guangdong shipyard secured a contract from a European buyer to build a Trailing Suction Hopper Dredger. Scheduled for delivery in 2Q 2018, the vessel will have an optimally-designed aerodynamic hull with a hopper capacity of 15,000m^3 and loading capacity of 24,000 tonnes.

On 16 March 2016, COSCO Nantong shipyard received a contract from an Asian ship owner to construct one Self-elevating Workover Unit with an option to build another similar unit. The unit is scheduled for delivery in 3Q 2017.

Such self-elevating units are typically deployed alongside oil and gas platforms to perform maintenance and repair. They have large open decks capable of carrying equipment and supplies in support of various offshore exploration and production activities, and accommodation for workers.

On 31 May 2016, the Group signed a contract with the CMA CGM Group of France, the third largest container shipping company in the world, to build four 3,300 TEU container vessels. Based on the trunk box ship design, the vessels will each measure 219 metres in LOA, 35.6 metres in breadth, with a depth of 18.3 metres and speed of 21.5 knots.

Two other orders were received during the year. In May 2016, COSCO Zhoushan shipyard secured a contract from a European buyer to build two 113,000 DWT Crude Oil Tanker for delivery in 1Q 2018 and 2Q 2018 respectively.

In August, COSCO Guangdong shipyard won a contract with a buyer in Europe for three 1,750 TEU container vessels. Each measures 172 metres in LOA, 28.4 metres in breadth, 28.4 metres in depth and design draft of 8.5 metres. They were scheduled for delivery in 2Q 2019 and 3Q 2019 respectively.

SHIP CONVERSION AND REPAIR

The Shipyard Group has a strong background and tradition of quality and reliability in ship repair service that was developed before it expanded into shipbuilding and offshore and marine construction. With continuous facility upgrading and technological & skills improvements over the years, our yards are competent in a wide range of conversion and repair jobs. They are well equipped to support all kinds of conversion and repair requirements of fleet owners.

In 2016, the COSCO Shipyard group completed approximately 700 conventional repair jobs, including conventional vessel conversions and marine modification projects.

DRY BULK SHIPPING AND OTHERS

DRY BULK SHIPPING

The Group's dry bulk business segment began the year under review with a fleet of 10 Panamax and Handymax vessels with a combined capacity of 550,900 DWT. They are chartered to shipping companies in Germany, Norway, Denmark, Greece, Switzerland, UK, USA and other countries for transporting bulk cargoes such as iron ore, coal, steel, cement and fertiliser to major ports worldwide.

Over the past 2 to 3 years, the commodities trade has been languishing in a difficult global economic environment causing great difficulties for dry bulk operators.

The Group's turnover from dry bulk shipping and other businesses declined from $39.4 million in the previous year to $30.5 million for the current reporting period. The BDI started 2016 at 473 points and plunged to its lowest level at 290 points on 10 February, the lowest since the launch of the index in 1985; after that the index recovered to reach 1,257 on 18 November before ending the year at 961 points.

With the continued overhang of surplus vessels coupled with weak global economic growth, the Group's dry bulk shipping has become increasingly difficult. In view of the harsh and uncertain market environment, and high cost of maintaining the vessels, the Group has scrapped two of its dry bulk carriers in October 2016 and February 2017, and may consider scrapping more dry bulk carriers in 2017.

The dry bulk business is expected to remain highly challenging.

GROUP FINANCIAL REVIEW

OVERVIEW

The Group recorded net loss attributable to equity holders of $466.5 million on turnover of $2.6 billion in 2016.

TURNOVER

Group turnover decreased by 27.3% to $2.6 billion in 2016 from $3.5 billion in 2015 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 27.4% to $2.5 billion in 2016 from $3.5 billion in 2015, owing to lower revenue contribution from ship repair, ship building and marine engineering.

The Group delivered 18 projects in 2016. COSCO Zhoushan shipyard delivered 4 oil tankers; COSCO Guangdong shipyard delivered 3 livestock carriers and 2 platform supply vessels; COSCO Dalian shipyard delivered 3 module carriers, 2 jack-up rigs, 1 emergency, response & rescue vessel, 1 salvage lifting vessel and 1 cargo & training ship and COSCO Qidong shipyard delivered 1 semi-submersible accommodation vessel.

Turnover from dry bulk shipping and other businesses decreased by 22.6% from $39.4 million in 2015 to $30.5 million in 2016. The Group has scrapped one of its dry bulk carriers in October 2016. The BDI started the year 2016 at 473 points and ended the year at 961 points. The BDI averaged 673 points for FY 2016, which was a 6.3% decrease from the average of 2015 of 718 points. Currently, the Group's dry bulk shipping fleet comprises Panamax and Handymax carriers.

Shipyard business remained the biggest revenue contributor, forming 98.8% of Group turnover in 2016.

PERFORMANCE

Gross loss for 2016 was $317.3 million, compared to gross loss of $214.8 million in 2015 due to losses from shipping and shipyard operations, which recorded lower revenue and incurred inventory writedowns of $283.4 million (2015: $309.3 million).

Compared to 2015, other income increased by 8.9% to $88.6 million in 2016 mainly due to higher government grants, partially offset by lower sales value of scrap materials and lower interest income.

Administrative expenses decreased by $187.5 million to $335.0 million in 2016 mainly due to the decrease in allowance for impairment of trade and other receivables of $200.0 million from $380.3 million in 2015 to $180.3 million in 2016, mainly for customers in the offshore marine engineering segment.

Income tax expenses increased by $84.7 million to $98.3 million in 2016 due to derecognition of deferred tax assets.

Interest expense increased by 34.7% to $224.8 million in 2016 due to higher bank borrowings used to fund shipyard operations.

Overall, the Group recorded net loss attributable to equity holders of the Company of $466.5 million in 2016 compared to net loss of $570.0 million in 2015 due to losses in shipyard and shipping operations.

The Group continues to face challenging market conditions in the offshore marine, shipbuilding and shipping industry. The offshore marine industry remains weak owing to low crude oil prices that have prevailed for over two years and from which recovery remains uncertain. The shipbuilding industry continues to face over-capacity amidst a weak global economy. Under these conditions, the Group's shipyards have

GROUP FINANCIAL REVIEW

had to contend with fewer orders and lower contract prices, and delivery extensions and cancellations. Subdued global economic conditions have also led to depressed shipping rates for the Group's dry bulk fleet.

CASH FLOW

Net cash used in operating activities for the year was $438.4 million compared to $1.2 billion in 2015.

Net cash used in investing activities for the year was $1.9 million. This comprised principally the purchase of fixed assets, partly offset by interest received and proceeds from the sale of fixed assets by shipyard operations during the year.

Net cash provided by financing activities was $422.9 million. This was due mainly to net proceeds of bank borrowings loans, partly offset by the payment of bank interests during the year.

BALANCE SHEET

(31 December 2016 vs 31 December 2015)

Cash and cash equivalents decreased by $50.5 million to $1.5 billion.

Trade and other receivables decreased $567.7 million to $4.6 billion mainly due to lower construction contracts due from customers in the marine engineering and ship building segments (from $4.6 billion to $3.8 billion) and a decrease in advances paid to suppliers (from $262.2 million to $250.8 million). The recoverability of the construction contracts due from customers in the marine engineering and ship building segments of $3.8 billion as of 31 December 2016 is dependent on the customers taking delivery of these construction projects in the future.

Trade and other payables decreased $321.8 million to $2.1 billion mainly due to lower accruals for operating expenses and a decrease in advances received from customers (from $241.9 million to $122.6 million).

Total borrowings increased by $782.6 million to $7.3 billion due to additional funding procured to finance shipyard operations.

SHARE CAPITAL

COSCO'S share capital remained unchanged at $270.6 million. There was no new issue and allotment of shares under the COSCO Group Employees' Share Option Scheme 2002.

EQUITY

Shareholder's equity decreased by $486.0 million mainly due to the transfer of 2016 loss to retained earnings and decrease in currency translation reserve.

GEARING

Total bank borrowings increased from $6.5 billion to $7.3 billion due to additional funding procured for business operations. The Group had a gearing ratio (net of cash) of 17.2 at the end of 2016.

EARNINGS PER SHARE

On a fully diluted basis, earnings per share in 2016 was (20.8) cents as compared to (25.5) in 2015.

DIVIDENDS PER SHARE

No dividend has been declared/recommended by the Board of Directors.

NET ASSET VALUE PER SHARE

The net asset value per share of COSCO Corporation decreased by 59.1% from 36.7 cents per share at 31 December 2015 to 15.0 cents per share at 31 December 2016.

As we navigate through the challenging conditions of an ever-evolving marine industry, COSCO will continue to strengthen its expertise and further enhance operations. This involves stepping up our efforts in increasing productivity, developing efficiencies in ship building and engineering, and delivering value-added services and solutions. We look forward to keeping our momentum going in the years ahead through sound management and efficient execution.

CORPORATE GOVERNANCE

COSCO Corporation (Singapore) Limited ("COSCO Corporation" or the "Company") and its subsidiaries (together, the "Group") believe that good corporate governance is essential to facilitate effective, entrepreneurial and prudent management that can deliver the long-term success of the Company.

The Board of Directors (the "Board"), guided by the Singapore Code of Corporate Governance 2012 (the "CG Code 2012") issued by the Monetary Authority of Singapore (the "MAS") and the disclosure guide developed by the Singapore Securities Trading Limited (the "Guide"), remains committed to the principles and guidelines stated therein to achieve high standards of business integrity, ethics and professionalism across all its activities. The Company complies with all key principles and guidelines set out in the CG Code 2012. Appropriate explanations have been provided in the relevant sections below where there are deviations from the CG Code 2012 and/or the Guide.

A. BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS
Principle 1

Governance is overseen by the Board together with Management, who is led by the Group President and accountable to the Board. All directors make decisions objectively in the best interests of the Company and have exercised due diligence and independent judgment in so doing.

The principal functions of the Board apart from its statutory responsibilities are:

a) to provide entrepreneurial leadership; approve the strategic objectives, corporate policies and authorisation matrix of the Company; and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
b) to approve the nominations to the Board and appointment of key management, as may be recommended by the Nominating Committee;
c) to oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls; approve annual budget, key operational matters, major acquisition and divestment proposals, major funding proposals of the Company;
d) to assume responsibility for corporate governance framework of the Company and establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and company's assets;
e) to review management performance;
f) to identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
g) to set values and standards (including ethical standards) of the Company and ensure that obligations to shareholders and others are understood and met;
h) to monitor and manage potential conflict of interest between the key management personnel, the Board and the shareholders; and
i) to promote corporate social responsibilities throughout the Group and include environmental and social factors as part of its strategic formulation.

CORPORATE GOVERNANCE

The Board has delegated certain functions to the established Board Committees, namely Strategic Development, Enterprise Risk Management, Audit, Nominating and Remuneration Committees, save for the following matters which are reserved for the Board's decision:

- the recommendations of the Strategic Development Committee;
- the Group's long term objectives and commercial strategy;
- the making of any decision to cease to operate all or any material part of the business of the Group or to extend the Group's activities into new business;
- the consideration of any proposal to merge or amalgamate the Company with any other company;
- the approval of any acquisition of any investment, asset or business by the Company or any of its subsidiaries which would involve the commencement of an activity of a substantially different nature or character to any activity from time to time carried on by the Company or any of its subsidiaries;
- the approval of any changes relating to the Group's capital structure including changing the amount or currency of the Company's share capital, reduction of capital, share issues (except under employee share options plan);
- the approval of risk management policy for the Company and its subsidiaries;
- the approval of the Company's quarterly results, audited financial statements and other appropriate statements for inclusion in the Company's Annual Report as well as the issuance of Annual Report;
- the recommendation of the payment of any dividend by the Company or any exercise of the powers of the Board in relation to reserves or capitalisation of profit;
- appointment or removal of director from the Board (with recommendation made by the Nominating Committee) and the appointment or removal of the Company Secretary;
- make changes to the structure and size of the Board, following receipt of recommendation from the Nominating Committee;
- in the case of any conflict of interest which the Board, after being appropriately advised, considers to be material, as to whether such conflict should be authorised and, if so, authorise such conflict upon such terms and conditions as the Board considers appropriate;
- determining the remuneration packages for senior executives of the Company (following receipt of recommendation by the Remuneration Committee);
- reviewing the performance of the Board annually; and
- any matter required to be considered or approved by the Board as a matter of law or regulation.

During the financial year, the Board had met five (5) times to discharge its duties and had on various occasions used circular resolutions in writing to sanction certain decisions. Day to day management of the Group has been delegated to the Group President and Executive Directors.

CORPORATE GOVERNANCE

The attendance of the Directors at meetings of the Board and Board Committees for financial year ended 31 December 2016 is set out in the table below:

Name	Type of Meetings					
		Committee				
	Board	Audit	Nominating	Remuneration	Enterprise Risk Management	Strategic Deveopment
	No. of Meetings held: 5	No. of Meetings held: 5	No. of Meeting held: 1	No. of Meeting held: 1	No. of Meetings held: 4	No. of Meeting held: 0
	No. of Meetings Attended	No. of Meetings Attended	No. of Meeting Attended	No. of Meeting Attended	No. of Meetings Attended	No. of Meeting Attended
Wang Yu Hang	3	NA	NA	NA	NA	0
Wu Zi Heng[1]	4	NA	1	1	3	0
Liu Lian An[2]	4	NA	NA	NA	2	NA
Gu Jing Song[3]	1	NA	NA	NA	1	0
Li Xi Bei[4]	1	NA	NA	NA	1	NA
Liang Yan Feng	3	NA	NA	NA	3	NA
Ma Zhi Hong[5]	4	NA	NA	NA	NA	NA
Tom Yee Lat Shing	5	5	1	1	4	0
Wang Kai Yuen	5	5	1	1	4	0
Er Kwong Wah	5	5	1	1	4	0
Ang Swee Tian	5	5	1	1	4	0
Ma Hong Han[6] (Alternate to Ma Zhi Hong)	5	NA	NA	NA	3	NA
Li Man (Alternate to Wang Yu Hang)	5	NA	NA	NA	NA	NA
Ouyang Chao Mei (Alternate to Liang Yan Feng)	5	NA	NA	NA	2	NA

Notes:

1 Capt Wu Zi Heng resigned as Vice Chairman and President and a member of the Nominating Committee, Remuneration Committee, Enterprise Risk Management Committee and Strategic Development Committee on 30 August 2016 and Non-Independent Executive Director on 1 October 2016.

2 Mr Liu Lian An ceased to be a member of Enterprise Risk Management Committee on 30 August 2016 and resigned as Non-Independent Executive Director on 1 October 2016.

3 Mr Gu Jing Song was appointed as Vice Chairman, President and Non-Independent Executive Director and a member of the Nominating Committee, Remuneration Committee, Enterprise Risk Management Committee and Strategic Development Committee on 30 August 2016.

4 Mr Li Xi Bei was appointed as Non-Independent Executive Director and a member of the Enterprise Risk Management Committee on 30 August 2016.

5 Mr Ma Zhi Hong ceased to be Non-Independent Non-Executive Director on 24 November 2016.

6 Mr Ma Hong Han ceased to be Alternate Director to Mr Ma Zhi Hong on 24 November 2016.

NA - Not Applicable

For effective planning, the schedule of all Board and Board Committee meetings for the next calendar year is always planned in advance. A special Board meeting will be conducted for special project whenever it is required. The Company's Constitution (the "Articles") allows Board meetings to be conducted by way of telephone and video conferencing.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE
Principle 2

The Board has eight (8) members: two (2) Executive Directors, two (2) Non-Executive Directors and four (4) Non-Executive Independent Directors. No individual or group of individuals dominates the Board's decision-making. Collectively, the Non-Executive Directors and Non-Executive Independent Directors bring a wide range of experience and expertise as they all currently occupy or have occupied senior positions in industry and public life, and as such, each contributes significant weight to Board decisions. None of the Non-Executive Independent Directors has any relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company.

The Company's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience, regardless of gender.

The Company will continuously assessing the existing attributes and core competencies of the Board with a view to enhance the efficacy of the Board and the strategic direction of the Group to determine the skill set of the Directors required when appointing new directors and/or re-appointment of incumbent directors to ensure Board balance and diversity.

The Board believes that there is a strong and independent element on the Board and allows the Board to exercise objective judgment on corporate affairs independently from Management and 10% shareholders.

It is also noted that the Company met the requirement to have at least half of the Board where the Chairman is not an independent director pursuant to Guideline 2.2 of the CG Code 2012 as 4 out of the 8 Board members of the Company are Independent Directors. .

The Board of COSCO Corporation comprises the following members:

Wang Yu Hang	Chairman and Non-Independent Non-Executive Director
Gu Jing Song	Vice Chairman, President Non-Independent Executive Director
Li Xi Bei	Non-Independent Executive Director
Liang Yan Feng	Non-Independent Non-Executive Director
Tom Yee Lat Shing	Non-Executive Lead Independent Director
Wang Kai Yuen	Non-Executive Independent Director
Er Kwong Wah	Non-Executive Independent Director
Ang Swee Tian	Non-Executive Independent Director

The Directors' profiles are set out on pages 52 to 57 of this Annual Report.

The Board assesses its effectiveness as a whole and the contribution by each Director to the effectiveness of the Board annually. It is of the view that the current size of the Board is appropriate and will facilitate effective decision making. The Board, collectively, possess an appropriate balance and diversity of skills, experience and knowledge of the Company, which provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge.

Rigorous reviews have been carried out by the Board to assess the independent status of Mr Tom Yee Lat Shing (who was appointed on 16 November 1993), Dr Wang Kai Yuen (who was appointed on 2 May 2001), Mr Er Kwong Wah (who was appointed on 20 December 2002) and Mr Ang Swee Tian (who was appointed on 13 November 2007), who have served on the Board beyond nine years and was of the view that these Directors are objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. All of them are considered independent in accordance with the Guideline 2.3 of the CG Code 2012.

CORPORATE GOVERNANCE

All the Independent Directors had confirmed that they do not have any relationship and business dealing with the Management and 10% shareholders of the Company.

The Board will continue reviewing the size and composition of the Board and the independent status of its directors on an ongoing basis.

Directors are provided with regular updates on relevant new laws and regulations, and evolving commercial risks and business conditions from the Company's relevant advisors. Newly appointed directors would receive a formal letter setting out the director's duties and obligations and receive comprehensive and tailored induction and training in areas such as accounting, legal and industry-specific knowledge on joining the Board. Visits are arranged for Non-Executive Independent Directors to acquaint them with important operations overseas.

STRATEGIC DEVELOPMENT COMMITTEE

The Strategic Development Committee ("SDC") comprises the following directors, majority of whom is independent directors:

Gu Jing Song (Chairman)	Non-Independent Executive
Wang Yu Hang	Non-Independent Non-Executive
Tom Yee Lat Shing	Non-Executive Lead Independent
Wang Kai Yuen	Non-Executive Independent
Er Kwong Wah	Non-Executive Independent
Ang Swee Tian	Non-Executive Independent

The Board acknowledges the importance of strategic planning and development. SDC assists the Board in fulfilling its responsibilities for developing, evaluating and monitoring the Company's long and short-term strategic goals. The SDC operates at the Board level but does not assume the Board's governance accountability or to make final strategic decisions. The SDC acts solely to address and develop current and future strategy-related issues. It has the responsibility for creating and driving the Company's strategy development and planning and Management takes responsibility for implementing the Company's strategies after the SDC received approval from the Board.

The SDC has the following authority and responsibilities:

a) Review and develop Company Strategies: Meet with Management periodically to review, develop and evaluate the Company's evaluation and implementation of its business strategy;
b) Provide Resource Support: Support the Board or Management in the evaluation and/or refining of the Company's strategic plans;
c) Assess Progress: Review and assess the status of implementation of the Company's business strategy and whether the results are consistent with the goals of the strategic plan as adopted by the Board; and
d) Recommend Improvements: Recommend areas of improvement and provide feedback to the Board and Management regarding the overall success of the business strategy.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Principle 3

Mr Wang Yu Hang and Mr Gu Jing Song, who are not related to each other, are respectively the Chairman of the Board and the President of the Company. The roles of Chairman and the President undertaken by separate persons will create a clear division of responsibilities and maintain an effective oversight.

The Chairman is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process. In his absence, his appointed alternate would act on his behalf.

CORPORATE GOVERNANCE

The President is the most senior executive in the Company and has full executive responsibilities over the business directions and operational decisions of the Group. He works closely with the Board to implement the policies set by the Board to realise the Group's vision.

BOARD MEMBERSHIP
Principle 4

Recommendations for nominations of new directors and retirement of directors are made by the Nominating Committee ("NC") and considered by the Board as a whole.

The NC reviews and assesses candidates for directorship before making recommendations to the Board. The NC takes into consideration the skills and experience required and the existing composition of the Board and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and abilities when recommending new directors to the Board.

The process for the appointment of new directors begins with the NC, together with the Chairman and Vice Chairman and President of the Company, conducting a needs analysis and identifying the critical requirement in terms of expertise and skills that are needed in the context of the strengths and weaknesses of the existing Board. When a candidate has been endorsed by the NC, the NC will then make a recommendation to the Board for the approval of his appointment.

The NC assesses and recommends to the Board whether retiring directors are suitable for re-nomination for re-election. In evaluating a director's contribution and performance for the purpose of re-nomination, the NC takes into consideration a variety of factors such as attendance, preparedness, participation and candour.

In accordance with the provisions of the Constitution, one-third of the Directors retires by rotation and subjected themselves to re-election at every Annual General Meeting ("AGM") of the Company. In addition, new directors who were appointed by the Board during the year will hold office only until the next AGM and will be eligible for re-election.

The dates of initial appointment and last re-election of each of the Directors of the current Board are set out below:

Director	Position	Date of Initial Appointment	Date of Last Re-election /Re-appointment
Wang Yu Hang	Chairman and Non-Independent Non-Executive	19.1.2016	22.4.2016
Gu Jing Song	Vice Chairman, President and Non-Independent Executive	30.8.2016	NA
Li Xi Bei	Non-Independent Executive	30.8.2016	NA
Liang Yan Feng	Non-Independent and Non-Executive	8.7.2014	24.4.2015
Tom Yee Lat Shing	Non-Executive Lead Independent	16.11.1993	22.4.2016
Wang Kai Yuen	Non-Executive Independent	2.5.2001	23.4.2014
Er Kwong Wah	Non-Executive Independent	20.12.2002	24.4.2015
Ang Swee Tian	Non-Executive Independent	13.11.2007	22.4.2016
Li Man	Alternate to Wang Yu Hang	19.1.2016	NA
Ouyang Chao Mei	Alternate to Liang Yan Feng	8.7.2014	NA

NA - Not Applicable

CORPORATE GOVERNANCE

NOMINATING COMMITTEE

The NC comprises five Directors, majority of whom including the Chairman is independent. The NC members are as follows:

Wang Kai Yuen (Chairman)	Non-Executive Independent
Gu Jing Song	Non-Independent Executive
Tom Yee Lat Shing	Non-Executive Lead Independent
Er Kwong Wah	Non-Executive Independent
Ang Swee Tian	Non-Executive Independent

The principal functions of the NC are to:

a) identify, review and recommend candidates for appointment as Directors of the Company and appointment to the Board committees as well as to senior management positions in the Company;
b) assess the qualifications of the proposed alternate directors to the Board;
c) evaluate the effectiveness of the Board as a whole and assess the contribution by each Director, to the effectiveness of the Board;
d) determine annually whether or not a Director is independent;
e) make recommendations to the Board on re-appointment of Board and Board committee members; and
f) review of training and professional development programs for the Board.

During the financial year, the NC held one (1) meeting and had on various occasions used circular resolutions in writing to resolve certain decisions which are then recommended to the Board. The NC had reviewed the nominations for the appointments of those directors that were appointed during the financial year for recommendation to the Board to approve the appointments. In arriving at their decisions on the new appointments, the NC took into consideration the incumbents' academic qualifications, experience, their individual field of expertise and their potential contributions to the effectiveness of the Board. The NC also met and determined the independence of the Directors is in line with the undertakings described in the CG Code 2012. It also reviewed the composition of the Board and the Board Committees in relation to the needs of the Group.

The NC is of the opinion that the Board is able to exercise objective judgment on corporate affairs independently and no individual or small group of individuals dominates the Board's decision making process.

The NC assesses and recommends to the Board whether retiring Directors are suitable for re-election.

During the financial year under review, the NC has ascertained that all Directors, including those who have multiple board representations, have devoted sufficient time and attention to the Group's affairs and have discharged their duties and responsibilities adequately. As time requirements of each director are subjective, the NC has decided not to fix a maximum limit on the number of directorships a director can hold. The NC considers that the multiple board representations held presently by its Directors do not impede their respective performance in carrying out their duties to the Company.

The list of current directorships in other listed companies and/or other principal commitments held by the respective Directors are set out on page 57of this Annual Report.

One of the duties of the NC is to assess the qualifications of the appointed alternate directors to the Board. The Alternate Directors of the current Board are:

Li Man	Alternate to Wang Yu Hang
Ouyang Chao Mei	Alternate to Liang Yan Feng

CORPORATE GOVERNANCE

All appointed Alternate Directors are based in Singapore and are familiar with the Group's affairs and qualified to bear all the duties and responsibilities of their respective principal directors, who are principally based in the People's Republic of China.

The NC has also recommended that the following directors be nominated for re-election at the forthcoming AGM:

a) Mr Gu Jing Song pursuant to Article 104;
b) Mr Li Xi Bei pursuant to Article 104;
c) Mr Liang Yan Feng pursuant to Article 98; and
d) Dr Wang Kai Yuen pursuant to Article 98.

In making the recommendation, the NC has considered the directors' overall contributions and performance. The Board recommends the shareholders to approve the re-election of the said directors. The details of the proposed resolutions are stipulated in the Notice of AGM.

BOARD PERFORMANCE
Principle 5

A formal assessment process is in place to assess the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. The NC uses objective and appropriate quantitative and qualitative criteria to assess the performance of the Board as a whole and the contribution of each Director to the effectiveness of the Board. Assessment parameters include evaluation of the Board's access to information, risk management, accountability, the Board's performance in relation to discharging its principal functions, communication with management and stakeholders, the business performance of the Company, the quality of Board processes, the attendance records of the Directors at Board and Committee meetings and the level of participation at such meetings.

The evaluation of the Board is conducted annually. As part of the process, the Directors will complete appraisal forms which are collated by the Company Secretary. The Company Secretary will then review the results of the appraisal and present the results to the Chairman of the NC who will then present a report to the Board.

An individual assessment of each Director is also undertaken annually. The process of the assessment is through self-assessment where each Director will complete appraisal forms which are collated by the Company Secretary. The Company Secretary consolidates the appraisal forms and presents the results to the Chairman of the NC who will then present a report to the Board.

The NC has assessed the current Board's performance to-date, as well as the performance of each individual Director and is of the view that the performance of the Board as a whole and each individual Director were satisfactory.

ACCESS TO INFORMATION
Principle 6

The Board is provided with relevant financial, operational, compliance, information technology and other management information regularly on a quarterly basis to help them carry out their responsibilities effectively. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise.

All Board members have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends all Board and Board committees meetings during the financial year. He is responsible for ensuring that Board procedures are followed and that applicable rules and regulations such as the SGX-ST Listing Manual ("Listing Manual"), Companies Act (Chapter 50), Securities and Futures Act (Chapter 289) and the Constitution of the Company and all governance matters are complied with. The appointment and the removal of the Company Secretary are subject to the Board's approval.

CORPORATE GOVERNANCE

All Board members also have separate and independent access to the senior management of the Company and the Group. Board members are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

B. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
Principle 7

REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises five Directors, majority of whom including the Chairman is independent. The RC members are as follows:

Er Kwong Wah (Chairman)	Non-Executive Independent
Gu Jing Song	Non-Independent Executive
Tom Yee Lat Shing	Non-Executive Lead Independent
Wang Kai Yuen	Non-Executive Independent
Ang Swee Tian	Non-Executive Independent

The principal functions of the RC are to:

a) recommend to the Board base salary level, benefits and incentive programmes, and identify components of salary which can best be used to focus management staff on achieving corporate objectives;
b) approve the structure of compensation programme (including but not limited to Directors' fees, salaries, allowances, bonuses, options, shares-based incentives & awards and benefits in kind) for the Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required quality to run the Company successfully;
c) review, on annual basis, the compensation package of the Company's Directors and senior management personnel and determine appropriate adjustments; and
d) review the Company's obligations arising in the event of termination of EDs and key management personnel contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
e) administer the COSCO Group Employees' Share Option Scheme 2002.

The RC meets to discuss the performance assessment of the Executive Directors as well as to discuss the level of emoluments to pay.

The recommendations for approval of the remuneration of the Executive Directors are forwarded to the Board. The RC also reviews and approves the remuneration of senior management.

Directors' fees are recommended by the RC and are submitted for endorsement by the Board. Directors' fees are subjected to approval by shareholders at the AGM.

LEVEL AND MIX OF REMUNERATION
Principle 8

In reviewing the remuneration packages of the Executive Directors, the RC takes into account the respective performance of the Group and the individual. In its deliberation, the RC takes into consideration, remuneration packages and employment conditions within the industry and benchmarked against comparable companies. The RC ensures the level and structure of remuneration of the key management personnel aligned with the long-term interest and risk policies of the Company as well as attract, retain and motivate them to provide good stewardship and management the operations to the meet the desire objective of the Company.

CORPORATE GOVERNANCE

Non-Executive Independent Directors are paid a basic fee for their responsibilities as Independent Directors and servicing various committees. Such fees are approved by the shareholders of the Company as a lump sum payment at the AGM.

The Company currently adopts a remuneration policy for staff consisting of a fixed component and a variable component. The fixed component is in the form of a base / fixed salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. Another element of the variable component is the grant of share options under the COSCO Group Employees' Share Option Scheme 2002 with the last date of exercise of share option on 23 March 2018.

Information on the COSCO Group Employees' Share Option Scheme 2002 such as size of grants, exercise price of options that were granted as well as outstanding and vesting period of options are set out on pages 76 to 77 of the Annual Report.

During the financial year, the RC held one (1) meeting. The issues deliberated at the meeting and through the circular resolutions in writing included reviewing the termination of options granted, extension of exercise period of options granted, the bonus payments to key management personnel and the compensation programme for the Directors and key management personnel.

DISCLOSURE ON REMUNERATION
Principle 9

DIRECTORS' AND KEY MANAGEMENT PERSONNEL REMUNERATION

The Directors' and the top three key management personnel's remuneration table for the financial year ended 31 December 2016 is as follows:

Director	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Non-Independent Executive Directors in the Band of below S$500,000					
Wu Zi Heng[1]	-	50	14	36	100
Liu Lian An[2]	-	64	13	23	100
Gu Jing Song[3]	-	29	29	42	100
Li Xi Bei[4]	-	36	31	33	100
Non-Independent and Non-Executive Directors in the Band of below S$500,000					
Liang Yan Feng *	-	86	-	14	100
Ma Zhi Hong *[5]	-	86	-	14	100
Ouyang Chao Mei *	-	39	41	20	100
Independent Directors in the Band of below S$500,000					
Tom Yee Lat Shing	100	-	-	-	100
Wang Kai Yuen	100	-	-	-	100
Er Kwong Wah	100	-	-	-	100
Ang Swee Tian	100	-	-	-	100

* The salary, bonus and other benefits of the incumbent directors are paid by the subsidiaries.

CORPORATE GOVERNANCE

Notes:

1 Capt Wu Zi Heng resigned as Vice Chairman and President on 30 August 2016 and Non-Independent Executive Director on 1 October 2016.
2 Mr Liu Lian An resigned as Non-Independent Executive Director on 1 October 2016.
3 Mr Gu Jing Song was appointed as Vice Chairman, President and Non-Independent Executive Director on 30 August 2016.
4 Mr Li Xi Bei was appointed as Non-Independent Executive Director on 30 August 2016.
5 Mr Ma Zhi Hong ceased to be Non-Independent Non-Executive Director on 24 November 2016.

Director	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Executives in the Band of below S$500,000					
Ma Hong Han	-	53	19	28	100
Li Man	-	53	18	29	100
Wong Meng Yun	-	70	15	15	100

The Company does not disclose the remuneration of each individual director to the nearest thousand dollars and the aggregate remuneration of the top three key management personnel in accordance with the Principle 9.2 and 9.3 of the 2012 CG Code respectively, as the Board of Directors believes that it is not in the best interest of the Company to fully disclose such information given the highly competitive industry conditions for ship building and offshore marine engineering sectors particularly in the Peoples' Republic of China.

The Company disclosed the upper bands for Directors and the top three key management personnel as "Below S$500,000", which is not in bands of S$250,000, as the Board believes that it is not in the best interest of the Company to make such disclosure given the highly competitive industry conditions for ship building and offshore marine engineering sectors particularly in the People's Republic of China.

None of the employees of the company and its subsidiary companies was an immediate family member of a director and whose remuneration exceeded S$50,000 during the financial year ended 31 December 2016.

EXECUTIVES' REMUNERATION

The Company adopts a remuneration strategy that supports a pay-for-performance philosophy. The Company has key performance indicator to link with Company's performance and shareholders' returns. Executives participate in an annual performance review process that assesses the individual's performance and contributions.

The remuneration structure for the President and other key management personnel consists of the following components:

- **SALARY**

Fixed pay comprises basic salary and the Company's contribution towards the Singapore Central Provident Fund where applicable.

- **BONUS**

Bonus is paid based on the Company's and individual's performance.

- **OTHER BENEFITS**

Other benefits comprise of usage of Company's car and other benefits-in-kind.

CORPORATE GOVERNANCE

- **STOCK OPTION**

The COSCO Group Employees' Share Option Scheme 2002, approved by members of the Company on 8 May 2002, had expired on 8 May 2012. The share options have been granted to align the president and key management's interest with that of shareholders. The options granted to them are made reference to the desired remuneration structure target and valued based on the Binomial Valuation Model. Details of the share option scheme can be found in the "Directors' Report" section of the Annual Report.

C. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY
Principle 10

The Board has overall responsibility to shareholders for ensuring that the Group is well managed and guided by its strategic objectives. In presenting the Group's annual and quarterly financial results to shareholders, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. Management provides the Board with management accounts and other financial statements on a monthly basis or as and when required by the Board. The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange.

RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 11

The Group maintains a robust and effective system of internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems, for all companies within the Group, but recognises that no internal control system will preclude all errors and irregularities. The system is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The controls are to provide reasonable, but not absolute, assurance to safeguard shareholders' investments and the Group's assets.

The Board is responsible for the governance of risk. The Board ensure that Management maintains sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of significant risks which the Board is willing to take in achieving its strategic objectives.

The Group's key internal controls include:

a) establishment of risk management policies and systems
b) establishment of policies and approval limits for key financial and operational matters, and issues reserved for the Board;
c) documentation of key processes and procedures;
d) segregation of incompatible functions which give rise to a risk of errors or irregularities not being promptly detected;
e) maintenance of proper accounting records;
f) safeguarding of assets;
g) ensuring compliance with appropriate legislation and regulations; and
h) engaging qualified and experience persons to take charge of important functions.

Operational risk management measures implemented by the Group include the implementation of safety, security and internal control measures and taking up appropriate insurance coverage.

Details of the Group's financial risk management measures are outlined on pages 145 to 154 in the Notes to the Financial Statements.

CORPORATE GOVERNANCE

In the course of the year, the AC and the Enterprise Risk Management Committee have reviewed, together with Management and the Internal and External Auditors, the major business risks and effectiveness of the Group's internal controls, including controls for managing financial, operational, compliance and information technology controls and risk management, operational, compliance and information technology controls and risk management systems. Internal Control Standards are set with the objective of providing reasonable assurance that risks are effectively managed by the Group.

The Board has also received assurance from the President and Chief Financial Officer that the financial records as at 31 December 2016 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

Based on the work performed by the internal and external auditors, the Group's framework of management control, the review procedures established and maintained by the Company to monitor the key controls and procedures and to ensure their effectiveness, the annual reviews performed by the management, Board committees and the Board, the Board, with the concurrence of the AC and Enterprise Risk Management Committee, is of the view that the Group's framework of internal controls in relation to the financial, operational, compliance and information technology controls and risk management system is effective and adequate as at 31 December 2016 to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value.

The Board notes that the system of internal controls and risk management put in place by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen. In this regard, the Board also notes that no system of controls and risk management can provide absolute assurance against irregularities especially those arising from poor judgment in decision making, human error and fraud.

ENTERPRISE RISK MANAGEMENT COMMITTEE

The Enterprise Risk Management Committee ("ERMC") comprises nine members, majority is Non-Executive and the Chairman is independent. The ERMC members are:

Ang Swee Tian (Chairman)	Non-Executive Independent
Gu Jing Song	Non-Independent Executive
Li Xi Bei	Non-Independent Executive
Tom Yee Lat Shing	Non-Executive Lead Independent
Wang Kai Yuen	Non-Executive Independent
Er Kwong Wah	Non-Executive Independent
Liang Yan Feng	Non-Independent Non-Executive
Ma Hong Han	Chief Financial Officer
Ouyang Chao Mei	Managing Director of COSCO (Singapore) Pte Ltd

The ERMC assists the Board in fulfilling its oversight responsibilities on risk management framework and policies. The responsibilities of the ERMC include the following:

a) reviews the overall risk management systems and process and makes recommendations on changes as and when considered appropriate;
b) reviews the Group's risk policies, guidelines and limits; and
c) reviews periodically the Group's material risk exposures and evaluates the adequacy and effectiveness of the mitigating measures implemented by management.

CORPORATE GOVERNANCE

The ERMC has delegated the day-to-day management of risk within the Group to the Risk Management Committee ("RMC") of each of its operating subsidiaries. The RMC of each of the subsidiary comprises senior management staff of each division within the operating subsidiaries.

The ERMC has conducted four (4) meetings during the year at which discussions were held on the establishment of new risk management policies, the existing risk management structure, the key risk exposures of the Group and the action plans to mitigate such risks.

COSCO Shipyard Group continues to have a comprehensive strategic agreement with a leading Chinese insurance institution to strengthen its risk management system and to enhance its operational structure. The said insurance institution has established a team to provide the Group with different facades of insurance for domestic and international trades; setting up a standardised claims and liabilities system; the evaluation of ship owners' credit ratings, the tracking of ship owners' risk; and the evaluation of countries' credit ratings. The Company believes all these efforts are to help the Group to move towards the establishment of an all-encompassing risk management system.

AUDIT COMMITTEE
Principle 12

The Audit Committee ("AC") comprises all independent directors of the Company, as follows:

Tom Yee Lat Shing (Chairman)	Non-Executive Lead Independent
Wang Kai Yuen	Non-Executive Independent
Er Kwong Wah	Non-Executive Independent
Ang Swee Tian	Non-Executive Independent

The Board is satisfied with the composition of the AC and the AC members are appropriately qualified to discharge their responsibilities. All members of the AC have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment. By briefings given by the External Auditors, the AC and Management are always kept abreast of changes to accounting standards and issues which have a direct impact on financial statements. AC members will also attend trainings regarding the new accounting standards as and when such need arises.

The AC performs the following functions:

a) reviews with the external auditors, their audit plan, evaluation of the accounting controls, audit reports and any matters which the external auditors wish to discuss;
b) reviews with the internal auditors, their audit plan, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational, compliance and information technology controls and risk management systems;
c) reviews the quarterly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board so as to ensure the integrity of the Company's financial statements;
d) reviews any significant findings and recommendations of the external and internal auditors and related management response and assistance given by the management to auditors;
e) reviews interested person transactions to ensure that internal control procedures approved by the shareholders are adhered to;
f) conducts annual review of the independence and objectivity of the external auditors, including the volume of non-audit services provided by the external auditors, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination; and
g) reviews the qualifications of the candidate(s) for chief financial officer before recommending such appointment to the Board.

CORPORATE GOVERNANCE

The AC and the Board of Directors, with the assistance of internal and external auditors, reviews the effectiveness of the key internal controls, including financial, operational, compliance, information technology controls and risk management systems on an on-going basis. There are formal procedures in place for both the internal and external auditors to report independently their findings and recommendations to the AC.

The AC has full access to, and cooperation from the Management including internal and external auditors, and has full discretion to invite any Director or executive officer to attend its meetings. The AC has also expressed power to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense.

The Group recognises the importance of the internal audit function which, being independent of Management is one of the principal means by which the AC is able to carry out its responsibilities effectively. The Company has appointed Messrs Deloitte & Touche Enterprise Risk Services Pte. Ltd. as the outsourced internal auditors of the Group.

The internal auditors plan their internal audit schedules in consultation with the Management and submit their respective plans to the AC for approval. The Internal Auditors report directly to the AC and the AC will then escalate the IA report to the Board as part of their oversight role.

The AC conducts regular meetings scheduled on a quarterly basis. Apart from the quarterly meetings, the AC meets with the external and internal auditors, without the presence of the management at least once a year. Ad-hoc meetings may be carried out from time to time, as circumstances require. The AC held five (5) meetings during the financial year.

After reviewing the non-audit services provided by the external auditors, PricewaterhouseCoopers LLP to the Group, the AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board of Directors, the nomination of the external auditors for re-appointment.

The fee paid to PricewaterhouseCoopers LLP for audit and non-audit services for the financial year ended 31 December 2016 are S$1,258,000 and S$42,000 respectively.

The Company complies with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited in relation to appointing appropriate auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies.

Whistle-blowing Policy

The Company has in place a whistle-blowing policy and arrangements by which staff may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. To ensure independent investigation of such matters and for appropriate follow-up action, all whistle-blowing reports are to be sent to the internal audit function. The AC, President and Chief Financial Officer of the Company will be informed immediately of all whistle-blowing reports received.

Details of the whistle-blowing policy and arrangements are given to all staff for their easy reference. New staff is briefed on these during the orientation programme.

INTERNAL AUDIT
Principle 13

The AC reviews the adequacy and effectiveness of the internal audit function annually. The internal audit function's primary line of reporting is to the Chairman of the AC. Internal Audit is an independent function within the Company. Internal Auditors report directly to the AC and administratively to the President. The Company has appointed

CORPORATE GOVERNANCE

Messrs. Deloitte & Touche Enterprise Risk Services Pte. Ltd. as the internal auditors of the Group. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC is satisfied with the independence and objectivity of the outsourced Internal Auditors and believes that they have appropriate standing to perform their functions effectively.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS
Principle 14

COSCO treats all shareholders fairly and equitably, and recognises, protects and facilitates the exercise of shareholders' rights and continually reviews and updates such governance arrangements. The Company strives for timeliness and transparency in its disclosures to the shareholders and the public. All information on the Company's new initiatives will be disseminated via SGXNET to ensure fair communication with the shareholders and the public.

COMMUNICATION WITH SHAREHOLDERS
Principle 15

The Company has put in place an investor relations policy to promote regular and effective communication with shareholders. All questions raised by the shareholders would be escalated to and addressed by the Senior Management, General Manager of Investor Relations and / or relevant person-in-charge.

All announcements will be disseminated via SGXNET timely in accordance with the Listing Manual. The Company currently holds media and analyst briefings upon the release of its quarterly financial results. Management regularly receives visiting fund managers to provide them an insight to the Company's business and developments, as well as to better understand and address their concerns. In addition to the media and analyst briefings, the Company has taken part in various investor conferences. This allows the Board to understand the view of the shareholders about the Company.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET, before the Company meets with any group of investors or analysts. Subsequently, all released announcements will be uploaded to the Company's website at www.cosco.com.sg. Where there is inadvertent disclosure made to a select group, the Company ensures it would make the same disclosure publicly to others as promptly as possible.

All quarterly and full year results announcements, annual reports, dividend declaration and notice of book closure are announced via SGXNET or issued within the prescribed period under Listing Manual.

DIVIDEND POLICY

The Company does not have a specific dividend policy. Nonetheless, the Management after reviewing the performance of the Company in the relevant financial period will make appropriate recommendation to the Board. Any dividend declaration will be communicated to shareholders via announcement through SGXNET.

The Board has resolved not to recommend payment of dividend for the financial year ended 31 December 2016 as the Company was not profitable.

CORPORATE GOVERNANCE

CONDUCT OF SHAREHOLDER MEETINGS
Principle 16

COSCO Corporation encourages shareholders to participate actively in general meetings. At general meetings of the Company, shareholders are given the equitably opportunity to participate effectively in and vote at the meeting and express their views and ask questions regarding the Company and the Group. The Company Secretary is present to brief the attendees the rules governing general meetings, including voting procedures, upon request by the shareholder. The proceeding of the AGM is properly recorded, including all comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management. All minutes of general meetings are opened to the inspection of shareholder within one month after the general meeting was held when requested by any shareholder.

The Company's Constitution allow a shareholder entitled to attend and vote to appoint a proxy who need not be a shareholder of the Company to attend and vote at the meetings.

The Board members and chairpersons of the Audit, Nominating, Remuneration, Enterprise Risk Management and Strategic Development Committees are present and available to address shareholders' questions at general meetings. The external auditors are also present to address shareholders' queries relating to the conduct of the audit and the preparation and content of the auditors' report.

All resolutions at the Company's general meetings will be voted on by way of poll to better reflect shareholders' shareholding interest. This is made pursuant to the Rules 730A (2) of the Listing Manual of the Singapore Exchange Securities Trading Limited. The poll results will be announced to the shareholders at each respective general meeting after tabulation of the poll.

E. INTERESTED PERSON TRANSACTIONS ("IPTS") POLICY

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions with the China COSCO Shipping Corporation Limited and its associates, which are covered by a Shareholders' Mandate approved at each general meeting.

The AC reviews the Shareholders' Mandate at regular intervals, and is satisfied that the review procedures for IPTs and the reviews to be made periodically by the AC in relation thereto are adequate to ensure that the IPTs will be transacted on normal terms and will not be prejudicial to the interests of the Company and its minority shareholders.

CORPORATE GOVERNANCE

Name of interested person	Aggregate value of all interested person transaction during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	S$'000	S$'000
Between Subsidiaries and:		
Bridge Line Co., Ltd	-	391
Chimbusco Guangzhou Branch	-	915
Chimbusco Zhoushan Branch	-	6,253
China Cosco Bulk Shipping (Group) Co., Ltd	-	258
China Marine Bunker (Dalian) Co., Ltd	-	9,936
China Ocean Shipping (Group) Company	-	860
China Shipping (Hong Kong) Marine Co., Ltd	698	-
China Shipping Container Lines Co., Ltd	774	-
China Shipping Industry (Guangzhou) Co., Ltd	292	-
Cosco Shipping Tanker (Dalian) Co., Ltd	1,628	-
China Shipping Tanker Company Limited	1,087	-
Cosco (Cayman) Mercury Co., Ltd	-	879
Cosco (HK) Insurance Brokers Ltd	-	152
Cosco (HK) Investment & Development Co., Ltd	-	1,009
Cosco (HK) Shipping Co., Ltd	-	8,265
Cosco (JM) Aluminium Co., Ltd	-	150
COSCO (Weihai) Shipbuilding Marine Technology Co., Ltd	-	1,025
Cosco Bulk Carrier Co., Ltd	-	4,635
Cosco Finance Co., Ltd	-	2,070,921
Cosco Information Tech Co., Ltd	-	193
COSCO Kansai Paint & Chemicals Co., Ltd	-	981
Cosco Logistic (GZ) Heavy Transportation	-	169
Cosco Logistics (Shanghai) Heavy Haulage Co., Ltd	-	723
Cosco Logistics Dalian Co., Ltd	-	4,368
Cosco Petroleum Pte Ltd	-	3,341
Cosco Shipping Lines Co., Ltd (formally known as "Cosco Container Lines Co., Ltd")	-	4,343
Cosco Shipping Specialized Carriers Co., Ltd (formally known as "Cosco Shipping Co., Ltd")	-	4,579
Cosco Shipyard Qingdao Company Ltd	-	802

CORPORATE GOVERNANCE

Name of interested person	Aggregate value of all interested person transaction during the financial period under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	S$'000	S$'000
Dalian Ocean Shipping Company	-	9,496
Nantong Chimbusco Marine Bunker Co., Ltd	-	6,487
Nantong Cosco Heavy Industry Co., Ltd	-	4,071
Qingdao Manning Co-operation Ltd	-	3,426
Qingdao Ocean Shipping Company	-	726
Refined Success Limited	-	186
Shanghai Ocean Crew Co., Ltd	-	5,289
Shenzhen Ocean Shipping Company	-	1,062
Xiamen Ocean Shipping Company	-	308
Total	4,479	2,156,199

Name of interested person	As at 31/12/2016	As at 31/12/2015
	S$'000	S$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd:		
- Cash at bank	323,576	381,066
- Short-term bank deposits	1,248	144,959
	324,824	526,025
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	294,729	228,030

F. DEALING IN SECURITIES

In line with Chapter 12 Rule 1207(19) of the Listing Manual on dealings in securities, the Company has adopted an internal compliance code which provides guidance to its Directors and officers in relation to dealings in its securities.

The Listing Manual prohibits securities dealings by the Directors and employees while in possession of price-sensitive information. The Management should not deal in the Company's shares on short-term considerations. The Company issues regular circulars to its Directors, principal officers and relevant officers who have access to unpublished material price-sensitive information to remind them of the aforementioned prohibition and to remind them of the requirement to report their dealings in shares of the Company. The Directors and employees are also prohibited from dealing in the securities of the Company during the period commencing two weeks before the announcement of financial results of the Company for each of the first, second and third quarters of its financial year or one month before the announcement of the Company's full year financial statements.

CORPORATE INFORMATION

Board of Directors

Wang Yu Hang
Chairman and Non-Independent and Non-Executive Director

Gu Jing Song
Vice Chairman, President and Non-Independent Executive Director

Li Xi Bei
Non-Independent Executive Director

Liang Yan Feng
Non-Independent and Non-Executive Director

Tom Yee Lat Shing
Non-Executive Lead Independent Director

Wang Kai Yuen
Non-Executive Independent Director

Er Kwong Wah
Non-Executive Independent Director

Ang Swee Tian
Non-Executive Independent Director

Alternate Directors

Li Man
Alternate to Wang Yu Hang

Ouyang Chao Mei
Alternate to Liang Yan Feng

Audit Committee

Tom Yee Lat Shing
Chairman

Wang Kai Yuen

Er Kwong Wah

Ang Swee Tian

Remuneration Committee

Er Kwong Wah
Chairman

Gu Jing Song

Tom Yee Lat Shing

Wang Kai Yuen

Ang Swee Tian

Nominating Committee

Wang Kai Yuen
Chairman

Gu Jing Song

Tom Yee Lat Shing

Er Kwong Wah

Ang Swee Tian

Enterprise Risk Management Committee

Ang Swee Tian
Chairman

Gu Jing Song

Li Xi Bei

Tom Yee Lat Shing

Wang Kai Yuen

Er Kwong Wah

Liang Yan Feng

Ma Hong Han

Ouyang Chao Mei

Strategic Development Committee

Gu Jing Song
Chairman

Wang Yu Hang

Tom Yee Lat Shing

Wang Kai Yuen

Er Kwong Wah

Ang Swee Tian

Registered Office and Business Contact Information

30 Cecil Street
#26-01 Prudential Tower
Singapore 049712
Telephone: 6885 0888
Facsimile: 6885 0858
Website: www.cosco.com.sg

Company Registration Number

196100159G

Auditors

PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PWC Building
Singapore 048424
Partner-in-charge:
Tham Tuck Seng (since FY2015)

Company Secretaries

Teo Meng Keong

Tan Wee Sin

Share Registrar and Share Transfer Office

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road
#11-02
Singapore 068898
Telephone: 6236 3333
Facsimile: 6236 3405

BOARD OF DIRECTORS

MR WANG YU HANG
Chairman and Non-Independent and Non-Executive Director

MR GU JING SONG
Vice Chairman, President and Non-Independent Executive Director

MR LI XI BEI
Non-Independent Executive Director

MR LIANG YAN FENG
Non-Independent and Non-Executive Director

MR TOM YEE LAT SHING
Non-Executive Lead Independent Director

DR WANG KAI YUEN
Non-Executive Independent Director

MR ER KWONG WAH
Non-Executive Independent Director

MR ANG SWEE TIAN
Non-Executive Independent Director

BOARD OF DIRECTORS

MR WANG YU HANG
Chairman and Non-Independent and Non-Executive Director

Mr Wang Yu Hang was appointed as the Chairman and Non-Independent and Non-Executive Director of the Company with effect from 19 January 2016. He was appointed as Deputy General Manager of China Cosco Shipping Group in January 2016.

From September 1979 to September 1983, Mr Wang studied in the marine engineering department of Dalian Maritime University. He started his career in Tianjin Ocean Shipping Company after graduation.

From June 1987 to November 1999, Mr Wang was working in China Ocean Shipping (Group) Company and had taken various posts including Deputy General Manager of Development Division, Deputy General Manager of Human Resources Division, General Manager of Supervision Division, Deputy Director of Discipline Inspection Commission, Director of Legal Office and General Manager of Human Resources Division.

From February 2000 to February 2014, Mr Wang was Executive Vice President and Acting President of COSCO Americas Inc., Deputy General Manager and General Manager of COSCO Shipbuilding Industry Company, and Managing Director of COSCO Shipyard Group Co. Ltd. In February 2014, Mr Wang was appointed as Executive Vice President of COSCO Group.

With over 30 years' expertise in shipping industry, Mr Wang Yu Hang has rich experiences in human resources development, discipline inspection and corporate management. Mr Wang obtained his bachelor's degree in marine engineering and he is a senior engineer.

MR GU JING SONG
Vice Chairman, President and Non-Independent Executive Director

Mr Gu Jing Song was appointed Vice Chairman, President and Non-Independent Executive Director on 30 August 2016.

Mr Gu brings a wealth of experience and knowledge in corporate management to his current role. Prior to his current appointment, Mr Gu was President of China Shipping Regional Holdings Pte Ltd and Managing Director of Golden Sea Shipping Pte Ltd from January 2014 to March 2016. From January 2010 to January 2014, he served as Vice President of China Shipping (Hong Kong) Holdings Co. Ltd, Deputy General Manager of China Shipping Container Lines (Hong Kong) Asia Co. Ltd, Managing Director of China Shipping Container Lines (Hong Kong) Agency Co Ltd and Managing Director of Rich Shipping Company Limited.

Mr Gu started his career in 1991 with Dalian Marine Transportation Co. in the Shipping and General Affairs Divisions. He holds a Bachelor of Arts in Foreign Languages Department from Shanghai Maritime University.

BOARD OF DIRECTORS

MR LI XI BEI
Non-Independent Executive Director

Mr Li Xi Bei was appointed Non-Independent Executive Director on 30 August 2016.

Mr Li brings to his current role extensive experiences in human resources development, discipline inspection and corporate management. Prior to his current appointment, Mr Li was Manager, Deputy General Manager and then General Manager in Supervision Division of China Ocean Shipping (Group) Company from June 2001 to March 2016. He has been Vice President of COSCO Holdings (Singapore) Pte Ltd since March 2016.

Mr Li served as Deputy Manager and Manager in Personnel Division of COSCO Industry Company from January 1998 to June 2001. He was Deputy Section Chief and Section Chief in Human Resources Division of China Ocean Shipping (Group) Company from March 1994 to January 1998. Prior to that, he was working in Personnel Division of China Ocean Shipping Company and COSCO Manning Cooperation Inc. from November 1990 to March 1994.

Mr Li started his career in 1979 onboard ships of Guangzhou Ocean Shipping Company. He graduated from Naval Academy of Engineering and specialised in Engineering Management.

MR LIANG YAN FENG
Non-Independent and Non-Executive Director

Mr Liang Yan Feng was appointed as a Non-Independent and Non-Executive Director of the Company with effect from 8 July 2014.

Mr Liang started his career with COSCO in July 1991. In early years, he had worked as a deputy section manager, section manager and deputy general manager in human resources division of COSCO Group head office.

From November 1997 to September 2000, Mr Liang was Managing Director of COSCO Human Resources Development Company. From September 2000 to August 2005, he was General Manager of asset operation division in COSCO Group head office. From March 2006 to December 2009, he was Deputy General Manager and Managing Director of COSCO International Holdings Ltd. After that, he was Vice President of COSCO (Hong Kong) Group Ltd and Deputy Managing Director of Dalian Ocean Shipping Company.

In May 2014, Mr Liang Yan Feng was appointed President of COSCO Shipyard Group Co. Ltd.

Mr Liang graduated from Tsinghua University with a bachelor's degree and an EMBA degree.

BOARD OF DIRECTORS

MR TOM YEE LAT SHING

Non-Executive Lead Independent Director

Mr Tom Yee Lat Shing was appointed to the Board on 16 November 1993. He is a Non-Executive Lead Independent Director and was last re-elected as Director on 22 April 2016. He was appointed as Lead Independent Director effective from 21 February 2014. He is Chairman of the Company's Audit Committee and member of the Nominating, Enterprise Risk Management, Remuneration and Strategic Development Committees.

Mr Yee is a Singapore Chartered Accountant and was a partner of an international public accounting firm from 1974 to 1989. He has more than 35 years of experience in the field of accounting and auditing and extensive experience in handling major audit assignments of public listed and private companies in various industries, including insurance, manufacturing and retailing. He is currently a consultant.

Mr Yee sits on the boards of several Singapore-listed companies. He is a fellow member of the Institute of Chartered Accountants in Australia, CPA (Australia) and Institute of Singapore Chartered Accountants and an associate member of the Institute of Chartered Secretaries and Administrators. He is also a fellow member of the Singapore Institute of Directors.

DR WANG KAI YUEN

Non-Executive Independent Director

Dr Wang Kai Yuen was appointed Non-Executive Independent Director on 2 May 2001. He chairs the Nominating Committee and is a member of the Audit, Enterprise Risk Management, Remuneration and Strategic Development Committee. Dr Wang served as a Member of Parliament for the Bukit Timah Constituency from December 1984 until April 2006. He was the Chairman of Feedback Unit from 2002 until his retirement from politics. He retired as the Centre Manager of Fuji Xerox Singapore Software Centre in December 2009. He graduated from the University of Singapore with a First Class Honours degree in Electrical and Electronics engineering.

Dr Wang holds a Master of Science in Electrical Engineering, a Master of Science in Industrial Engineering and a PhD in Engineering from Stanford University, USA. He received a Friend of Labour Award in 1988 for his contributions to the Singapore labour movement.

BOARD OF DIRECTORS

MR ER KWONG WAH
Non-Executive Independent Director

Mr Er Kwong Wah was appointed Non-Executive Independent Director on 20 December 2002. He chairs the Remuneration Committee and is a member of the Audit, Nominating, Enterprise Risk Management and Strategic Development Committee. A Colombo Plan and Bank of Tokyo Scholar, Mr Er obtained a first class honours degree in Electrical Engineering at the University of Toronto, Canada, in 1970 and an MBA from the Manchester Business School of the University of Manchester, UK in 1978.

Mr Er spent 27 years in the Singapore Civil Service and served in various departments including the Ministry of Defence, Public Service Commission, Ministry of Finance, Ministry of Education and Ministry of Community Development. He was Permanent Secretary in the Ministry of Education from 1987-1994, and then in the Ministry of Community Development until his retirement in 1998. Thereafter, he took up an appointment as Executive Director of a private tertiary college in Singapore and retired from this institution at the end of 2016.

Currently, he is an Independent Director of the Boards of several public listed companies.

For his outstanding service in the Government and in the community, Mr Er was awarded the PPA (E) or Public Administration Medal (Gold), the BBM (Public Service Star) and the PBM (Public Service Medal). In 1991, the Government of France conferred him a National Honour with the award of Commandeur dans l'Ordre des Palmes Academiques.

MR ANG SWEE TIAN
Non-Executive Independent Director

Mr Ang Swee Tian is a Non-Executive Independent Director of COSCO Corporation (Singapore) Limited. He chairs the Enterprise Risk Management Committee and is a member of the Audit, Remuneration, Nominating and Strategic Development Committees.

Mr Ang was the President of Singapore Exchange Ltd ("SGX") from 1999 to 2005 during which he played an active role in successfully promoting SGX as a preferred listing and capital raising venue for Chinese enterprises. Mr Ang also played a pivotal role in establishing Asia's first financial futures exchange, the Singapore International Monetary Exchange ("SIMEX") in Singapore in 1984 and was instrumental to establishing SGX AsiaClear which started offering OTC clearing facility in 2006. Following his retirement in January 2006, Mr Ang served as Senior Adviser to SGX until December 2007.

In March 2007, Mr Ang became the first person from an Asian Exchange to be inducted into the Futures Industry Association's Futures Hall of Fame which was established to honour and recognise outstanding individuals for their contributions to the global futures and options industry. Mr Ang graduated from Nanyang University of Singapore with a First-Class Honours Degree in Accountancy in 1970. He was conferred a Master Degree in Business Administration with distinction by the Northwestern University in 1973.

BOARD OF DIRECTORS

FURTHER INFORMATION ON BOARD OF DIRECTORS

The list of current directorships in other listed companies held by the respective Directors are as follows:

Director	Current directorship in other listed companies
Wang Yu Hang	• China International Marine Containers (Group) Ltd (Vice Chairman)
Gu Jing Song	Nil
Li Xi Bei	Nil
Liang Yan Feng	Nil
Tom Yee Lat Shing	• Bonvest Holdings Ltd (Director) • Pacific Century Regional Development Limited (Director) • Powermatic Data Systems Ltd (Director)
Wang Kai Yuen	• China Aviation Oil (Singapore) Corporation Ltd (Deputy Chairman) • ComfortDelGro Corporation Limited (Director) • Ezion Holdings Ltd (Chairman) • HLH Group Ltd (Chairman)
Er Kwong Wah	• CFM Holdings Ltd (Director) • China Essence Group Ltd (Director) • China Sky Chemical Fiber Co., Ltd (Director) • Eucon Holding Ltd (Director) • GKE Corporation Ltd (Director) • Success Dragon International Holdings Ltd (Director) • China Environment Ltd. (Director)
Ang Swee Tian	• China Aviation Oil (Singapore) Corporation Ltd (Non-Executive Director) • China JinJiang Environment Holding Company Limited (Non-Executive Director)

KEY MANAGEMENT

From Left: Mr Li Man, Mr Gu Jing Song, Mr Ma Hong Han and Mr Wong Meng Yun

MR GU JING SONG
Vice Chairman and President

Mr Gu Jing Song was appointed Vice Chairman, President and Non-Independent Executive Director on 30 August 2016.

Mr Gu brings a wealth of experience and knowledge in corporate management to his current role. Prior to his current appointment, Mr Gu was President of China Shipping Regional Holdings Pte Ltd and Managing Director of Golden Sea Shipping Pte Ltd from January 2014 to March 2016. From January 2010 to January 2014, he served as Vice President of China Shipping (Hong Kong) Holdings Co. Ltd, Deputy General Manager of China Shipping Container Lines (Hong Kong) Asia Co. Ltd, Managing Director of China Shipping Container Lines (Hong Kong) Agency Co Ltd and Managing Director of Rich Shipping Company Limited.

Mr Gu was GM of Commercial Division of China Shipping Container Lines Co Ltd from February 2006 to January 2010, GM of Commercial Division and Asia Pacific Lines Division of China Shipping Container Lines Co Ltd, from October 2004 to February 2006.

He was Managing Director of China Shipping UK Agency Co Ltd from May 1999 to October 2004 and Manager of Overseas Department with China Shipping (Group) Co. from June 1997 to June 1999.

Mr Gu started his career in 1991 with Dalian Marine Transportation Co. in the Shipping and General Affairs Departments. He holds a Bachelor of Arts in Foreign Languages Department from Shanghai Maritime University.

MR MA HONG HAN
Chief Financial Officer

Mr Ma Hong Han was appointed Chief Financial Officer of the Company in August 2012. He has extensive experience in finance and corporate financial management. From April 1994 to November 1996, Mr Ma worked in the Accounting Department, Finance Division of China the Ocean Shipping (Group) Company.

From November 1996 to February 2002, Mr Ma was an assistant manager of Overseas Financial Management Department, Finance Division of China Ocean Shipping (Group) Company.

KEY MANAGEMENT

From February 2002 to November 2006, Mr Ma was Deputy General Manager and then General Manager of Finance Division of COSCO Americas Inc.

From December 2006 to July 2012, Mr Ma was Deputy General Manager of Finance Division, China Ocean Shipping (Group) Company.

Mr Ma graduated from Renmin University of China in July 1994 with a Bachelor's Degree of Economics. He is a Fellow of the Chartered Institute of Management Accountants and a member of the Chartered Global Management Accountant.

MR LI MAN
Vice President

Mr Li Man has rich knowledge and experience in corporate management and business operation.

From July 1993 to Oct 1997, Mr Li served as a manager in Secretary Division, Executive Office of Tianjin Ocean Shipping Company. From October 1997 to August 1999, Mr Li was Deputy General Manager of Qingdao AIER Food Co. Ltd. From August 1999 to January 2001, he was Deputy General Manager of Executive Office, COSCO Bulk Carrier Co. Ltd. From January 2001 to September 2005, Mr Li served as Deputy General Manager and General Manager of Tianjin Shore-Based Industry Company, COSCO Bulk Carrier Co. Ltd.

From September 2005 to August 2007, Mr Li was Deputy General Manager of Executive Office, China Ocean Shipping (Group) Company. From August 2007 to August 2009, Mr Li served as Vice Governor in Yanbian Korean Autonomous Prefecture, Jilin Province, P.R. China. From October 2009 to October 2012, he was Executive Vice President of BOAO COSCO Co. Ltd.

Mr Li graduated from Dalian Maritime University in July 1993 with a Bachelor's Degree in Engineering. He received his MBA in July 2002 and Ph.D. in Business Administration and Enterprise Management in May 2009 from Nankai University.

MR WONG MENG YUN
Financial Controller

Mr Wong Meng Yun has more than 30 years of professional and leadership experience in financial management, corporate finance, internal and external audit and treasury management of which 12 years were in a senior regional management position with a leading US-listed software company prior to his joining the Group in July 2008.

He graduated from the University of Singapore with a Bachelor of Accountancy and is a Fellow of the Association of Chartered Certified Accountants, CPA Australia, the Institute of Singapore Chartered Accountants, the Chartered Institute of Arbitrators, the Singapore Institute of Arbitrators and the Resolution Institute, Australia. He is a Certified Treasury Professional (CTP) with the Association for Financial Professionals as well as a Certified Internal Auditor (CIA) and a Certified Financial Services Auditor (CFSA) with the Institute of Internal Auditors with certification in control self-assessment (CCSA) and risk management assurance (CRMA). He is a Certified Information Systems Auditor (CISA) and a Certified Information Security Manager (CISM) with the Information Systems Audit and Control Association (ISACA).

He speaks regularly in public seminars organised by the Institute of Internal Auditors, Singapore and the Institute of Singapore Chartered Accountants on topics related to risk management and internal controls. In May 2015, he participated in the inaugural Asia Internal Audit Leadership programme, jointly developed by Singapore Accountancy Commission and the Institute of Internal Auditors; supported by the Civil Service College, Singapore and facilitated by Temasek Management Services Academy.

INVESTOR RELATIONS

COSCO Corporation communicates regularly with its shareholders, investors, analysts and the media to ensure that all stakeholders are informed of its activities on a timely and consistent basis. All news releases and company announcements are made available on the SGX-ST portal and updated on COSCO Corporation's website.

In 2016, COSCO Corporation continued to actively engage its stakeholders via multiple communication platforms, including shareholder meetings, analyst briefings, investor conferences, press releases and webcast. The senior management and investor relations team are committed to keep all related parties informed of key developments, such as newly secured contracts, project completion and deliveries, quarterly and full year results, growth strategies and business outlook. Such commitment allows our target audience to have easy access to information on the Group, so that they can effectively evaluate the Company and make informed investment decisions.

The Group's Annual General Meeting (AGM) remains an important and direct platform for shareholders to provide feedback to the Board and senior management. The Group's latest AGM was held on 22 April 2016 at the Suntec Singapore International Convention & Exhibition Centre. For the convenience of all shareholders, the Group will continue to host its AGMs at a central and accessible location.

INVESTOR RELATIONS

Major Investor Relations Events in 2016

Date	Organiser	Event
15 February 2016	COSCO Corporation	FY2015 Full Year Results Briefing
22 April 2016	COSCO Corporation	Annual General Meeting
6 May 2016	COSCO Corporation	FY2016 1st Quarter Results Briefing
28 June 2016	Credit Suisse	Credit Suisse 2016 Oil and Gas Conference
5 August 2016	COSCO Corporation	FY2016 2nd Quarter Results Briefing
11 November 2016	COSCO Corporation	FY2016 3rd Quarter Results Briefing

Analyst Coverage

Company	Name of Analyst
DBS Vickers	Ho Pei Hwa
Credit Suisse	Gerald Wong and Shih Haur Hwang
Morgan Stanley	Corey Chan

RISK MANAGEMENT

INTRODUCTION

Risk management and internal controls have been the main focus of the various objectives of the Corporate Governance Council ("CG Council") to raise the standard of corporate governance in its recent Code of Corporate Governance ("CG Code") revision. In the 2012 CG Code, the CG Council introduced the revised Principle 11 to focus on Risk Management and Internal Controls. Immediately on 10 May 2012, a Risk Governance Guidance for Listed Boards was also released by CG Council. These efforts by CG Council are aimed at providing guidance to listed companies' boards and management on risk management which aims to ultimately contribute to better and sustained value to investors, raise investor confidence and enhance Singapore's reputation as a leading and trusted international financial center.

At COSCO Corporation (Singapore) Limited, the Board of Directors ("Board") believes that good corporate governance is an effectual balance of promoting the long-term success of the Company and providing accountability and control systems which are symmetric with risks involved. It is essential to facilitate effective, entrepreneurial and prudent management.

The Board has delegated the risk management and internal controls of the Group to an Enterprise Risk Management Committee ("ERMC"). In the ever changing business environment, the risk management process of the Group is constantly reviewed and updated by the ERMC. The risk management process is aiming to identifying the risk factors that may have a material impact on the Group's operation, and to manage them appropriately.

The Company has adopted an Enterprise Risk Management Policy in August 2012 aims to:

- provide a consistent and structured philosophy and process in managing COSCO's risks;
- enable a uniform approach in prioritising, managing, monitoring and mitigating COSCO's risks; and
- establish clear responsibilities, lines of authority, accountabilities and decision making processes.

With the above policy, the risks identification and management have been carried out and placed under the purview of the ERMC.

The material risk factors identified by the Group's risk management process are set out below. Each of these could have a material and adverse impact on the Group, including its business, financial condition, results of operation and prospect. These risk factors have been divided into four categories: external; internal; execution and financial.

RISK MANAGEMENT PROCESS

The ERMC has delegated the day-to-day management of risk within the Group to the Risk Management Committee ("RMC") of each of its operating subsidiaries and each RMC comprises senior management staff of the respective division within the operating subsidiaries.

The ERMC also engages Deloitte & Touche Enterprise Risk Services Pte Ltd to perform strategic risk profiling in the Group's major subsidiaries. As the Group's enterprise risk management program is a long-term initiative that calls for commitment and inputs from various stakeholders, the enterprise risk management policies have been implemented in phases with guidance from Deloitte & Touche Enterprise Risk Services Pte Ltd in a systematic manner and coupled with constant education and training of local management staff and risk owners.

RISK MANAGEMENT

The Board conducts periodical reviews of the risks and it identifies the key risks for the year ahead to stay current with the ever-changing operating environment. As part of this review, operational and strategic risks are proposed as key risks by the RMC, based on inputs from regions, function heads and business leaders. The risk factors set out below reflect the key risks identified. Each of the key risks is assigned to the Chairman of the RMC at the operating subsidiaries who proposes a level of risk the Group is willing to take and develops appropriate action plans to mitigate the risks. All risk mitigation plans are reviewed and agreed by the Board.

Once risk mitigation plans are agreed, each operating subsidiary is asked to carry out a self-assessment exercise which requires all operating units to confirm compliance with the Group's policies and also to confirm that key operational controls are in place and working effectively. The results of this exercise, together with a review of specific plans for strategic risks, enable the Board to confirm that the business has a sound risk-based framework of internal controls.

The Group Auditors, internal and external, provide independent reassurance that the standard of risk management, compliance and control meet the needs of the business. Group Audit status reports are discussed with ERMC, Audit Committee and Board on a regular basis. The Board also recognises that the risks facing the business may sometimes change over short time periods. Every quarter, each operating subsidiary provides an update on new and emerging risks and reports to update the Group's risks are provided to the ERMC, Audit Committee and the Board.

The Board concurred with the opinions of its sub-committees, i.e. Audit Committee and ERMC, of the adequacy of the internal controls system (of which risk management is one of its crucial segments) to addressing its financial, operational, compliance and information technology risks in meeting the current scope of the Group's business operations.

It is not possible and practical to identify and anticipate every risk that may impact the Group. While the Group's risk management process attempts to identify and manage (where possible) the key risks it faces, no such process can totally eliminate risks or guarantee that every risk is identified, or, that it is possible, economically viable, or prudent to manage such risks.

Consequently, there can never be an absolute assurance against the Group failing to achieve its objectives or a material loss arising. Some material risks may not be known, others, even though currently deemed as immaterial, could become material and new risks may also emerge.

The Board affirms its overall responsibility on risk management and to review the adequacy and integrity of the control system on an annual basis.

1. EXTERNAL RISKS

The Group is subject to a number of external risks. The Group defines external risks as those that stem from factors which are mainly outside of its control. These risks will often arise from the nature of the Group and the industry in which it operates.

GLOBAL ECONOMIC DOWNTURN AND UNCERTAINTIES

The global capital and credit markets have been experiencing periods of extreme volatility and disruption. The global economic uncertainties, concerns over recession, inflation or deflation, energy costs, geopolitical issues, commodity prices and the availability and cost of credit, have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the capital and consumer markets. These factors, combined with others, precipitated a severe global economic uncertainty, the full extent of which remains to be seen.

RISK MANAGEMENT

The Group is susceptible to the cyclical world-wide demand and pricing in its industries, which are highly dependent upon global economic condition. The uncertainties are likely to result in a decrease in the overall demand for vessels and risks of default by the ship-owners in taking delivery of the vessels upon completion.

LEGAL, REGULATORY, POLITICAL AND SOCIETAL RISKS

The Group is at risk from significant and rapid change in the legal systems, regulatory controls, custom and practices in the regions in which it operates.

Political uncertainties, regime change and change in society, including increased scrutiny of the Group, its businesses or its industry, for example by governmental and non-governmental organisations or the media may result in, or increase the rate of, material legal and regulatory change, and changes to custom and practices. These affect a wide range of areas and are expected to have material and adverse impacts on the performance and financial condition of the Group if they are not pre-empted appropriately.

COMPETITION

The ship building, ship repair, offshore marine engineering and dry bulk shipping industries are highly competitive. The primary bases for competition in the ship repair, ship building and offshore marine engineering industries are matching of the customers' demands with the capabilities and capacity of a shipyard, the type and quality of vessel, price, delivery schedule/availability and type of equipment.

The Group expects to face increased competition from existing competitors and new entrants into these industries in the future. In the event that the Group is unable to continually upgrade its shipyard capabilities, the Group's business, financial condition, results of operation and prospect may be adversely affected.

The Group may face increasingly stiff competition, especially under this era of global uncertainties whereby some players have adopted aggressive pricing strategy in order to secure new orders. The depressed crude oil prices may result in significantly reduced and slower demand for offshore marine engineering products or cancellation of contracts.

Increased competition in the markets have caused and will cause contract values of new ship building contracts to deteriorate thereby adversely impacting the Group's performance and financial condition.

CUSTOMER DEMAND

Customer expectations are increasingly demanding. The Group expects greater scrutiny by customers before they take delivery of vessels. This will, inadvertently, increase the building costs of vessels. A failure to recover higher costs could materially and adversely impact the Group's performance.

The Group has introduced enhanced modern shipbuilding management system software to better manage and to mitigate the risks of late ship-built delivery and quality. A "COSCO Shipyard CIMS System Maintenance and Operation Regulation" has been developed and updated to ensure common practices, smooth and stable operation throughout the various shipyard subsidiaries.

RISK MANAGEMENT

MARKET DOWNTURN RISK

The global offshore market has remained weak due to weak global economic conditions and persistent low crude oil prices. Many oil majors have cut expenditure leading to fewer orders for deep water rigs. In addition, a number of offshore rigs and supply vessels delivered have not secured contracts for lease yet. Under such challenging circumstances, some customers may delay or refuse to accept delivery of vessels upon completion. Coupled with the shift in payment structure from progressive payment to back-end loaded payment upon delivery, this will adversely impact the cash flow of the Group. As there are maintenance costs to be incurred in the up-keeping of completed vessels, the longer the lead time to find alternative buyers would result in a greater negative impact to the bottom line of the Group.

FLUCTUATIONS IN THE BALTIC DRY INDEX ("BDI")

The BDI is a benchmark of the dry bulk shipping industry and is an indication of the price of moving major raw materials by sea. It is generally recognised as an economic indicator of the movement and volume of global trade.

An increase in the BDI is generally considered to indicate an increase in demand for dry bulk shipping, whereas a decrease in the BDI is generally considered to indicate a decrease in demand for dry bulk shipping, and the capital expenditure of dry bulk shipping companies are usually driven mainly by the BDI outlook.

In recent years, the dry bulk shipping index has recorded historical lows as the shipping industry is experiencing excess capacity thereby leading to lower charter rates. The fluctuations in the BDI result in an uncertain outlook for the dry bulk shipping industry, which typically has an impact on vessel owners' willingness to place new orders for bulk carrier vessels, which in turn affects demand for the Group's services and products.

2. INTERNAL RISKS

Internal risks are those arising from factors primarily within the Group's control, including from the Group structure and processes.

INFORMATION TECHNOLOGY INFRASTRUCTURE

The Group depends on accurate, timely information and numerical data from key software application to aid day-to-day business and decision making. Any disruption caused by failings in these systems, of underlying equipment or of communication networks could delay or otherwise impact the Group's day- to-day business and decision making and have materially adverse effects on the Group's performance.

OPERATIONAL PERFORMANCE AND PROJECT DELIVERY

Failure to meet production targets can result in increased unit costs, which are pronounced at operations with higher levels of fixed costs. Unit costs may exceed forecasts, adversely affecting performance and the results of operations.

Failure to meet project delivery times and production budgets could have a negative effect on operational performance and lead to increased costs or reductions in revenue and profitability.

In addition, the Group faces third party risks of underperforming and non-performing contractors, suppliers or vendors affecting the Group's ability to execute its projects as planned, resulting in delays and cost overruns. These effects are compounded when substitute suppliers or vendors are not easily available, particularly for specialised or customised equipment.

RISK MANAGEMENT

A number of strategies have been implemented to mitigate these risks including management oversight of operating performance and project delivery through regular executive management briefings, increased effectiveness of procurement initiatives to reduce unit costs and improvements in delivery times of projects. The Group also has in place a selection process for contractors, suppliers and vendors and also regularly monitors those who have been selected.

The Group has also established an enterprise technology standards system under the guidance of Singaporean and South Korean experts to enhance the basic design and detailed design of ships and marine engineering products.

EMPLOYEES

The Group depends on the continued contributions of its executive officers and employees, both individually and as a group. While the Group reviews its people policies on a regular basis and invests significant resources in training and development and recognising individuals with high potential, there can be no guarantee that it will be able to attract, develop and retain these individuals at an appropriate cost and ensure that the capabilities of the Group's employees meet its business needs. Any failure to do so may affect the Group's performance.

The ability to recruit, develop and retain appropriate skills for the Group is made difficult by competition for skilled labor. The failure to retain skilled employees or to recruit new staff may lead to increased costs, interruptions to existing operations and delays in existing and new projects.

A number of strategies are implemented to mitigate this risk including attention to an appropriate suite of reward and benefit structures and ongoing refinement of the Group as an attractive employee proposition.

MANAGING COST OF WAGES THROUGH OUTSOURCING

Ship repair is a labor-intensive industry and an increase in wages will have a significant impact on the Group. The Group had been encountering increases in labor cost. Other than having a permanent work force of skilled employees on the payroll, the Group has adopted a contract hiring system where unskilled or semi-skilled manpower is hired on a contractual basis and paid according to projects undertaken. While this has benefited the Group because of the decrease in fixed manpower costs, there is a risk of failure by these third parties to deliver on their contractual commitments, which may adversely impact the Group's reputation and performance.

RAW MATERIALS

The Group depends upon the availability, quality and cost of steel and steel-plates from around the world, which exposes it to price, quality and supply fluctuations. Although the Group will take measures to protect against the short-term impacts of these fluctuations and of the concentration of supply, there is no guarantee that these will be effective. A failure to recover higher costs of shortfalls in availability of materials of the appropriate quality could materially and adversely affect the Group's performance.

The Group manages this risk through constant monitoring of the markets in which it operates and continuous review of capital expenditure programs to ensure they reflect market conditions. A continuous focus on operating expenditure is also an important method of mitigating this risk.

The Group has developed uniform processes and procedures with applications such as SAP to manage procurement of raw materials. The Group also has developed strategic alliances with certain selected major steel mills and other leading companies on the purchase of steel supply, bunker, marine valves, boilers, engines and other related equipment to mitigate risks in such supplies.

RISK MANAGEMENT

INTERNAL GROUP RESTRUCTURING

The Company has been informed by its parent group, China COSCO Shipping Corporation Ltd of its plan to acquire the Company's equity interests in COSCO Shipyard Group Co. Ltd, COSCO (Nantong) Shipyard Co. Ltd and COSCO (Dalian) Shipyard Co. Ltd.

China COSCO Shipping Corporation Ltd has also informed the Company that it will continue to remain supportive of the Company's future development.

As the plans relating to the proposed acquisition is still subject to further review and determined after further necessary work, including a valuation of the assets to be acquired, the Company is not able to assess and mitigate potential risks at this juncture.

3. FINANCIAL RISKS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Risk management is carried out under policies approved by the Board of Directors. The Board approves guidelines for overall risk management, as well as policies covering these specific areas.

MANAGING CURRENCY FLUCTUATION

The main financial risks facing the Group are fluctuations in foreign currency, interest rate risk, availability of financing to meet the Group's needs and default by counterparties and customers. Any of these financial risks may materially and adversely impact the Group's business, financial condition, results of operation and prospects.

The Group has established a management system to address financial risks. Fluctuations in currency exchange rates are closely monitored. The Group at its discretion may employ simple forward hedging on a systematic approach to meet its financial obligations and both foreign and local currencies needs.

The Group does not engage in speculative foreign investments. Strict compliance controls are in place to ensure that procedures are adhered to and management decisions are not made unilaterally.

The Group also engaged the guidance of the holding company in managing its foreign exchange risk exposure. The holding company has an experienced Treasury operations team responsible for managing the funding requirements and liquidity risks.

A detailed disclosure of the Group's financial risks can be found on pages 145 to 154 in the Notes to the Financial Statements.

RESEARCH AND DEVELOPMENT

Innovation is pivotal in the ever-changing and increasingly challenging maritime industry. At COSCO, our commitment towards adopting leading innovation is unwavering. Spearheading COSCO's core Research and Development (R&D) activities is COSCO Shipyard Technology Centre. Founded in March 2002, the centre has over 1,600 designated staff and experts deployed across satellite offices at COSCO Shipyards. They are primarily engaged in R&D of shipbuilding and oil & gas-related products and technologies, as well as basic, detailed and production designing. The R&D team also renders technical and enterprise support in areas such as business development, price design, contract tender and negotiation, project execution, and delivery.

R&D ENDEAVOURS IN 2016

2016 saw greater collaboration between our R&D centres and respective business enterprises. Together, they successfully developed detailed and production designs for various vessel types, most notably the 15,000m^3 trailing suction dredger, 109/113K DWT product oil tanker, 1750/3200/3300/3600TEU container ships, 152K DWT shuttle tanker and 5,000 adult cattle livestock carrier.

Further to COSCO's landmark shipbuilding contract with Maersk Line in March 2015, we further consolidated our competitive edge with a shipbuilding contract awarded by CMA CGM in May 2016 to build four 3300TEU container vessels. This contract signifies strong recognition of our brand name by leading players in the maritime sector.

RESEARCH AND DEVELOPMENT

In the year under review, our R&D centres have been focusing strongly on forging greater collaboration and better understanding with our key clients, such as Maersk, DEME Group, Vroon, CMA CGM and Lomar. Our R&D experts have been working very closely with OMT, a leading maritime consultancy firm based in Denmark, for the design and construction of 3300TEU container ships. The team's relentless pursuit of excellence and unwavering commitment has gained much acknowledgment from the clients.

Our R&D centres have also made further progress in the development of "green and smart" new vessel types, such as eco-friendly shuttle tanker, module carrier, small LNG carrier and livestock carrier, amongst others.

In December 2016, COSCO Dalian shipyard delivered China's first 2nd generation Multipurpose Training Ship to Dalian Maritime University. "Yu Peng" is currently the most advanced training vessel in China. It is designed for a wide array of maritime training including, *inter-alia* navigation, scientific research and shipping. This ship has been listed in the "Significant Ships of 2016", an annual maritime journal published by the internationally renowned Royal Institution of Naval Architects (RINA), England.

FORGING AHEAD

We remain focus on our vision to be a world class shipyard group on par with the best. This calls for the need to constantly innovate and invest in human capital, training and technology. In order to stay ahead of the competition, we will also strive to build long-term and sustainable growth through continuous upgrading of our R&D capabilities, and forge strategic partnerships and collaboration with our clients.

HUMAN RESOURCE & WORKPLACE SAFETY

HUMAN RESOURCE

Our Pillars of Strengths

At COSCO, our employees are our most valuable assets; they form the pillars of strengths that support the Company's operation. We recognise their expertise and contributions in gearing the Company beyond its existing capacity. As such, we value our people and strive to provide a conducive working environment that emphasises the enrichment and empowerment of every individual, in order to achieve organisational growth collectively. Through well-structured programmes encompassing recruitment, training, incentives and benefits, employees are given ample opportunities to expand their competencies and optimise work operations of the Company.

Recruitment and Training

Being in the maritime industry, COSCO requires a highly-skilled talent pool to lead and execute its complex and specialised job scopes. Outstanding top graduates from renowned Chinese universities are recruited through our strict selection process, and are required to complete the management trainee programmes prior to their induction into the management team. In the course of their work, COSCO continues to monitor and support their progress in achieving both personal and organisational goals.

As we are ever working towards upgrading the skillsets of our staff, regular and relevant training courses are specially curated and catered to the different levels of employees with varied job scopes ranging from management to operations. Technical staff are also required to undergo annual assessments conducted in simulated environments to ensure that they remain equipped and competent in meeting the necessary standards and safety measures at the worksite.

Reward and Retention

The Company recognises the importance of staff recognition and empowerment in its pursuit for sustainable organisational growth. Besides maintaining fair management through open communication channels, we encourage employees to attend management courses and partake in the decision-making process. We also seek to entrust them with greater shared responsibilities. These approaches complement well with our performance and achievement appraisal system that aligns employee's work goals with personal career development and competitive remuneration.

Apart from tangible rewards, COSCO also gives attention to employees' overall well-being. Seminars relating to wellness are periodically held to raise health awareness among staff, and improve their mental well-being at work.

Outlook

We believe that these workforce management systems and measures have effectively instilled a greater sense of corporate identity and loyalty amongst our employees. Moving ahead, COSCO will further its efforts to enhance our management systems and improve the quality of our training programmes.

WORKPLACE SAFETY

Workplace Safety Awareness

Rooted in COSCO's ethos that respect every individual's rights to a safe working environment, health and safety of our employees have always been of the utmost importance. COSCO enforces strict adherence to the Company's Safety Guidelines that are underpinned by training plans and matrixes such as Behaviour-based Safety (BBS) and Job Safety Analysis (JSA). In safeguarding the safety of all our employees, we have also worked through various programmes to inculcate an acute sense of safety consciousness that stems from the individuals. These programmes are constantly revised to meet current and future needs of the Company.

HUMAN RESOURCE & WORKPLACE SAFETY

With the aim to enhance employees' proficiency levels in shipyard operations and to reinforce existing precautionary safety measures in their respective fields, COSCO organises regular safety training courses and engages qualified instructors from established training centres to deliver in-depth safety studies and analysis. Without exception, all new hires are required to complete mandatory training courses and pass relevant examinations prior to commencing their duties. In March 2016, more than 2,400 staff underwent a safety training programme organised by COSCO Zhoushan employing simulation-based learning.

Upholding Safety Standards

COSCO adopts industry best practices and complies with international safety standards. Likewise, our robust safety management system is established in accordance with the requirements of the OHSAS 18000 occupational health and safety management system standards.

The "Annual Safety Month" was launched across COSCO shipyards in China to promote safety culture on the ground and keep employees abreast of safety developments. Besides safety campaigns held during the Annual Safety Month, safety education and training are carried out year-round to ensure that proficiency level across the various units are consistent and up to date. In 2016, COSCO Dalian, COSCO Guangdong, COSCO Nantong and COSCO Shanghai have conducted safety training programmes relating to heavy lifting, crane operation and safety harnesses. Regular on-site inspections at the respective shipyards were also performed to ensure the strict adherence to safety precautions across the production line.

In addition to establishing a preventive framework, COSCO has also conducted a series of safety exercises to bolster its emergency response and readiness. In June 2016, COSCO Shanghai Shipyard successfully conducted a large-scale fire drill exercise involving 150 staff from eight departments. COSCO Qidong had also conducted a radioactive emergency drill in October 2016 to assess and manage potential risk from gamma ray activity. With the increasing risk of extreme summer heat in China, COSCO shipyards have in place temperature monitoring systems and communication strategy framework to mitigate the impact of extreme weathers particularly on our staff stationed in heat-prone environments.

Environmental Safety

The Safety Committee was formed in year 2009 with the objective to minimise negative ecological impact and protect our environment. Action plans, including regular site visits and checks, were consistently carried out to ensure that safety requirements are relevant and strictly adhered to. We also work towards reducing usage and wastage of resources through the adoption of efficient and sustainable technologies, as well as regular maintenance of machinery. With these appropriate measures in place, we ensure that waste gases, waters, and other effluents are purified and safely discharged into the environment.

Medical Benefits

COSCO is committed to supporting the health and well-being of our employees; we provide them with a range of medical welfare benefits including annual health checks, medical insurance and immunisation. On-site medical facilities at every shipyard and vessel are also well equipped to render immediate first-aid and emergency medical services to our staff.

The Year Ahead

For the year 2017, maintaining safety standards will remain the cornerstone of our policy. This entails the continuous enforcement of strict safety measures and development of a robust safety management system in the shipyards and on our ships. We seek to enhance ship tracking, monitoring and inspection operations, as well as information exchange between onshore and offshore units. We also strive to maintain our support for the workforce in terms of skillset development and welfare benefits to achieve higher operational proficiencies and efficiencies.

CORPORATE SOCIAL RESPONSIBILITY

OVERVIEW

In line with the Company's firm commitment to social responsibility, COSCO has always sought to play a significant and meaningful role in its contribution towards the community and the environment. Industry best practices are applied across the organisation, and employees of various levels have been well supported in their Corporate Social Responsibility initiatives. We believe that all of these efforts have contributed to maintaining the reciprocal relationship between the Company and the community.

Singapore

In supporting the Chinese art and cultural development in Singapore, COSCO has been a steadfast patron of the Singapore Chinese Orchestra for five years running. Our donation towards its 20th Anniversary Fundraising Gala Dinner and Concert on 22 October 2016 will aid the Singapore Chinese Orchestra in fulfilling its social and artistic mission.

China

2016 saw our group of companies in China engaged in a series of voluntary work and outreach programmes in their respective communities. Voluntary groups were formed within the companies to facilitate the organisation of welfare events such as old folks' home visits, safety awareness campaigns for the public, and blood donation drives and others.

To reach their full potential, some of these programmes were jointly run with other institutions to tap on their expertise related to health, social and environmental issues. For instance, young medical specialists from Affiliated Hospital of Nantong University were invited to volunteer their services within the community and personnel from the public security bureau were invited to conduct crime prevention seminars.

Mr Gu receiving a token of appreciation from Prime Minister Lee Hsien Loong at the 2016 SCO Fundraising Gala Dinner and Concert.

Apart from professional institutions, Youth Leagues also co-participated in environment protection activities, such as the Community Litter Cleanup event. The synergy gained from these partnerships has not only helped the beneficiaries, but has also strengthened the ties between COSCO and the community at large.

The Nantong Environmental Protection Bureau conducted a seminar, organised by COSCO Nantong on 30 June 2016, to share their knowledge on environmental laws and regulations. The seminar enabled employees to understand the current environmental issues facing China and the effectiveness of protection measures adopted to tackle various scenarios. Employees also benefitted from the interactive sessions aimed at promoting the awareness of environmental protection.

CONCLUSION

We believe these initiatives have made a difference and affirmed COSCO's stand in supporting worthy charity and causes. Moving forward, COSCO will continue its efforts to engage in social and environmental causes.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 86 to 161 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Wang Yu Hang	
Gu Jing Song	(appointed on 30 August 2016)
Li Xi Bei	(appointed on 30 August 2016)
Liang Yan Feng	
Tom Yee Lat Shing	
Wang Kai Yuen	
Er Kwong Wah	
Ang Swee Tian	
Li Man	(alternate director to Wang Yu Hang)
Ouyang Chao Mei	(alternate director to Liang Yan Feng)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2016	At 1.1.2016	**At 31.12.2016**	At 1.1.2016
The Company				
(No. of ordinary shares)				
Tom Yee Lat Shing	**1,400,000**	1,400,000	**–**	–
Wang Kai Yuen	**900,000**	900,000	**100,000**	100,000
Er Kwong Wah	**650,000**	650,000	**–**	–
Ang Swee Tian	**130,000**	130,000	**5,000**	5,000

	Number of unissued ordinary shares under option	
	At 31.12.2016	At 1.1.2016
Related corporation		
COSCO SHIPPING Holdings Co., Ltd. (formerly known as China COSCO Holdings Company Limited)		
- Share Appreciation Rights		
Li Man	**200,000**	200,000

(b) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the COSCO Group Employees' Share Option Scheme 2002 under "Share options" of this statement.

(c) The directors' interests in the ordinary shares and share options of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Share options

(a) COSCO Group Employees' Share Option Scheme 2002

The COSCO Group Employees' Share Option Scheme 2002 (the "Scheme 2002") was approved by members of the Company at an Extraordinary General Meeting on 8 May 2002.

Under the Scheme 2002, share options to subscribe for the ordinary shares of the Company are granted to directors, key management personnel and employees. The exercise price of the granted options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for the five market days immediately preceding the date of the grant. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued shares of the Company on the day preceding that date.

Options issued to directors and employees who have been in the service of the Company, subsidiary or associated company, or the holding corporation for at least one year on or prior to the date of the grant, may be exercised twelve months after the date of grant but before the end of one hundred and twenty months. For employees and directors who are in the service of the associated company and non-executive directors, the options shall expire at the end of sixty months. Options issued at a discount to market price, may only be exercised two years after the date of the grant.

Options issued to directors and employees who have been in the service of the Company, subsidiary or associated company, or the holding corporation for at least six months but less than one year on or prior to the date of grant, may be exercised twenty-four months after the date of the grant but before the end of one hundred and twenty months. For employees and directors who are in the service of the associated company and non-executive directors, the options shall expire at the end of sixty months. Options issued at a discount to market price, may only be exercised three years after the date of the grant.

Particulars of the options granted pursuant to the Scheme 2002 in 2006, 2007 and 2008 known as "2006 Options", "2007 Options" and "2008 Options" respectively were set out in the Directors' Report for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 respectively.

The Remuneration Committee administering the Scheme 2002 comprises the following directors:

Er Kwong Wah (Chairman)
Gu Jing Song
Tom Yee Lat Shing
Wang Kai Yuen
Ang Swee Tian

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Share options (continued)

(a) COSCO Group Employees' Share Option Scheme 2002 (continued)

Details of the options granted to directors of the Company are as follows:

Name of directors	Aggregate granted since commencement of Scheme 2002 to 31.12.2016	Aggregate exercised since commencement of Scheme 2002 to 31.12.2016	Aggregate lapsed since commencement of Scheme 2002 to 31.12.2016	Aggregate outstanding as at 31.12.2016
Tom Yee Lat Shing	2,200,000	1,900,000	300,000	–
Wang Kai Yuen	2,200,000	1,900,000	300,000	–
Er Kwong Wah	2,200,000	1,600,000	600,000	–
	6,600,000	5,400,000	1,200,000	–

No options have been granted during the financial year.

No options have been granted to controlling shareholders of the Company or their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited).

No participant under the Scheme 2002 has received 5% or more of the total number of shares under option available under the Scheme 2002.

There were no shares of the Company allotted and issued by virtue of the exercise of options to take up unissued shares of the Company during the financial year. There were no unissued shares of the subsidiaries under option at the end of the financial year.

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the Scheme 2002 outstanding at the end of the financial year was as follows:

	Number of unissued ordinary shares at 1.1.2016	Number of unissued ordinary shares lapsed during the financial year	Number of unissued ordinary shares at 31.12.2016	Exercise price	Exercise period
	'000	'000	'000	$	
2006 Options	550	(550)	–	1.23	21.2.2007 - 20.2.2016
2007 Options	3,050	(250)	2,800	2.48	5.2.2008 - 4.2.2017
2008 Options	7,180	(430)	6,750	2.95	24.3.2009 - 23.3.2018
	10,780	(1,230)	9,550		

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Tom Yee Lat Shing (Chairman)	Non-Executive Lead Independent
Wang Kai Yuen	Non-Executive Independent
Er Kwong Wah	Non-Executive Independent
Ang Swee Tian	Non-Executive Independent

All members of the Audit Committee were non-executive directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

GU JING SONG
Director

ANG SWEE TIAN
Director

3 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO CORPORATION (SINGAPORE) LIMITED

For the financial year ended 31 December 2016

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of COSCO Corporation (Singapore) Limited (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated profit or loss of the Group for the year then ended;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO CORPORATION (SINGAPORE) LIMITED

For the financial year ended 31 December 2016

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
1) Revenue and cost recognition of construction contracts using the percentage-of-completion ("POC") method The Group adopted the percentage-of-completion ("POC") method in determining revenue and cost recognition for its construction contracts. For these contracts, management has to estimate the completion of a physical proportion of the contract work, which are used to measure the POC for the Group's recognition of construction revenue and construction cost. When it is probable that the contract costs will exceed the total contract revenue, a provision for foreseeable losses is recognised as expense immediately. Significant judgements are used to estimate the POC and total contract costs. In making these estimates, management has relied on the expertise of the Group's engineers to determine the progress of the construction and also on past experience of completed projects and industry practices. The nature of these judgements result in them being susceptible to management bias, and inaccuracy in estimating POC and total contract costs can have a significant effect on the financial statements. We have considered this to be a key audit matter as significant judgements were involved in estimating the POC and total contract costs. Refer to Note 2.7 – Construction contracts, for the accounting policies for construction contracts and Note 3(a) – Critical accounting estimates, assumptions and judgements, for disclosures relating to the significant judgements in relation to construction contracts.	Our audit procedures in relation to assessment of POC and total contract costs determined by management include: - Evaluated the controls designed and implemented by the Group to ensure that the POC of selected construction contracts were determined using a consistent basis across the Group; - Conducted site visits to the Group's key shipyards in the People's Republic of China ("PRC"). During our site visits, we identified areas of complexity through discussions with site personnel; - Obtained ship owners confirmations to verify the stage of completion for selected projects; - Challenged management's POC estimation by comparing the actual cost incurred as a percentage to the total contract costs; - Traced significant components of total contract costs for selected projects to the underlying supporting documents such as purchase agreements, quotations, invoices and calculations which indicates that cost to complete can be measured reliably; - Challenged completeness and accuracy of total contract costs estimated by management by comparing the total contract costs for selected ongoing construction projects to similar completed construction projects; - Recomputed provision for foreseeable losses recognised during the current financial year; - Traced significant actual costs incurred for selected construction contracts to the relevant supporting documents such as invoices and supplier statements, to ensure that the costs are directly attributable to the contracts tested;

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO CORPORATION (SINGAPORE) LIMITED

For the financial year ended 31 December 2016

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
1) Revenue and cost recognition of construction contracts using the percentage-of-completion ("POC") method (continued)	Our audit procedures in relation to assessment of POC and total contract costs determined by management include: (continued) - Reviewed agreements, addendums and variation orders which represents that total contract revenue can be measured reliably; and - Recomputed revenue and cost of sales recognised during the current financial year. We considered the judgements made by management in relation to the estimation of POC and total contract costs to be reasonable based on the audit procedures we have performed.
2) Impairment of trade and other receivables In reviewing trade and other receivables for objective evidence of impairment, management considered if the Group's debtors are facing financial difficulties. In doing so, management has made judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of these debtors. Where there is objective evidence of impairment, management has made judgements in determining the recoverable amount of trade and other receivables. Management has considered the historical loss experience for assets with similar credit risk characteristics or engaged external valuers to assist them in estimating the recoverable amount of these trade and other receivables. Based on management assessment, allowance for impairment of trade and other receivables amounting to $180,282,000 has been recognised during the current financial year. We have considered this to be a key audit matter as significant judgements were involved in determining whether an objective evidence of impairment exists and estimating the recoverable amount of trade and other receivables. Refer to Note 2.11(e)(i) – Financial assets, impairment, for the accounting policies for impairment of financial assets classified as loans and receivables and Note 3(b) – Critical accounting estimates, assumptions and judgements, for disclosures relating to the significant judgements in relation to impairment of trade receivables.	Our audit procedures in relation to impairment of trade and other receivables include: - Discussed with management to understand whether there was any delay in milestone payment and whether they were aware if any of their customers were facing financial difficulties as well as management's basis for impairment provision; - Reviewed payment milestones due from customers for selected debtors and challenged management on their assessment of whether impairment of trade and receivables is required for any overdue payments; - Reviewed the methodology adopted by management in determining the recoverable amount of trade and other receivables determined to be impaired; and - Where external valuers are engaged by management to estimate the recoverable amount of trade and other receivables, we have evaluated the competency, capabilities and objectivity of management's external valuers and assessed the reasonableness of the estimated recoverable amount by reference to industry reports. We considered the judgements made by management in relation to impairment of trade and other receivables to be reasonable based on the audit procedures we have performed.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO CORPORATION (SINGAPORE) LIMITED

For the financial year ended 31 December 2016

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
3) Net realisable value ("NRV") of inventories work-in-progress The Group holds certain vessels as inventories work-in-progress. In estimating the net realisable value ("NRV") of these inventories, management has estimated the selling price of these inventories based on current market conditions. In addition, the estimated cost of completion and the applicable variable selling expenses were considered in determining the NRV of these inventories. Based on management's assessment, write-down of inventories amounting to $283,379,000 has been recognised during the current financial year. We have considered this to be a key audit matter as significant judgements were involved in estimating the NRV of these inventories. Refer to Note 2.18 – Inventories, for the accounting policies for inventories and Note 3(c) – Critical accounting estimates, assumptions and judgements, for disclosures relating to the significant judgements in relation to NRV of inventories work-in-progress.	Our audit procedures in relation to the NRV of inventories work-in-progress include: - Reviewed contractual terms to assess if the Group has the legal title to these vessels; and - Assessed estimation of NRV made by management through: ● Reviewed management's valuation on the NRV of the inventories. In evaluating the valuation, we understand the basis of valuation and considered the appropriateness of the valuation; ● Obtained and assessed valuation performed by management's external expert. In assessing the valuation performed by management's external expert, we understand the basis of valuation and evaluated the competency, capabilities and objectivity of management's external expert; and ● If the vessel is not marketable, scrap prices from independent sources has been obtained and compared against management's assessment. We considered the judgements made by management in relation to the estimation of NRV of inventories work-in-progress to be reasonable based on the audit procedures we have performed.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO CORPORATION (SINGAPORE) LIMITED

For the financial year ended 31 December 2016

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
4) Recoverability of deferred income tax assets ("DTA") The Group has recognised deferred tax assets ("DTA") amounting to $140,598,000. These DTA arise from deductible temporary differences and tax losses of certain subsidiaries operating in People's Republic of China ("PRC"). Under PRC's tax legislation, such tax losses can be carried forward for five years, beginning from the date such tax losses have been incurred. The recoverability of DTA is based on the expected future taxable profits available which the DTA can be utilised. We considered this as a key audit matter because of the degree of estimation uncertainty relating to the availability of future taxable profits within the maximum off-set period. Refer to Note 2.19 – Income taxes, for the accounting policies for DTA and Note 3(d) – Critical accounting estimates, assumptions and judgements, for disclosures relating to the significant judgements in relation to estimating the recoverability of DTA.	The following audit procedures to assess the recoverability of DTA has been performed: - Verified the mathematical accuracy of the calculations in management's five-year taxable profit projection; - Challenged management's key assumptions regarding revenue growth assumptions and estimated expenses by comparing them with historical results; and - Compared the revenue growth assumptions to independent industry reports. We considered the judgements made by management in relation to recoverability of DTA to be reasonable based on the audit procedures we have performed.

Other Information

Management is responsible for the other information. The other information comprises the "Directors' Statement" and other sections of the annual report ("Other Sections of the Annual Report"), but does not include the financial statements and our auditor's report thereon. We obtained the Directors' Statement prior to the date of this auditor's report. The Other Sections of the Annual Report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO CORPORATION (SINGAPORE) LIMITED

For the financial year ended 31 December 2016

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO CORPORATION (SINGAPORE) LIMITED

For the financial year ended 31 December 2016

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tham Tuck Seng.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 3 March 2017

CONSOLIDATED PROFIT OR LOSS

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Sales	4	**2,557,359**	3,519,773
Cost of sales	5	**(2,874,690)**	(3,734,558)
Gross loss		**(317,331)**	(214,785)
Other income	7(a)	**88,633**	81,398
Other gains and losses	7(b)	**(31,808)**	(5,167)
Expenses			
- Distribution	5	**(57,137)**	(73,176)
- Administrative	5	**(335,088)**	(522,541)
- Finance	8	**(224,784)**	(166,925)
Share of (loss)/profit of associated companies	19	**(250)**	30
Loss before income tax		**(877,765)**	(901,166)
Income tax expense	9(a)	**(98,319)**	(13,669)
Net loss		**(976,084)**	(914,835)
Loss attributable to:			
Equity holders of the Company		**(466,499)**	(569,958)
Non-controlling interests		**(509,585)**	(344,877)
		(976,084)	(914,835)
Earnings per share attributable to equity holders of the Company			
(expressed in cents per share)			
- Basic earnings per share	10(a)	**(20.83)**	(25.45)
- Diluted earnings per share	10(b)	**(20.83)**	(25.45)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Net loss		**(976,084)**	(914,835)
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value loss	30(b)(iv)	**(57)**	(32)
Currency translation differences arising from consolidation	30(b)(iii)	**(40,446)**	53,302
Other comprehensive (loss)/income, net of tax		**(40,503)**	53,270
Total comprehensive loss		**(1,016,587)**	(861,565)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(486,125)**	(534,777)
Non-controlling interests		**(530,462)**	(326,788)
		(1,016,587)	(861,565)

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

As at 31 December 2016

	Note	The Group 2016 $'000	The Group 2015 $'000	The Company 2016 $'000	The Company 2015 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**1,520,375**	1,570,852	**29,868**	36,301
Trade and other receivables	12	**4,531,947**	5,202,201	**57,866**	45,422
Inventories	13	**835,582**	780,251	**–**	–
Construction contract work-in-progress	14	**72,408**	199,122	**–**	–
Income tax receivables		**1,933**	9,278	**–**	–
Other current assets	15	**11,891**	15,537	**100**	115
		6,974,136	7,777,241	**87,834**	81,838
Non-current assets					
Trade and other receivables	16	**102,556**	–	**–**	–
Available-for-sale financial assets	17	**4,599**	4,890	**–**	–
Club memberships	18	**280**	311	**48**	82
Investments in associated companies	19	**4,185**	4,854	**–**	–
Investments in subsidiaries	20	**–**	–	**372,778**	372,298
Investment properties	21	**14,675**	10,579	**–**	–
Property, plant and equipment	22	**2,527,363**	2,307,323	**393**	530
Intangible assets	23	**9,536**	9,583	**–**	–
Deferred expenditure	24	**2,799**	2,980	**–**	–
Deferred income tax assets	28	**140,598**	236,932	**–**	–
		2,806,591	2,577,452	**373,219**	372,910
Total assets		**9,780,727**	10,354,693	**461,053**	454,748
LIABILITIES					
Current liabilities					
Trade and other payables	25	**2,095,706**	2,417,472	**17,585**	17,497
Current income tax liabilities		**9,877**	7,645	**2,174**	2,279
Borrowings	26	**4,297,091**	3,985,918	**–**	–
Provisions	27	**38,949**	56,500	**–**	–
		6,441,623	6,467,535	**19,759**	19,776
Non-current liabilities					
Borrowings	26	**3,018,327**	2,546,887	**–**	–
Deferred income tax liabilities	28	**263**	288	**–**	–
		3,018,590	2,547,175	**–**	–
Total liabilities		**9,460,213**	9,014,710	**19,759**	19,776
NET ASSETS		**320,514**	1,339,983	**441,294**	434,972
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	29	**270,608**	270,608	**270,608**	270,608
Statutory and other reserves	30	**311,859**	328,838	**45,105**	45,105
(Accumulated loss)/retained earnings		**(246,407)**	222,586	**125,581**	119,259
		336,060	822,032	**441,294**	434,972
Non-controlling interests		**(15,546)**	517,951	**–**	–
Total equity		**320,514**	1,339,983	**441,294**	434,972

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Note	Attributable to equity holders of the Company					
		Share capital $'000	Statutory and other reserves $'000	(Accumulated loss)/ retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2016							
Beginning of financial year		**270,608**	**328,838**	**222,586**	**822,032**	**517,951**	**1,339,983**
Total comprehensive loss for the year		–	(19,626)	(466,499)	(486,125)	(530,462)	(1,016,587)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries		–	–	–	–	(1,494)	(1,494)
Transfer from retained earnings to statutory reserves	30(b)(ii)	–	2,494	(2,494)	–	–	–
Changes in ownership interests in subsidiaries - acquisition of additional interests in subsidiaries	30(b)(v)	–	153	–	153	(1,541)	(1,388)
End of financial year		**270,608**	**311,859**	**(246,407)**	**336,060**	**(15,546)**	**320,514**
2015							
Beginning of financial year		**270,608**	**284,328**	**812,819**	**1,367,755**	**861,750**	**2,229,505**
Total comprehensive income/ (loss) for the year		–	35,181	(569,958)	(534,777)	(326,788)	(861,565)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries		–	–	–	–	(16,114)	(16,114)
Dividend for 2015	31	–	–	(11,196)	(11,196)	–	(11,196)
Transfer from retained earnings to statutory reserves	30(b)(ii)	–	9,079	(9,079)	–	–	–
Changes in ownership interests in subsidiaries - acquisition of additional interests in subsidiaries	30(b)(v)	–	250	–	250	(897)	(647)
End of financial year		**270,608**	**328,838**	**222,586**	**822,032**	**517,951**	**1,339,983**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Net loss		**(976,084)**	(914,835)
Adjustments for:			
- Amortisation of deferred expenditure		**87**	90
- Depreciation of property, plant and equipment and investment properties		**143,594**	150,005
- Dividend income		**(729)**	(2,015)
- Income tax expense		**98,319**	13,669
- Interest expense		**224,784**	166,925
- Interest income		**(27,888)**	(34,320)
- Allowance for expected losses recognised on construction contracts		**73,449**	61,782
- Write-down of inventories		**283,379**	309,304
- Loss on disposal of a transferable club membership		**33**	–
- Allowance for impairment of property, plant and equipment		**11,013**	–
- Net allowance for impairment of trade and other receivables		**180,282**	380,306
- Loss/(gain) on disposal of property, plant and equipment		**2,089**	(90)
- Share of loss/(profit) of associated companies		**250**	(30)
- Write-off of property, plant and equipment		**360**	239
- Exchange differences		**238,741**	33,672
		251,679	164,702
Changes in working capital:			
- Inventories and construction contract work-in-progress		**70,804**	(69,467)
- Trade and other receivables		**(343,158)**	(1,022,479)
- Trade and other payables		**(401,343)**	(283,831)
- Other current assets		**3,646**	5,892
- Provisions for other liabilities		**(17,551)**	334
Cash used in operations		**(435,923)**	(1,204,849)
Income tax paid		**(2,513)**	(26,579)
Net cash used in operating activities		**(438,436)**	(1,231,428)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(26,070)**	(151,457)
Proceeds from disposal of a transferable club membership		**1**	–
Proceeds from disposal of property, plant and equipment		**3,040**	8,788
Cash outflow to non-controlling interests on acquisition of additional interests in subsidiaries		**(1,388)**	(647)
Dividends received		**776**	2,212
Interest received		**21,733**	42,332
Net cash used in investing activities		**(1,908)**	(98,772)
Cash flows from financing activities			
Proceeds from borrowings		**5,352,000**	4,200,628
Repayments of borrowings		**(4,709,631)**	(2,724,152)
(Increase)/decrease in bank deposits pledged		**(129)**	1,471
Interest paid		**(216,730)**	(173,641)
Dividends paid to equity holders of the Company		**–**	(11,196)
Dividends paid to non-controlling interests of subsidiaries		**(2,603)**	(1,942)
Net cash provided by financing activities		**422,907**	1,291,168
Net decrease in cash and cash equivalents		**(17,437)**	(39,032)
Cash and cash equivalents at beginning of financial year		**1,569,004**	1,557,484
Effects of currency translation on cash and cash equivalents		**(33,169)**	50,552
Cash and cash equivalents at end of financial year	11	**1,518,398**	1,569,004

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

COSCO Corporation (Singapore) Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 30 Cecil Street, Prudential Tower, #26-01, Singapore 049712.

The principal activities of the Company are those of investment holding. The principal activities of its subsidiaries are set out in Note 20 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. **Significant accounting policies** (continued)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Rendering of services

(i) Ship repair, ship building and marine engineering

Revenue from ship repair, ship building, marine engineering, container repairs and services, fabrication work services and production of marine outfitting components is recognised on the percentage-of-completion method based on progress of the contract work, where the outcome of the contract can be estimated reliably. If the contract covers a number of projects and the cost and revenue of such individual projects can be identified within the terms of the overall contract, each such project is treated as a separate contract. Provision is made in full where applicable for expected losses on contracts in progress. Please refer to Note 2.7 "Construction contracts" for the accounting policy on revenue from construction contracts for ship building and marine engineering.

(ii) Charter hire

Revenue from time charter is recognised on a straight-line basis over the period of the time charter agreement.

Revenue from voyage charter is recognised rateably over the estimated length of the voyage within the reporting period and ends in the subsequent reporting period.

The Group determines the percentage of completion of voyage freight using the discharge-to-discharge method. Under this method, voyage revenue is recognised rateably over the period from the departure of a vessel from its original discharge port to departure from the next discharge port.

Demurrage is included if a claim is considered probable. Losses arising from time or voyage charters are provided for as soon as they are anticipated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term.

(c) Sale of scrap materials

Income from sale of scrap materials is recognised when the products have been delivered to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.5 "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.9 "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses in profit or loss and its share of movements of its associated companies' other comprehensive income in other comprehensive income. Dividends received or receivable from the associated companies are recognised as reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) *Associated companies* (continued)

(iii) *Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Land and buildings*

Land and buildings are initially recognised at cost. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Motor vessels*

Motor vessels are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of motor vessels includes actual interest incurred on borrowings used to finance the motor vessels while under construction and other direct relevant expenditure incurred in bringing the vessels into operation. For this purpose, the interest rate applied to funds provided for constructing the motor vessels is arrived at by reference to the actual rate payable on borrowings for construction purposes. The capitalisation of interest charges will cease upon the completion and delivery of the motor vessels.

(iii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iv) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (Note 2.6). The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular period for purposes other than to produce inventories during that period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land and buildings	10 - 50 years
Office renovations, furniture, fixtures and equipment	3 - 5 years
Plant, machinery and equipment	3 - 20 years
Motor vehicles	5 - 10 years
Motor vessels	25 years
Docks and quays	40 - 50 years

No depreciation is provided for construction-in-progress.

The motor vessels are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated over a period of two and a half years in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

On 1 October 2016, the estimated useful life of motor vessels was changed from 20 years to 25 years which is considered to be economically more realistic. The change in accounting estimate has been applied prospectively subsequent to that date. Accordingly, the adoption of the change in accounting estimate has no effect in prior years. The net book value of property, plant and equipment as at 31 December 2016 had been increased by approximately $876,000 and the loss before income tax for the financial year ended 31 December 2016 had been decreased by approximately $876,000 by way of a decrease in depreciation charge for the financial year as a result of the change. The impact of the change in estimated useful lives for the next five years are as follows:

	FY2017 $'000	FY2018 $'000	FY2019 $'000	FY2020 $'000	FY2021 $'000
Group					
Decrease in depreciation expense and increase in profit/(loss) before income tax	2,513	2,486	1,297	452	471

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment 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 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 or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses".

2.5 Intangible assets

Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisition of associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to borrowings acquired specifically for the construction of motor vessels, docks and quays. The actual borrowing costs incurred during the construction period less any investment income on temporary investments of these borrowings, are capitalised in the cost of the docks and quays.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.7 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and they are capable of being reliably measured.

The stage of completion is measured by reference to the completion of a physical proportion of the contract work. Costs incurred during the financial year in connection with future activity on a contract are shown as "construction contract work-in-progress" on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.8 Investment properties

Investment properties include those portions of office buildings that are held for long-term rental yields and/or for capital appreciation.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the estimated useful lives of 10 to 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.9 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually, and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in associated company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating unit ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Property, plant and equipment
Investment properties
Investments in subsidiaries and associated companies

Property, plant and equipment, investment properties and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

(b) Property, plant and equipment
Investment properties
Investments in subsidiaries and associated companies (continued)

An impairment loss for an asset other than goodwill 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12 and 16) and "cash and cash equivalents" (Note 11) and "other current assets - deposits" (Note 15) on the balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.11(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.13 Financial guarantees

The Company issues corporate guarantees to banks for borrowings of its subsidiaries and third parties for services provided to a subsidiary. These guarantees are financial guarantees as they require the Company to reimburse the banks and third parties if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

The Company does not have any financial guarantees for the current and previous financial year.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.16 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.17 Leases

(a) When the Group is the lessee:

The Group leases certain property, plant and equipment from non-related parties.

Lessee - Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

(b) When the Group is the lessor:

The Group leases certain items of property, plant and equipment and investment properties to non-related parties and related parties.

Lessor - Operating leases

Leases of property, plant and equipment and investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.18 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on estimates by technical engineers and historical experience of the level of repairs and replacements.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.21 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund and social security plans in the People's Republic of China ("PRC") on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Employee leave entitlements*

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

(c) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.21 Employee compensation (continued)

(c) *Share-based compensation* (continued)

When the options are exercised, the proceeds received (net of transaction costs) are credited to share capital account when new ordinary shares are issued.

2.22 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars ("$"), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that impact profit or loss are presented in profit or loss within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. Significant accounting policies (continued)

2.22 Currency translation (continued)

(c) Translation of Group entities' financial statements (continued)

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. The currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and bank overdrafts and exclude pledged deposits with financial institutions. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.25 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.26 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.27 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

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

Government grants relating to assets are deducted against the carrying amount of the assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Construction contracts

The Group has significant contracts that are on-going as at 31 December 2016, as disclosed in Note 14. For these contracts, management has to estimate the completion of a physical proportion of the contract work, which are used to measure the stage of completion for the Group's recognition of construction revenue and construction cost. When it is probable that the total contract costs will exceed the total construction revenue, a provision for foreseeable losses is recognised as expense immediately.

Significant judgements are used to estimate stage of completion and total contract costs. In making these estimates, management has relied on the expertise of the Group's engineers to determine the progress of the construction and also on past experience of completed projects and industry practices.

If the stage of completion increases/decreases by 10% (2015: 10%) from management's estimates, the Group's revenue will increase/decrease by $733,408,000 (2015: $878,917,000) and the Group's cost of sales will increase/decrease by $692,256,000 (2015: $827,310,000).

If the total contract costs had been higher/lower by 10% (2015: 10%) from management's estimates, the Group's allowance for expected losses recognised on construction contracts will increase by $158,990,000 and decrease by $82,807,000 respectively (2015: $207,737,000 and $71,976,000 respectively).

(b) Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment regularly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded in profit or loss. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics or engaged external valuers to assist management in estimating the recoverable amount of these trade and other receivables.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. Critical accounting estimates, assumptions and judgements (continued)

(b) *Impairment of trade and other receivables* (continued)

During the current financial year, management has recognised allowance for impairment of trade and other receivables, as disclosed in Note 5, amounting to $180,282,000 (2015: $380,306,000). Management believed that the allowance for impairment of trade and other receivables recognised is adequate for the current and previous financial years based on their best estimates of the difference between the recoverable amount and carrying amount of trade receivables individually determined to be impaired.

(c) *Net realisable value of inventories work-in-progress*

The Group hold certain vessels as inventories work-in-progress.

In estimating the net realisable value of these inventories, management has estimated the selling price of these inventories based on current market conditions. In addition, the estimated cost of completion and the applicable variable selling expenses were considered in determining the net realisable value of these inventories.

During the current financial year, management has written down inventories, as disclosed in Note 13, amounting to $283,379,000 (2015: $309,304,000) based on their estimation of the net realisable value of these inventories.

(d) *Recoverability of deferred income tax assets*

As at 31 December 2016, the Group has recognised deferred tax assets amounting to $140,598,000 (2015: $236,932,000) due to deductible temporary differences and tax losses of certain subsidiaries operating in People's Republic of China ("PRC"). Under PRC's tax legislation, tax losses can only be carried forward for the next five years, beginning from the date such tax losses have been incurred, to offset future taxable profits.

Management reviews the recoverability of these deferred tax assets based on their assessment of the future taxable profits these subsidiaries could generate for the next five years and recognised deferred tax assets to the extent that it is probable that there will be sufficient future taxable profits within the next five years available against which the deductible temporary differences and tax losses can be utilised.

Significant judgements and assumptions are involved in estimating the sufficiency of future taxable profit. Based on assessment, management has derecognised deferred tax assets amounting to $91,554,000 (2015: $50,361,000) during the current financial year as these amount of deferred tax assets have been deemed to be irrecoverable.

If the taxable profit forecast had been higher/lower by 5% from management's estimates, deferred tax assets recognised would have increased/decreased by $7,030,000 (2015: $11,847,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4. Revenue

	The Group	
	2016	2015
	$'000	$'000
Rendering of services		
- Ship repair, ship building and marine engineering	**2,526,848**	3,480,369
- Charter hire	**29,703**	38,507
Others	**808**	897
Total sales	**2,557,359**	3,519,773

5. Expenses by nature

	The Group	
	2016	2015
	$'000	$'000
Allowance for impairment of property, plant and equipment (Note 22)	**11,013**	–
Amortisation of deferred expenditure	**87**	90
Raw materials, finished goods, consumables and other overheads	**1,818,840**	2,294,998
Changes in inventories and construction contract work-in-progress	**(254,962)**	(45,386)
Commission	**38,119**	49,582
Crew overheads	**11,139**	12,207
Depreciation of investment properties and property, plant and equipments (Notes 21 and 22)	**143,594**	150,005
Director and employee compensation (Note 6)	**365,347**	382,059
Net allowance for impairment of trade and other receivables	**180,282**	380,306
Write-down of inventories	**283,379**	309,304
Allowance for expected losses recognised on construction contracts	**73,449**	61,782
Non-audit service fees paid/payable to auditor of the Company	**42**	158
Rental expense on operating leases	**38,227**	42,112
Repairs and maintenance	**19,494**	21,625
Sub-contractor expenses	**511,453**	626,654
Vessel overheads	**12,899**	11,162
Write-off of property, plant and equipment	**360**	239
Other expenses	**14,153**	33,378
Total cost of sales, distribution and administrative expenses	**3,266,915**	4,330,275

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. Director and employee compensation

	The Group	
	2016	2015
	$'000	$'000
Wages, salaries and staff benefits	**329,696**	339,896
Employer's contribution to defined contribution plans	**35,407**	41,919
Directors' fees of the Company	**244**	244
	365,347	382,059

7. Other income and other gains and losses

(a) Other income

	The Group	
	2016	2015
	$'000	$'000
Compensation income	**4,182**	3,544
Dividend income	**729**	2,015
Government grants	**25,020**	5,663
Interest income	**27,888**	34,320
Rental income	**4,628**	3,938
Sale of scrap materials	**20,129**	23,561
Sundry income	**6,057**	8,357
	88,633	81,398

(b) Other gains and losses

	The Group	
	2016	2015
	$'000	$'000
Currency exchange loss - net	**(30,172)**	(2,655)
(Loss)/gain on disposal of property, plant and equipment	**(2,089)**	90
Gain/(loss) on sale of bunker stock	**453**	(2,602)
	(31,808)	(5,167)
Other income and other gains and losses	**56,825**	76,231

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. Finance expenses

	The Group	
	2016	2015
	$'000	$'000
Interest expense		
- Bank borrowings and bills payable	**212,537**	159,675
- Loan from a fellow subsidiary	**12,254**	7,701
Total interest expense	**224,791**	167,376
Less: Amount capitalised in construction of property, plant and equipment (Note 22)	**(7)**	(451)
Finance expenses recognised in profit or loss	**224,784**	166,925

9. Income taxes

(a) Income tax expense

	The Group	
	2016	2015
	$'000	$'000
Tax expense attributable to profit or loss is made up of:		
Profit or loss for the financial year:		
Current income tax		
- Singapore	**497**	879
- Foreign	**13,202**	8,199
	13,699	9,078
Deferred income tax (Note 28)		
- Singapore	**–**	(1)
- Foreign	**86,048**	11,935
	99,747	21,012
(Over)/under provision in prior financial years:		
Current income tax		
- Singapore	**25**	2
- Foreign	**(1,514)**	(30,995)
	(1,489)	(30,993)
Deferred income tax (Note 28)		
- Foreign	**61**	23,650
	98,319	13,669

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. Income taxes (continued)

(a) Income tax expense (continued)

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	The Group 2016 $'000	The Group 2015 $'000
Loss before tax and share of (loss)/profit of associated companies	**(877,515)**	(901,196)
Tax calculated at a tax rate of 17% (2015: 17%)	**(149,178)**	(153,203)
Effects of:		
- change in tax rate in other countries	**–**	19,515
- different tax rates in other countries	**4,571**	(8,347)
- tax incentives	**(3,712)**	(9,886)
- income not subject to tax	**(129)**	–
- expenses not deductible for tax purposes	**46,999**	10,510
- utilisation of previously unrecognised tax losses	**(40,676)**	(2,974)
- deferred tax assets not recognised	**150,350**	115,066
- derecognition of deferred tax assets recognised previously	**91,554**	50,361
- over provision of current income tax in prior years	**(1,489)**	(30,993)
- under provision of deferred income tax in prior years	**61**	23,650
- others	**(32)**	(30)
Tax charge	**98,319**	13,669

(b) The tax credit relating to each component of other comprehensive income is as follows:

	2016 Before tax $'000	2016 Tax credit $'000	2016 After tax $'000	2015 Before tax $'000	2015 Tax credit $'000	2015 After Tax $'000
Fair value loss on available-for-sale financial assets	**(76)**	**19**	**(57)**	(43)	11	(32)
Currency translation differences arising from consolidation	**(40,446)**	**–**	**(40,446)**	53,302	–	53,302
Other comprehensive (loss)/income	**(40,522)**	**19**	**(40,503)**	53,259	11	53,270

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2016	2015
Net loss attributable to equity holders of the Company ($'000)	**(466,499)**	(569,958)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**2,239,245**	2,239,245
Basic earnings per share (cents per share)	**(20.83)**	(25.45)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding is adjusted for the effects of all dilutive potential ordinary shares arising from share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. The outstanding share options do not have any dilutive effect on the earnings per share as the exercise prices for the outstanding share options were higher than the average market price during the current financial period reported on and the corresponding period of the immediately preceding financial year. No adjustment is made to the net loss.

Diluted earnings per share attributable to equity holders of the Company are calculated as follows:

	2016	2015
Net loss attributable to equity holders of the Company ($'000)	**(466,499)**	(569,958)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**2,239,245**	2,239,245
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	**2,239,245**	2,239,245
Diluted earnings per share (cents per share)	**(20.83)**	(25.45)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. Cash and cash equivalents

Cash and cash equivalents at the end of the financial year comprise the following:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**550,531**	732,438	**1,463**	4,918
Short-term bank deposits	**969,844**	838,414	**28,405**	31,383
	1,520,375	1,570,852	**29,868**	36,301

Cash at bank and short-term bank deposits include an amount of $324,824,000 (2015: $526,025,000) placed with a fellow subsidiary, COSCO Finance Co., Ltd.

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	The Group	
	2016	2015
	$'000	$'000
Cash and bank balances (as above)	**1,520,375**	1,570,852
Less: Bank deposits pledged	**(1,977)**	(1,848)
Cash and cash equivalents per consolidated statement of cash flows	**1,518,398**	1,569,004

In 2016, cash and bank balances and short-term bank deposits of the Group amounting to $1,977,000 (2015: $ 1,848,000) are pledged as security for trade finance facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. Trade and other receivables - current

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade receivables:				
- Non-related parties (i)	**527,023**	452,909	**–**	–
- Fellow subsidiaries	**14,347**	15,664	**–**	–
- Associated companies	**52**	91	**–**	–
	541,422	468,664	**–**	–
Less: Allowance for impairment of receivables				
- Non-related parties	**(41,177)**	(177,778)	**–**	–
Trade receivables – net	**500,245**	290,886	**–**	–
Construction contracts due from customers (Note 14):				
- Non-related parties (i)	**4,230,131**	4,845,295	**–**	–
Less: Allowance for impairment of receivables				
- Non-related parties	**(488,969)**	(224,726)	**–**	–
	3,741,162	4,620,569	**–**	–
Other receivables:				
- Non-related parties	**48,111**	46,592	**2**	6
- Fellow subsidiaries (ii)	**1,494**	664	**–**	–
- Associated companies (ii)	**58**	–	**–**	–
- A subsidiary (iii)	**–**	–	**–**	39
	49,663	47,256	**2**	45
Less: Allowance for impairment of other receivables				
- Non-related parties	**(13,189)**	(22,463)	**–**	–
Other receivables – net	**36,474**	24,793	**2**	45
Advances paid to suppliers	**250,792**	262,243	**–**	–
Staff advances	**440**	913	**–**	–
Dividend receivable from				
- Subsidiaries	**–**	–	**57,864**	45,377
- Associated companies	**2,834**	2,797	**–**	–
Total	**4,531,947**	5,202,201	**57,866**	45,422

(i) Certain subsidiaries of the Group have factored trade receivables and construction contracts due from customers with carrying amounts of $1,353,956,000 (2015: $1,695,832,000) to banks in exchange for cash during the financial year ended 31 December 2016. The transactions have been accounted for as collateralised borrowings (Note 26) as the banks have full recourse to those subsidiaries in the event of default by the debtors.

(ii) Other receivables due from fellow subsidiaries and associated companies are unsecured, interest-free and are repayable on demand.

(iii) Other receivables due from a subsidiary are unsecured, interest-free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. Inventories

	The Group	
	2016	2015
	$'000	$'000
Raw materials	**186,894**	287,577
Work-in-progress	**648,674**	492,653
Finished goods	**14**	21
	835,582	780,251

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $2,361,463,000 (2015: $3,418,109,000). This includes inventories write-down of $283,379,000 (2015: $309,304,000).

14. Construction contract work-in-progress

	The Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**199,122**	177,515
Contract costs incurred during the financial year	**1,889,578**	2,817,546
Contract expenses recognised in profit or loss	**(2,007,804)**	(2,799,120)
Currency translation differences	**(8,488)**	3,181
End of financial year	**72,408**	199,122
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**5,507,510**	6,238,717
Less: Progress billings	**(1,364,712)**	(1,477,694)
Currency translation differences	**(9,501)**	(27,157)
	4,133,297	4,733,866
Presented as:		
Due from customers on construction contracts (Note 12)	**4,230,131**	4,845,295
Due to customers on construction contracts (Note 25)	**(96,834)**	(111,429)
	4,133,297	4,733,866
Advances received on construction contracts (Note 25)	**106,346**	219,391

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For the financial year ended 31 December 2016

15. Other current assets

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Deposits	**1,703**	2,952	**–**	14
Prepayments	**10,188**	12,585	**100**	101
	11,891	15,537	**100**	115

16. Trade and other receivables - non-current

	The Group	
	2016	2015
	$'000	$'000
Trade receivables from non-related parties (i)	**283,742**	12,642
Less: Current portion	**(181,186)**	(12,642)
	102,556	–

(i) As at 31 December 2016, breakdown of non-current trade and other receivables are as follows:

- Trade receivables amounting to $37,214,000 are unsecured, bearing interest at 4.35% per annum with monthly instalment payments commencing in 2016 and will be repayable in full by 2019. The balance of $31,948,000 due after 31 December 2017 has been presented within non-current trade receivables.

- Trade receivables amounting to $246,528,000 are secured, bearing interest at 5% per annum with a partial lump sum payment of $175,920,000 in 2017 and quarterly instalment payments commencing in 2018 and will be repayable in full by 2019. The balance of $70,608,000 due after 31 December 2017 has been presented within non-current trade receivables. The trade receivables are secured by 2 jack up rigs from the debtors as collateral. The collateral was secured under first and second preferred mortgage issued by the debtors to a subsidiary of the Company (Note 33(b)).

As at 31 December 2015, breakdown of non-current trade and other receivables are as follows:

- Trade receivables amounting to $4,731,000 are unsecured, bear interest of 7% per annum, and with quarterly instalment payments that are repayable in full by 2016. As these receivables are repayable in full by 2016, they have been classified within current trade and other receivables.

- The remaining trade receivables amounting to $7,911,000 are secured, bear interest at 5.5% per annum, and are repayable in full by 2016. The pledge was secured under a second preferred mortgage issued by the debtor to the subsidiary.

- As these receivables are repayable in full by 2016, they have been classified within current trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. Trade and other receivables - non-current (continued)

The fair values of the non-current trade receivables approximate its carrying amounts, determined from cash flow analyses discounted at market borrowing rates of 2.96% (2015: 2.97%) per annum which the directors expect to be available to the Group.

17. Available-for-sale financial assets

	The Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**4,890**	4,841
Currency translation differences	**(215)**	92
Fair value loss recognised in other comprehensive income (Note 30(b)(iv))	**(76)**	(43)
End of financial year	**4,599**	4,890

At the balance sheet date, available-for-sale financial assets include the following:

	The Group	
	2016	2015
	$'000	$'000
Quoted equity shares in a corporation, at fair value	**657**	768
Unquoted equity shares in corporations, at cost		
- A fellow subsidiary	**2,912**	3,045
- A non-related party	**1,030**	1,077
	3,942	4,122
	4,599	4,890

The directors have assessed that the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore, the unquoted equity shares have been measured at cost.

18. Club memberships

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Transferable club memberships, at cost	**531**	676	**273**	428
Currency translation differences	**3**	10	**–**	–
Allowance for impairment in value of club memberships	**(254)**	(375)	**(225)**	(346)
	280	311	**48**	82

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. Investments in associated companies

	The Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**4,854**	4,736
Currency translation differences	**(212)**	88
Share of (loss)/profit after tax	**(250)**	30
Dividends received, net of tax	**(207)**	–
End of financial year	**4,185**	4,854

The Group has interests in a number of individually immaterial associates. The following table summarises, in aggregate, the carrying amount and share of (loss)/profit and other comprehensive (loss)/income of these associates that are accounted for using the equity method:

	2016	2015
	$'000	$'000
Carrying amount of interests in immaterial associates	**4,185**	4,854
Group's share of:		
- (Loss)/profit from continuing operations	**(250)**	30
- Other comprehensive (loss)/income	**(212)**	88
- Total comprehensive (loss)/income	**(462)**	118

The associated companies as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation is also their principal place of business. There are no contingent liabilities relating to the Group's interests in the associated companies.

Name of associated companies	Principal activities	Country of incorporation/ business	% of paid-up capital held by subsidiaries of the Company	
			2016	2015
			%	%
DMI (Guangzhou) Ltd (i)	Overhaul and spare-parts replacement and repair	People's Republic of China ("PRC")	**30**	30
Tru-Marine Cosco (Tianjin) Engineering Co., Ltd (i)	Overhaul and spare-parts replacement and repair	PRC	**40**	40
Diesel Marine International (Nantong) Co., Ltd (i)	Overhaul and spare-parts replacement and repair	PRC	**30**	30
Diesel Marine Dalian Ltd (i)	Overhaul and spare-parts replacement and repair	PRC	**30**	30

(i) Audited by Ruihua Certified Public Accountants, PRC.

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For the financial year ended 31 December 2016

20. Investments in subsidiaries

	The Company	
	2016	2015
	$'000	$'000
Unquoted equity shares		
Beginning of financial year	**388,746**	388,746
Accumulated impairment losses	**(15,968)**	(16,448)
End of financial year	**372,778**	372,298

Movement in accumulated impairment losses are as follows:

	2016	2015
	$'000	$'000
Beginning of financial year	**16,448**	17,102
Reversal of impairment charge	**(480)**	(654)
End of financial year	**15,968**	16,448

There has been a favourable change in estimates used to determine the recoverable amount of a previously loss-making subsidiary since the last impairment loss was recognised. Therefore, the Group recognised a reversal of the impairment during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20. Investments in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2016 and 2015:

Name	Principal activities	Country of incorporation/ business	Cost of investment		Proportion of ordinary shares directly held by the Company		Effective shareholding held by the Company		Effective shareholding held by non-controlling interests	
			2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
			$'000	$'000	**%**	%	**%**	%	**%**	%
COSCO (Singapore) Pte Ltd (i)	Ship owning, ship chartering and investment holding	Singapore	**87,664**	87,664	**100**	100	**100**	100	**–**	–
COSCO Marine Engineering (Singapore) Pte Ltd (i)	Ship repairing, marine engineering, container repairs and services, fabrication works services and production of marine outfitting components	Singapore	**2,242**	2,242	**90**	90	**90**	90	**10**	10
Harington Property Pte Ltd (i)	Trading and investing in properties, provide property management services and investment holding	Singapore	**52,701**	52,701	**100**	100	**100**	100	**–**	–
COSCO Shipyard Group Co., Ltd (iii) and (iv)	Investment holding, ship repair and marine engineering	People's Republic of China ("PRC")	**191,173**	191,173	**51**	51	**51**	51	**49**	49
COSCO (Nantong) Shipyard Co., Ltd (iii) and (iv)	Ship repair and marine engineering	PRC	**24,670**	24,670	**50**	50	**75**	75	**25**	25
COSCO (Dalian) Shipyard Co., Ltd (iii) and (iv)	Ship repair, ship building and marine engineering	PRC	**30,296**	30,296	**39**	39	**69**	69	**31**	31
COSCO (Guangdong) Shipyard Co., Ltd (iii), (iv) and (vi)	Ship repair, ship building and marine engineering	PRC	**–**	–	**–**	–	**38**	38	**62**	62
COSCO (Zhoushan) Shipyard Co., Ltd (iii) and (iv)	Ship repair, ship building and marine engineering	PRC	**–**	–	**–**	–	**51**	51	**49**	49
COSCO (Xiamen) Shipyard Co., Ltd (iii),(v), (vi)	Ship repair	PRC	**–**	–	**–**	–	**–**	44	**–**	56
COSCO (Shanghai) Shipyard Co., Ltd (iii), (iv) and (vi)	Ship repair and marine engineering	PRC	**–**	–	**–**	–	**48**	48	**52**	52
COSCO (Tianjin) Shipyard Co., Ltd (iii),(v) and (vi)	Ship repair	PRC	**–**	–	**–**	–	**–**	44	**–**	56

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For the financial year ended 31 December 2016

20. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment		Proportion of ordinary shares directly held by the Company		Effective shareholding held by the Company		Effective shareholding held by non-controlling interests	
			2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
			$'000	$'000	**%**	%	**%**	%	**%**	%
COSCO (Qidong) Offshore Co., Ltd (iii), (iv) and (vi)	Marine engineering	PRC	**–**	–	**–**	–	**31**	31	**69**	69
COSCO Shipyard Engineering Service (Dalian) Co., Ltd (formerly known as COSCO Dalian Rikky Ocean Engineering Co., Ltd) (iii) and (vi)	Overhaul, repair, commissioning and spare-parts replacement of governor, turbocharger and engine fuel system	PRC	**–**	–	**–**	–	**44**	44	**56**	56
COSCO (Nantong) Clavon Ship Engineering Co., Ltd (iii) and (vi)	Ship repair and corrosion control	PRC	**–**	–	**–**	–	**31**	31	**69**	69
Zhongxing Sea-Land Engineering Co., Ltd (iii) and (vi)	Ship repair	PRC	**–**	–	**–**	–	**26**	26	**74**	74
COSCO Shipyard Total Automation Co., Ltd (iii)	Design, manufacture, sale and technical service relating to vessels and industrial instruments	PRC	**–**	–	**–**	–	**51**	31	**49**	69
COSCO (Hongkong) Shipyard Co., Ltd (iii)	Provision of shipyard financing, marketing and sales of shipbuilding and offshore projects	Hong Kong	**–**	–	**–**	–	**51**	51	**49**	49
Dalian Developer Driling Co., Limited (iii)	Leasing, Management and sales of offshore projects	Hong Kong	**–**	–	**–**	–	**69**	69	**31**	31
Cos Fair Shipping Pte Ltd (i)	Ship owning and ship chartering	Singapore/ Worldwide	**–**	–	**–**	–	**100**	100	**–**	–
Cos Glory Shipping Inc. (i)	Ship owning and ship chartering	Panama/ Worldwide	**–**	–	**–**	–	**100**	100	**–**	–
Hanbo Shipping Limited (ii)	Ship owning and ship chartering	Hong Kong/ Worldwide	**–**	–	**–**	–	**100**	100	**–**	–
Sanbo Shipping Limited (ii)	Ship owning and ship chartering	Hong Kong/ Worldwide	**–**	–	**–**	–	**100**	100	**–**	–
Cos Orchid Shipping Pte Ltd (i)	Ship owning and ship chartering	Singapore/ Worldwide	**–**	–	**–**	–	**100**	100	**–**	–

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20. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment		Proportion of ordinary shares directly held by the Company		Effective shareholding held by the Company		Effective shareholding held by non-controlling interests	
			2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
			$'000	$'000	**%**	%	**%**	%	**%**	%
Cos Prosperity Shipping Pte Ltd (i)	Ship owning and ship chartering	Singapore/ Worldwide	**–**	–	**–**	–	**100**	100	**–**	–
Cos Knight Shipping Maritime Inc. (i)	Ship owning and ship chartering	Panama/ Worldwide	**–**	–	**–**	–	**100**	100	**–**	–
Cos Lucky Shipping Maritime Inc. (i)	Ship owning and ship chartering	Panama/ Worldwide	**–**	–	**–**	–	**100**	100	**–**	–
COSCO Engineering Pte Ltd (i)	Ship repairing, marine engineering, container repairs and services, fabrication works services and production of marine outfitting components	Singapore	**–**	–	**–**	–	**90**	90	**10**	10
			388,746	388,746						

(i) Audited by PricewaterhouseCoopers LLP, Singapore.

(ii) Audited by PricewaterhouseCoopers firms outside Singapore.

(iii) Audited by Ruihua Certified Public Accountants, PRC.

(iv) Audited by PricewaterhouseCoopers LLP, Singapore and firms outside Singapore for the purpose of preparation of consolidated financial statements of the Group.

(v) Dissolved during the year.

(vi) These entities are controlled by the Company's direct subsidiary, COSCO Shipyard Group Co., Ltd. ("CSG"). Even though the effective shareholding held by the Company in these entities is less than 50%, these entities are considered indirectly controlled by the Company through the Company's controlling interest in CSG.

Significant restrictions

Cash and short-term deposits of $1,403,338,000 (2015: $1,446,168,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on repatriating capital from the country, other than through normal dividends.

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For the financial year ended 31 December 2016

20. Investments in subsidiaries (continued)

Carrying value of non-controlling interests

	2016 $'000	2015 $'000
COSCO Shipyard Group Co., Ltd and its subsidiaries	**(16,875)**	516,758
Other subsidiaries with immaterial non-controlling interests	**1,329**	1,193
	(15,546)	517,951

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for COSCO Shipyard Group Co., Ltd and its subsidiaries that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations and exclude direct interest held by the Company in COSCO (Dalian) Shipyard Co., Ltd and COSCO (Nantong) Shipyard Co., Ltd.

Summarised balance sheet

	2016 $'000	2015 $'000
Current		
Assets	**6,844,434**	7,638,742
Liabilities	**(6,466,459)**	(6,486,050)
Total current net assets	**377,975**	1,152,692
Non-current		
Assets	**2,688,747**	2,439,304
Liabilities	**(3,018,457)**	(2,547,042)
Total non-current net liabilities	**(329,710)**	(107,738)
Net assets	**48,265**	1,044,954

Summarised income statement

	2016 $'000	2015 $'000
Revenue	**2,517,968**	3,466,711
Loss before income tax	**(852,914)**	(896,490)
Income tax expense	**(97,797)**	(12,810)
Total loss	**(950,711)**	(909,300)
Other comprehensive (loss)/income	**(43,094)**	41,529
Total comprehensive loss	**(993,805)**	(867,771)
Dividends declared to non-controlling interests	**(1,494)**	(15,414)

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20. Investments in subsidiaries (continued)

Summarised cash flows

	2016 **$'000**	2015 $'000
Net cash used in operating activities	**(428,114)**	(1,232,649)
Net cash used in investing activities	**(2,820)**	(97,136)
Net cash provided by financing activities	**422,907**	1,303,064
Net decrease in cash and cash equivalents	**(8,027)**	(26,721)
Cash and cash equivalents at beginning of year	**1,444,320**	1,426,970
Effects of currency translation on cash and cash equivalents	**(34,932)**	44,071
Cash and cash equivalents at end of year	**1,401,361**	1,444,320

During the financial year ended 31 December 2016, the Group acquired additional interests in a subsidiary for a purchase consideration of $1,388,000. The carrying amount of non-controlling interests in these subsidiaries on the dates of acquisition was $1,541,000. The Group derecognised non-controlling interests of $1,541,000 and recognised an increase in equity attributable to equity holders of the Company of $153,000.

During the financial year ended 31 December 2015, the Group acquired additional interests in certain subsidiaries for a purchase consideration of $647,000. The carrying amount of non-controlling interests in these subsidiaries on the dates of acquisition was $897,000. The Group derecognised non-controlling interests of $897,000 and recognised an increase in equity attributable to equity holders of the Company of $250,000.

Effects of transactions with non-controlling interests on the equity attributable to equity holders of the Company for the financial year ended 31 December 2016 and 31 December 2015 is summarised as follows:

	2016 **$'000**	2015 $'000
Changes in equity attributable to shareholders of the Company arising from:		
- Acquisition of additional interests in subsidiaries	**153**	250

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. Investment properties

	The Group	
	2016	2015
	$'000	$'000
Cost		
Beginning of financial year	**15,942**	16,033
Currency translation differences	**(196)**	83
Reclassification from/(to) property, plant and equipment (Note 22)	**7,432**	(174)
End of financial year	**23,178**	15,942
Accumulated depreciation		
Beginning of financial year	**5,363**	5,043
Currency translation differences	**(56)**	23
Depreciation charge	**425**	390
Reclassification from/(to) property, plant and equipment (Note 22)	**2,771**	(93)
End of financial year	**8,503**	5,363
Net book value	**14,675**	10,579
Fair values	**29,011**	21,552

Investment properties comprise mainly office units leased to fellow subsidiaries, associated companies and non-related parties under operating leases.

Investment properties are stated at cost less accumulated depreciation as the Group has elected to adopt the cost model method to measure its investment properties.

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the investment properties have been derived using the sales comparison approach. Sale prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square metre.

Valuation process of the Group

The Group engages external, independent and qualified valuers to determine the fair values of the investment properties at the end of each financial year based on the properties' highest and best use. As at 31 December 2016 and 2015, the fair values of the properties have been determined by CBRE Private Limited.

The following amounts are recognised in profit or loss:

	The Group	
	2016	2015
	$'000	$'000
Rental income	**929**	1,061
Direct operating expenses arising from investment properties that generate rental income	**587**	539

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. Property, plant and equipment

The Group

	Leasehold land and buildings $'000	Office renovations, furniture, fixtures and equipment $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Motor vessels $'000	Docks and quays $'000	Construction-in-progress $'000	Total $'000
2016								
Cost								
Beginning of financial year	1,278,071	59,205	1,060,020	47,800	336,358	1,084,515	30,534	3,896,503
Currency translation differences	(55,273)	(2,565)	(46,548)	(1,983)	2,482	(47,705)	(1,296)	(152,888)
Additions	(48)	762	2,026	748	2,218	27	20,337	26,070
Disposals	(541)	(872)	(6,902)	(2,764)	(40,249)	(39)	(371)	(51,738)
Reclassification to investment properties (Note 21)	(7,432)	–	–	–	–	–	–	(7,432)
Reclassification from inventories	–	–	–	–	453,967	–	–	453,967
Reclassification	24,387	1,157	13,821	300	–	(181)	(39,484)	–
End of financial year	1,239,164	57,687	1,022,417	44,101	754,776	1,036,617	9,720	4,164,482
Accumulated depreciation and impairment losses								
Beginning of financial year	294,942	50,904	651,955	42,321	208,041	341,017	–	1,589,180
Currency translation differences	(12,565)	(2,207)	(28,730)	(1,801)	3,145	(15,065)	–	(57,223)
Depreciation charge	33,400	3,035	67,723	1,742	13,657	23,612	–	143,169
Impairment charge	–	–	–	–	6,608	4,405	–	11,013
Disposals	(196)	(871)	(6,887)	(2,764)	(35,497)	(34)	–	(46,249)
Reclassification to investment properties (Note 21)	(2,771)	–	–	–	–	–	–	(2,771)
Reclassification	125	(14)	(526)	–	–	415	–	–
End of financial year	312,935	50,847	683,535	39,498	195,954	354,350	–	1,637,119
Net book value								
End of financial year	**926,229**	**6,840**	**338,882**	**4,603**	**558,822**	**682,267**	**9,720**	**2,527,363**
2015								
Cost								
Beginning of financial year	1,130,589	54,602	1,008,732	47,857	303,971	1,061,125	84,390	3,691,266
Currency translation differences	20,005	978	18,442	890	20,696	19,625	1,875	82,511
Additions	17,887	2,195	2,140	728	1,994	–	126,513	151,457
Disposals	(6,229)	(1,176)	(16,533)	(3,151)	(1,816)	–	–	(28,905)
Reclassification from investment properties (Note 21)	174	–	–	–	–	–	–	174
Reclassification	115,645	2,606	47,239	1,476	11,513	3,765	(182,244)	–
End of financial year	1,278,071	59,205	1,060,020	47,800	336,358	1,084,515	30,534	3,896,503
Accumulated depreciation and impairment losses								
Beginning of financial year	258,091	47,651	583,733	42,548	181,443	310,743	–	1,424,209
Currency translation differences	4,493	855	10,444	790	13,039	5,610	–	35,231
Depreciation charge	34,402	3,478	70,709	2,089	14,273	24,664	–	149,615
Disposals	(2,137)	(1,070)	(12,068)	(3,116)	(1,577)	–	–	(19,968)
Reclassification from investment properties (Note 21)	93	–	–	–	–	–	–	93
Reclassification	–	(10)	(863)	10	863	–	–	–
End of financial year	294,942	50,904	651,955	42,321	208,041	341,017	–	1,589,180
Net book value								
End of financial year	**983,129**	**8,301**	**408,065**	**5,479**	**128,317**	**743,498**	**30,534**	**2,307,323**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

22. Property, plant and equipment (continued)

The Group (continued)

Borrowing costs of $7,000 (2015: $451,000) which arise due to financing for the construction of docks and quays are capitalised during the financial year (Note 8) at an effective interest rate of 4.48% (2015: 5.21%).

During the financial year ended 31 December 2016, certain subsidiaries of the Group have secured certain property, plant and equipment with carrying amounts of $277,308,000 (2015: $Nil) to financing institutions in exchange for cash. The transactions have been accounted for as collateralised borrowings as the banks have full recourse to the subsidiaries in the event of default (Note 26).

During the financial year ended 31 December 2016, an inventory amounting to $453,967,000 (2015: $Nil) was reclassified to property, plant and equipment at its net realisable value.

The Company

	Office renovations, furniture, fixtures and equipment $'000	Motor vehicles $'000	Total $'000
2016			
Cost			
Beginning of financial year	528	1,122	1,650
Additions	5	–	5
Disposals	–	–	–
End of financial year	533	1,122	1,655
Accumulated depreciation			
Beginning of financial year	500	620	1,120
Depreciation charge	14	128	142
Disposals	–	–	–
End of financial year	514	748	1,262
Net book value			
End of financial year	**19**	**374**	**393**
2015			
Cost			
Beginning of financial year	572	1,122	1,694
Additions	22	–	22
Disposals	(66)	–	(66)
End of financial year	528	1,122	1,650
Accumulated depreciation			
Beginning of financial year	555	492	1,047
Depreciation charge	11	128	139
Disposals	(66)	–	(66)
End of financial year	500	620	1,120
Net book value			
End of financial year	**28**	**502**	**530**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23. Intangible assets

	The Group	
	2016	2015
	$'000	$'000
Goodwill arising on consolidation	**9,536**	9,583
Cost		
Beginning of financial year	**9,583**	9,564
Currency translation differences	**(47)**	19
End of financial year	**9,536**	9,583
Net book value	**9,536**	9,583

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU"), identified as the subsidiaries in the PRC according to country of operation and business segments. The business segment refers to ship repair, ship building and marine engineering.

The recoverable amount of a CGU is determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated based on nil growth rate (2015: nil). The growth rate did not exceed the long-term average growth rate for ship repair, ship building and marine engineering business in the PRC in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2016	2015
Growth rate[1]	**nil**	nil
Discount rate[2]	**11%**	11%

[1] Weighted average growth rate used to extrapolate cash flows beyond the budget period

[2] Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of the CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of the market developments. The weighted average growth rate used was consistent with the forecasts included in industry reports. The discount rate used was pre-tax and reflected specific risks relating to the relevant segments.

The impairment test has revealed that the recoverable amount of the CGU is higher than its carrying amount. Hence, there is no impairment charge recognised for the financial years ended 31 December 2016 and 31 December 2015.

In addition, a decrease in the growth rate or an increase in the discount rate by 1% per annum would not result in any impairment charge for both financial years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. Deferred expenditure

Deferred expenditure relates to prepaid rental for leasehold land on operating leases and is amortised on a straight-line basis over the lease period.

25. Trade and other payables

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade payables:				
- Non-related parties	**436,022**	598,845	**–**	–
- Associated companies	**2,181**	4,342	**–**	–
- Fellow subsidiaries	**6,244**	13,052	**–**	–
	444,447	616,239	**–**	–
Construction contracts:				
Advances received (Note 14):				
- Non-related parties	**101,653**	214,482	**–**	–
- Fellow subsidiaries	**4,693**	4,909	**–**	–
	106,346	219,391	**–**	–
Due to customers (Note 14):				
- Non-related parties	**96,834**	111,429	**–**	–
	203,180	330,820	**–**	–
Advances from non-related parties	**16,214**	22,491	**–**	–
Non-trade payables:				
- Ultimate holding corporation	**–**	15	**–**	–
- A subsidiary	**–**	–	**15,040**	15,000
	–	15	**15,040**	15,000
Deposits received	**13,284**	9,326	**–**	–
Deferred income	**5,425**	6,455	**–**	–
Other accruals for operating expenses	**1,396,442**	1,413,486	**2,545**	2,497
Dividend payable to non-controlling interests of subsidiaries	**16,714**	18,640	**–**	–
Total	**2,095,706**	2,417,472	**17,585**	17,497

The non-trade payables to ultimate holding corporation and a subsidiary are unsecured, interest-free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Borrowings

	The Group	
	2016	2015
	$'000	$'000
Current		
Bank borrowings (unsecured)	**2,386,046**	2,959,353
Bank borrowings (secured)	**1,639,115**	788,233
Loan from a fellow subsidiary (unsecured)	**188,796**	142,348
Bills payable	**83,134**	95,984
	4,297,091	3,985,918
Non-current		
Bank borrowings (unsecured)	**2,912,394**	1,553,606
Bank borrowings (secured)	**–**	907,599
Loan from a fellow subsidiary (unsecured)	**105,933**	85,682
	3,018,327	2,546,887
Total borrowings	**7,315,418**	6,532,805

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	The Group	
	2016	2015
	$'000	$'000
Less than 1 year	**4,297,091**	3,985,918
1 – 5 years	**3,018,327**	2,546,887
	7,315,418	6,532,805

(a) Security granted

At the balance sheet date, total borrowings include secured liabilities of $1,639,115,000 (2015: $1,695,832,000) for the Group. Bank borrowings of the Group are secured over certain trade receivables (Note 12), construction contracts due from customers (Note 12) and property, plant and equipment (Note 22).

(b) Loan from a fellow subsidiary

The loans from a fellow subsidiary of $294,729,000 (2015: $228,030,000) are unsecured, interest-bearing at an average interest rate of 3.44% (2015: 3.19%). $188,796,000 of the total loan is due in 2016 and the remaining amount of $105,933,000 is due by 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. Borrowings (continued)

(c) Fair values of non-current borrowings

At the balance sheet date, the carrying amounts of non-current borrowings approximated their fair values.

The fair values were determined from cash flow analyses, discounted at the market borrowing rates which the directors expect to be available to the Group as follows:

	2016			2015		
	USD	**RMB**	**EUR**	USD	RMB	EUR
Bank borrowings	**2.96%**	**2.87%**	**2.18%**	2.83%	3.53%	2.05%
Loan from a fellow subsidiary	**2.82%**	**4.52%**	**–**	–	3.19%	–

The fair values are within Level 2 of the fair value hierarchy.

(d) Breach of loan covenants

Certain subsidiaries of the Company have loan agreements that are subjected to covenant clauses, where certain key financial ratios need to be met. As at 31 December 2016, some of the loan covenant clauses have been breached and the banks are contractually entitled to request for repayment of the outstanding loan amounting to $1,488,354,000 (2015: $819,975,000). The outstanding balance is presented as a current liability as at 31 December 2016 and 2015.

27. Provisions

	The Group	
	2016	2015
	$'000	$'000
Provision for off hire claim (Note (a))	**443**	1,584
Provision for warranties (Note (b))	**38,506**	54,916
	38,949	56,500

(a) Movements in provision for off hire claim on hire income are as follows:

	The Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**1,584**	1,514
Provision made during the financial year	**245**	480
Provision utilised during the financial year	**(1,432)**	(533)
Currency translation differences	**46**	123
End of financial year	**443**	1,584

Provision for off hire claim on charter hire income is in respect of refund to be made to customers for period in which the motor vessels are not available for use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. Provisions (continued)

(b) Movements in provision for warranties are as follows:

	The Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**54,916**	53,811
(Reversal)/provision recognised during the financial year	**(8,259)**	2,966
Provision utilised during the financial year	**(5,768)**	(2,856)
Currency translation differences	**(2,383)**	995
End of financial year	**38,506**	54,916

The Group provides one to two-year warranties on certain ship building and marine engineering contracts and undertakes to repair or rectify defects that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on an estimate by technical engineers and past experience of the possible repairs and rectifications.

28. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	The Group	
	2016	2015
	$'000	$'000
Deferred income tax assets:		
- To be recovered within one year	**71,410**	181,886
- To be recovered after one year	**69,188**	55,046
	140,598	236,932
Deferred income tax liabilities:		
- To be settled after one year	**263**	288

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Deferred income taxes (continued)

Movement in the deferred income tax account is as follows:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(236,644)**	(267,064)	**–**	704
Change in tax rate	**–**	19,515	**–**	–
Currency translation differences	**10,219**	(5,153)	**–**	12
Deferred tax charged/(credited) to profit or loss	**86,109**	16,069	**–**	(716)
Deferred tax credited to other comprehensive income (Note 30(b)(iv))	**(19)**	(11)	**–**	–
End of financial year	**(140,335)**	(236,644)	**–**	–

Deferred income tax assets are recognised for tax losses, provisions and accruals carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of $481,887,000 (2015: $17,972,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The unrecognised tax losses will mainly expire in 2021.

The movements in the deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the financial year is as follows:

Deferred income tax liabilities

	The Group	
	2016	2015
	$'000	$'000
Accelerated tax depreciation		
Beginning of financial year	**133**	134
Credited to profit or loss	**–**	(1)
End of financial year	**133**	133
Fair value gain		
Beginning of financial year	**161**	167
Currency translation differences	**(5)**	5
Credited to other comprehensive income (Note 30(b)(iv))	**(19)**	(11)
End of financial year	**137**	161

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Deferred income taxes (continued)

Deferred income tax liabilities (continued)

	The Group	
	2016	2015
	$'000	$'000
Undistributed profits of foreign subsidiaries		
Beginning of financial year	**–**	704
Currency translation differences	**–**	12
Credited to profit or loss	**–**	(716)
End of financial year	**–**	–
Total		
Beginning of financial year	**294**	1,005
Currency translation differences	**(5)**	17
Credited to profit or loss	**–**	(717)
Credited to other comprehensive income	**(19)**	(11)
End of financial year	**270**	294

Reconciliation of total deferred income tax liabilities after appropriate offsetting from the same tax jurisdiction is as follows:

	The Group	
	2016	2015
	$'000	$'000
Total deferred income tax liabilities	**270**	294
Offsetting of deferred income tax assets from the same tax jurisdiction	**(7)**	(6)
Total deferred income tax liabilities after appropriate offsetting from the same tax jurisdiction	**263**	288

Deferred income tax assets

	The Group	
	2016	2015
	$'000	$'000
Tax losses		
Beginning of financial year	**(52,798)**	(14,854)
Effect of change in deferred tax rate	**–**	931
Currency translation differences	**2,221**	(59)
Charged to/(credited) to profit or loss	**44,845**	(38,816)
End of financial year	**(5,732)**	(52,798)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. Deferred income taxes (continued)

Deferred income tax assets (continued)

	The Group	
	2016	2015
	$'000	$'000
Provisions and accruals		
Beginning of financial year	**(184,140)**	(253,215)
Effect of change in deferred tax rate	**–**	18,584
Currency translation differences	**8,003**	(5,111)
Charged to profit or loss	**41,264**	55,602
End of financial year	**(134,873)**	(184,140)
Total		
Beginning of financial year	**(236,938)**	(268,069)
Effect of change in deferred tax rate	**–**	19,515
Currency translation differences	**10,224**	(5,170)
Charged to profit or loss	**86,109**	16,786
End of financial year	**(140,605)**	(236,938)

Reconciliation of total deferred income tax assets after appropriate offsetting from the same tax jurisdiction is as follows:

	The Group	
	2016	2015
	$'000	$'000
Total deferred income tax assets	**(140,605)**	(236,938)
Offsetting of deferred income tax liabilities from the same tax jurisdiction	**7**	6
Total deferred income tax assets after appropriate offsetting from the same tax jurisdiction	**(140,598)**	(236,932)

Deferred income tax liabilities

	The Company	
	2016	2015
	$'000	$'000
Undistributed profits of foreign subsidiaries		
Beginning of financial year	**–**	704
Currency translation differences	**–**	12
Credited to profit or loss	**–**	(716)
End of financial year	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29. Share capital

	Issued share capital No. of ordinary shares '000	Issued share capital Amount $'000
2016		
Beginning and end of financial year	**2,239,245**	**270,608**
2015		
Beginning and end of financial year	2,239,245	270,608

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

Share options

The COSCO Group Employees' Share Option Scheme 2002 (the "Scheme 2002") was approved by members of the Company at an Extraordinary General Meeting on 8 May 2002.

Under the Scheme 2002, share options to subscribe for the ordinary shares of the Company are granted to directors, key management personnel and employees. The exercise price of the granted options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for the five market days immediately preceding the date of the grant. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued shares of the Company on the day preceding that date.

Options issued to directors and employees who have been in the service of the Company, subsidiary or associated company, or the holding corporation for at least one year on or prior to the date of the grant, may be exercised twelve months after the date of grant but before the end of one hundred and twenty months. For employees and directors who are in the service of the associated company and non-executive directors, the options shall expire at the end of sixty months. Options issued at a discount to market price, may only be exercised two years after the date of the grant.

Options issued to directors and employees who have been in the service of the Company, subsidiary or associated company, or the holding corporation for at least six months but less than one year on or prior to the date of grant, may be exercised twenty-four months after the date of the grant but before the end of one hundred and twenty months. For employees and directors who are in the service of the associated company and non-executive directors, the options shall expire at the end of sixty months. Options issued at a discount to market price, may only be exercised three years after the date of the grant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29. Share capital (continued)

Share options (continued)

Particulars of the options granted pursuant to the Scheme 2002 in 2006, 2007 and 2008 known as "2006 Options", "2007 Options" and "2008 Options" respectively were set out in the Directors' Report for the financial years ended 31 December 2006, 31 December 2007 and 31 December 2008 respectively.

Movements in the number of unissued ordinary shares under option at the end of the financial year and their exercise prices are as follows:

The Group and the Company

Financial year ended 31 December 2016

	Number of ordinary shares under option outstanding				
	Beginning of financial year '000	Lapsed during financial year '000	End of financial year '000	Exercise price $	Exercise period
2006 Options	550	(550)	–	1.23	21.2.2007 - 20.2.2016
2007 Options	3,050	(250)	2,800	2.48	5.2.2008 - 4.2.2017
2008 Options	7,180	(430)	6,750	2.95	24.3.2009 - 23.3.2018
	10,780	(1,230)	9,550		

Financial year ended 31 December 2015

	Number of ordinary shares under option outstanding				
	Beginning of financial year '000	Lapsed during financial year '000	End of financial year '000	Exercise price $	Exercise period
2006 Options	550	–	550	1.23	21.2.2007 - 20.2.2016
2007 Options	3,450	(400)	3,050	2.48	5.2.2008 - 4.2.2017
2008 Options	8,410	(1,230)	7,180	2.95	24.3.2009 - 23.3.2018
	12,410	(1,630)	10,780		

As at 31 December 2016 and 2015, all outstanding options are exercisable. There was no share option issued in 2016 and 2015. There were also no shares of the Company allotted and issued by virtue of the exercise of options to take up unissued shares of the Company in 2016 and 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Statutory and other reserves

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
(a) Composition:				
Share option reserve	**44,578**	44,578	**44,578**	44,578
Statutory reserve	**245,679**	243,185	**–**	–
Currency translation reserve	**20,922**	40,519	**–**	–
Fair value reserve	**208**	237	**–**	–
Other reserve	**472**	319	**527**	527
	311,859	328,838	**45,105**	45,105
(b) Movements:				
(i) Share option reserve				
Beginning and end of financial year	**44,578**	44,578	**44,578**	44,578

	The Group	
	2016	2015
	$'000	$'000
(ii) Statutory reserve		
Beginning of financial year	**243,185**	234,106
Transfer from retained earnings	**2,494**	9,079
End of financial year	**245,679**	243,185
(iii) Currency translation reserve		
Beginning of financial year	**40,519**	5,322
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	**(40,446)**	53,302
Non-controlling interests	**20,849**	(18,105)
End of financial year	**20,922**	40,519

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30. Statutory and other reserves (continued)

(b) Movements: (continued)

	The Group 2016 $'000	The Group 2015 $'000
(iv) Fair value reserve		
Beginning of financial year	**237**	253
Fair value loss for available-for-sale financial asset (Note 17)	**(76)**	(43)
Deferred tax credited to other comprehensive income (Note 28)	**19**	11
	(57)	(32)
Non-controlling interests	**28**	16
End of financial year	**208**	237
(v) Other reserve		
Beginning of financial year	**319**	69
Changes in ownership interests in subsidiaries - acquisition of additional interests in subsidiaries	**153**	250
End of financial year	**472**	319

Statutory reserve represents the amount set aside in compliance with the local laws in the PRC where the subsidiaries of the Group reside.

Statutory and other reserves are non-distributable.

31. Dividends

	The Group and Company 2016 $'000	The Group and Company 2015 $'000
Ordinary dividends paid		
Final tax-exempt one-tier dividend paid in respect of the previous financial year of Nil (2015: 0.5 cents) per ordinary share	**–**	11,196

No dividend will be recommended at the Annual General Meeting scheduled on 20 April 2017. In the previous financial year, a first and final tax-exempt one-tier dividend of 0.5 cents per ordinary share amounting to $11,196,000 was declared in respect of profit for the financial year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. Commitments

(a) Capital commitments

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

	The Group	
	2016	2015
	$'000	$'000
Property, plant and equipment	**11,503**	42,715

(b) Operating lease commitments – where the Group is a lessee

The Group leases various office premises, docks and quays from non-related parties and related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	
	2016	2015
	$'000	$'000
Not later than 1 year	**10,002**	11,159
Later than 1 year but not later than 5 years	**32,771**	35,945
Later than 5 years	**24,332**	60,368
	67,105	107,472

(c) Operating lease commitments – where the Group is a lessor

The Group leases out certain items of property, plant and equipment and investment properties to non-related parties and related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are analysed as follows:

	The Group	
	2016	2015
	$'000	$'000
Not later than 1 year	**5,480**	3,157

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Risk management is carried out under policies approved by the Board of Directors. The Board approves guidelines for overall risk management, as well as policies covering these specific areas.

(a) Market risk

(i) Currency risk

Currency risk arises from transactions denominated in currencies other than the respective functional currencies of the entities in the Group.

The Group monitors its foreign currency exchange risk closely and where appropriate, enters into forward currency contracts to manage the currency exposure. The Group also draw down USD denominated borrowings as a form of "economic hedge" over its USD denominated financial assets.

In addition, the Group has certain investments in foreign operations, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group's foreign operations in the People's Republic of China is managed primarily through borrowings denominated in RMB and USD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	RMB $'000	Others* $'000	Total $'000
At 31 December 2016					
Financial assets					
Cash and cash equivalents and available-for-sale financial assets	22,012	437,701	1,050,918	14,343	1,524,974
Trade and other receivables, excluding advances paid to suppliers	8,059	4,072,713	294,217	8,722	4,383,711
Receivables from subsidiaries	–	14,482	43,382	–	57,864
Other financial assets	95	–	1,608	–	1,703
	30,166	4,524,896	1,390,125	23,065	5,968,252
Financial liabilities					
Borrowings	–	6,366,318	804,739	144,361	7,315,418
Payables by subsidiaries	–	14,482	43,382	–	57,864
Other financial liabilities	5,376	129,581	1,725,376	10,997	1,871,330
	5,376	6,510,381	2,573,497	155,358	9,244,612
Net financial assets/(liabilities)	24,790	(1,985,485)	(1,183,372)	(132,293)	(3,276,360)
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(23,199)	(66,642)	1,183,374	–	
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	2,209,478	–	(23,474)	
Currency exposure	**1,591**	**157,351**	**2**	**(155,767)**	

* Others mainly include Euro, Norwegian Kronor and Japanese Yen.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	SGD $'000	USD $'000	RMB $'000	Others* $'000	Total $'000
At 31 December 2015					
Financial assets					
Cash and cash equivalents and available-for-sale financial assets	25,165	746,515	802,432	1,630	1,575,742
Trade and other receivables, excluding advances paid to suppliers	8,201	4,611,888	294,033	25,836	4,939,958
Receivables from subsidiaries	–	–	45,377	–	45,377
Other financial assets	119	–	2,833	–	2,952
	33,485	5,358,403	1,144,675	27,466	6,564,029
Financial liabilities					
Borrowings	–	5,903,514	595,206	34,085	6,532,805
Payables by subsidiaries	–	–	45,377	–	45,377
Other financial liabilities	5,995	108,057	1,916,012	29,226	2,059,290
	5,995	6,011,571	2,556,595	63,311	8,637,472
Net financial assets/(liabilities)	27,490	(653,168)	(1,411,920)	(35,845)	(2,073,443)
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(27,008)	(63,456)	1,411,891	–	
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	3,210,604	–	12,671	
Currency exposure	**482**	**2,493,980**	**(29)**	**(23,174)**	

* Others mainly include Euro, Norwegian Kronor and Japanese Yen.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	2016 SGD $'000	2016 USD $'000	2016 RMB $'000	2016 Total $'000	2015 SGD $'000	2015 USD $'000	2015 RMB $'000	2015 Total $'000
Financial assets								
Cash and cash equivalents	**7,652**	**22,215**	**1**	**29,868**	14,386	21,914	1	36,301
Trade and other receivables	**1**	**14,483**	**43,382**	**57,866**	19	1	45,416	45,436
	7,653	**36,698**	**43,383**	**87,734**	14,405	21,915	45,417	81,737
Financial liabilities								
Other financial liabilities	**17,545**	**–**	**40**	**17,585**	17,497	–	–	17,497
Net financial (liabilities)/ assets	**(9,892)**	**36,698**	**43,343**	**70,149**	(3,092)	21,915	45,417	64,240
Less: Net financial assets denominated in the entity's functional currency	**9,892**	**–**	**–**		3,092	–	–	
Currency exposure	**–**	**36,698**	**43,343**		–	21,915	45,417	

If the USD changes against the SGD and RMB by 500 basis points (2015: 500 basis points) with all other variables including tax rate being held constant, the effects arising from the net financial asset/liabilities that are exposed to currency risk will be as follows:

	Increase/(decrease) 2016 Loss after tax $'000	2015 Loss after tax $'000
<u>The Group</u>		
USD against SGD		
- Strengthened	**(594)**	(628)
- Weakened	**594**	628
USD against RMB		
- Strengthened	**11,562**	4,403
- Weakened	**(11,562)**	(4,403)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	Increase/(decrease) **2016** Profit after tax $'000	Increase/(decrease) 2015 Profit after tax $'000
The Company		
USD against SGD		
- Strengthened	**1,052**	641
- Weakened	**(1,052)**	(641)
RMB against SGD		
- Strengthened	**8,649**	8,657
- Weakened	**(8,649)**	(8,657)

(ii) *Price risk*

The Group is not exposed to any significant equity securities price risk.

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group's interest rate risk mainly arises from borrowings at variable rates. The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates and will use derivative financial instruments to hedge their exposures when the exposure is significant.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated in USD. If the USD interest rates increase/decrease by 0.5% (2015: 0.5%) with all other variables including tax rate being held constant, the loss after tax will be higher/lower by $19,001,000 (2015: $19,050,000) respectively as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. **Financial risk management** (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are internationally dispersed. Due to these factors, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's and Company's trade receivables.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

Certain subsidiaries of the Group have obtained 4 vessels and 2 jack up rigs (2015: 4 vessels) valued at $463,180,000 (2015: $43,000,000) from their debtors as collateral to secure outstanding trade receivables of $254,058,000 (2015: $7,900,000) as at 31 December 2016. The collateral was secured under first and second preferred mortgage issued by the debtors to these subsidiaries.

Other than the above-mentioned, the Group and Company do not hold any other collateral. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's and Company's major classes of financial assets are bank deposits, trade receivables (including amount due from customer on construction contracts) and other receivables (including loan to an associated company, staff advances, and dividend receivable from associated companies).

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	The Group	
	2016	2015
	$'000	$'000
By business segments		
Ship repair, ship building and marine engineering	**4,380,601**	4,935,841
Shipping	**3,103**	4,111
Others	**7**	6
	4,383,711	4,939,958

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. **Financial risk management** (continued)

(b) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade and other receivables past due but not impaired is as follows:

	The Group	
	2016	2015
	$'000	$'000
Past due 0 to 3 months	**2,670**	2,883
Past due 3 to 6 months	**105,720**	10,588
Past due over 6 months	**106,110**	151,342
	214,500	164,813

As at 31 December 2016, the Group has recognised allowance for impairment of trade and other receivables amounting to $543,335,000 (2015: $424,967,000). These receivables have been individually determined to be impaired as the debtors are experiencing financial difficulties.

The movement in the allowance for impairment in respect of these trade and other receivables are as follows:

	The Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**424,967**	49,815
Currency translation differences	**(19,009)**	(1,225)
Allowance made	**180,282**	380,306
Allowance utilised	**(42,905)**	(3,929)
End of financial year	**543,335**	424,967

Further information relating to the allowance for impairment of trade and other receivables is given in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Financial risk management (continued)

(c) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and having an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit facilities available.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year $'000	Between 1 and 5 years $'000	Over 5 years $'000
The Group			
At 31 December 2016			
Other financial liabilities	**(1,871,330)**	**–**	**–**
Borrowings	**(4,466,748)**	**(3,105,886)**	**–**
At 31 December 2015			
Other financial liabilities	(2,059,290)	–	–
Borrowings	(4,130,858)	(2,630,972)	–
The Company			
At 31 December 2016			
Other financial liabilities	**(17,585)**	**–**	**–**
At 31 December 2015			
Other financial liabilities	(17,497)	–	–

(d) Capital risk

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 shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on the return on shareholders' fund. The return on shareholders' fund was -80.6% per annum for the current financial year ended 31 December 2016 (2015: - 52.1% per annum).

The return on shareholders' fund is calculated as net loss attributable to equity holders of the Company divided by average shareholders' equity.

Except as disclosed in Note 26 (d), the Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Financial risk management (continued)

(e) Fair value measurements

The following table presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
The Group				
2016				
Assets				
Available-for-sale financial assets				
- Quoted equity shares	657	–	–	657
Total assets	**657**	**–**	**–**	**657**
2015				
Assets				
Available-for-sale financial assets				
- Quoted equity shares	768	–	–	768
Total assets	**768**	**–**	**–**	**768**

There were no transfers between Levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximates their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 17 to the financial statements, except for the following:

	The Group		The Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Loans and receivables	**5,905,789**	6,513,762	**87,734**	81,737
Financial liabilities at amortised cost	**9,186,748**	8,592,095	**17,585**	17,497

(g) Offsetting financial assets and financial liabilities

The financial assets and liabilities of the Group and the Company are not subject to enforceable master netting arrangements or similar agreement. Financial assets and liabilities are settled on a gross basis.

34. Immediate and ultimate holding corporation

Effective from 4 May 2016, the Company's ultimate holding corporation has changed to China COSCO Shipping Corporation Limited, registered in the People's Republic of China ("PRC"). Before the change, the Company's immediate and ultimate holding corporation was China Ocean Shipping (Group) Company, incorporated in PRC.

35. Related party transactions

(a) The Company is controlled by China COSCO Shipping Corporation Limited ("COSCO Shipping"), the parent group and a state-owned enterprise established in the PRC.

COSCO Shipping itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with amendment to FRS 24, other government-related entities and their subsidiaries (other than COSCO Shipping group companies), directly or indirectly controlled, jointly-controlled or significantly influenced by the PRC government are also defined as related parties of the Group. On that basis, related parties include COSCO Shipping and its subsidiaries, other government-related entities and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO Shipping as well as their close family members.

The transactions conducted with government-related entities are based on terms agreed between the parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

35. Related party transactions (continued)

(a) (continued)

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the financial year.

	The Group	
	2016	2015
	$'000	$'000
Revenue		
Sales to ultimate holding corporation	**–**	19
Sales to fellow subsidiaries	**47,676**	49,175
Sales to associated companies	**84**	44
Rental income received/receivable from fellow subsidiaries	**1,051**	929
Rental income received/receivable from associated companies	**7**	8
Rental income received/receivable from related parties	**51**	62
Time charter revenue received/receivable from a fellow subsidiary	**203**	612
Service income received from ultimate holding corporation	**943**	958
Service income received from fellow subsidiaries	**479**	1,282
Service income receivable from associated companies	**–**	5
Interest received/receivable from a fellow subsidiary	**2,497**	5,367
Expenditure		
Purchases from fellow subsidiaries	**38,078**	42,641
Purchases from associated companies	**783**	881
Purchases of plant and equipment from fellow subsidiaries	**–**	180
Rental paid/payable to fellow subsidiaries	**417**	1,343
Crew wages paid/payable to fellow subsidiaries	**8,715**	8,853
Sub-contractor costs paid/payable to fellow subsidiaries	**10,299**	15,719
Sub-contractor costs paid/payable to associated companies	**3,397**	4,723
Service expenses paid/payable to fellow subsidiaries	**217**	911
Service expenses paid/payable to an associated company	**834**	16
Service expenses paid/payable to related parties	**92**	92
Insurance premium paid/payable to a fellow subsidiary	**152**	155
Interest paid/payable to a fellow subsidiary	**12,254**	7,701
Commitments		
Operating lease commitments with fellow subsidiaries where the Group is a lessor	**36**	37
Operating lease commitments with an associated company where the Group is a lessor	**5**	5
Operating lease commitments with a fellow subsidiary where the Group is a lessee	**–**	998

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

35. Related party transactions (continued)

(a) (continued)

Related parties refer to corporations related by common shareholders.

Outstanding balances as at 31 December 2016, arising from sales or purchases of goods and services and loans from a fellow subsidiary, are set out in Notes 12, 25 and 26 respectively.

(b) Share options granted to key management and non-executive directors

There were no share options granted to key management and non-executive directors of the Group during 2016 and 2015. The share options granted previously were given on the same terms and conditions as those offered to other employees of the Company (Note 29). There were no outstanding number of share options granted to key management of the Group at the end of the financial year 2016 and 2015.

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2016	2015
	$'000	$'000
Salaries and other short-term employee benefits	**2,569**	2,663
Directors' fees of the Company	**244**	244
Employer's contribution to defined contribution plans including Central Provident Fund	**10**	10
	2,823	2,917

Included in the above was total compensation to directors of the Company amounting to $2,567,000 (2015: $2,609,000).

36. Segment information

The President is the Group's chief operating decision maker ("CODM"). Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions.

The key management considers the business from the business segment perspective. The segment in the People's Republic of China derives revenue from ship repair, ship building and marine engineering activities. On the other hand, the segments in Singapore derive revenue from shipping, ship repair and marine engineering.

The segment information provided to the key management for the reportable segments is as follows:

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For the financial year ended 31 December 2016

36. Segment information (continued)

	Shipping $'000	Ship repair, ship building and marine engineering activities $'000	All other segments $'000	Total for continuing operations $'000
Financial year ended 31 December 2016				
The Group				
Sales				
- External sales	29,703	2,526,848	808	2,557,359
- Inter-segment sales	–	1,609	15,040	16,649
	29,703	2,528,457	15,848	2,574,008
Elimination				(16,649)
				2,557,359
Segment results	(19,170)	(653,329)	(8,120)	(680,619)
Interest income				27,888
Finance expense				(224,784)
Share of loss of associated companies				(250)
Loss before income tax				(877,765)
Income tax expense				(98,319)
Net loss				(976,084)
Other segment items				
Capital expenditure				
- Property, plant and equipment	2,219	23,837	14	26,070
Amortisation of deferred expenditure	–	87	–	87
Depreciation of property, plant and equipment and investment properties	11,409	131,522	663	143,594
Net allowance for impairment of trade and other receivables	–	180,282	–	180,282
Write-down of inventories	–	283,379	–	283,379
Allowance for expected losses recognised on construction contracts	–	73,449	–	73,449
Allowance for impairment of property, plant and equipment	6,608	4,405	–	11,013
Segment assets	170,054	9,408,953	52,338	9,631,345
Associated companies				4,185
Available-for-sale financial assets				4,599
Deferred income tax assets				140,598
Consolidated total assets				9,780,727
Segment liabilities	9,963	2,121,911	2,781	2,134,655
Borrowings				7,315,418
Current income tax liabilities				9,877
Deferred income tax liabilities				263
Consolidated total liabilities				9,460,213
Consolidated net assets				320,514

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For the financial year ended 31 December 2016

36. Segment information (continued)

	Shipping $'000	Ship repair, ship building and marine engineering activities $'000	All other segments $'000	Total for continuing operations $'000
Financial year ended 31 December 2015				
The Group				
Sales				
- External sales	38,507	3,480,369	897	3,519,773
- Inter-segment sales	–	93	21,049	21,142
	38,507	3,480,462	21,946	3,540,915
Elimination				(21,142)
				3,519,773
Segment results	(5,114)	(758,905)	(4,572)	(768,591)
Interest income				34,320
Finance expense				(166,925)
Share of profit of associated companies				30
Loss before income tax				(901,166)
Income tax expense				(13,669)
Net loss				(914,835)
Other segment items				
Capital expenditure				
- Property, plant and equipment	1,998	149,433	26	151,457
Amortisation of deferred expenditure	–	90	–	90
Depreciation of property, plant and equipment and investment properties	13,063	136,283	659	150,005
Net allowance for impairment of trade and other receivables	–	380,306	–	380,306
Write-down of inventories	–	309,304	–	309,304
Allowance for expected losses recognised on construction contracts	–	61,782	–	61,782
Segment assets	194,108	9,855,330	58,579	10,108,017
Associated companies				4,854
Available-for-sale financial assets				4,890
Deferred income tax assets				236,932
Consolidated total assets				10,354,693
Segment liabilities	18,086	2,453,089	2,797	2,473,972
Borrowings				6,532,805
Current income tax liabilities				7,645
Deferred income tax liabilities				288
Consolidated total liabilities				9,014,710
Consolidated net assets				1,339,983

Sales between segments are carried out at market terms. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36. Segment information (continued)

Geographical information

The Group's business segments operate in two main geographical areas:

- People's Republic of China - the operations in this area are principally in ship repair, ship building and marine engineering; and
- Singapore - the operations in this area are principally in shipping, ship repair and marine engineering related activities and rental of property.

Sales are based on the country in which the services are rendered to the customer. Non-current assets are shown by the geographical area where the assets are located.

	Sales		Non-current assets	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
People's Republic of China	**2,516,854**	3,466,635	**2,697,252**	2,447,808
Singapore *	**40,505**	53,138	**109,339**	129,644
	2,557,359	3,519,773	**2,806,591**	2,577,452

* The Group's shipping companies operate in worldwide shipping routes. Hence, it would not be meaningful to allocate sales to any geographical segments for shipping activities.

Revenue of approximately $593,414,000 (2015: Nil) are derived from two (2015: Nil) single external customers. These revenues are attributable to the People's Republic of China ship repair, ship building and marine engineering segment. No single external customer has sales which exceed 10% of the Group's total sales for the financial year ended 31 December 2015.

	Revenue
	$'000
Customer A	326,284
Customer B	267,130
	593,414

37. Events occurring after balance sheet date

On 24 February 2017, the Company has announced that the Company's ultimate holding corporation, China COSCO Shipping Corporation Limited (the "Parent Group"), plans to acquire the Company's equity interests in COSCO Shipyard Group Co., Ltd, COSCO (Nantong) Shipyard Co., Ltd and COSCO (Dalian) Shipyard Co., Ltd (the "Proposed Acquisition"). The plans relating to the Proposed Acquisition will be further reviewed and determined after further necessary work, including a valuation of the assets to be acquired, has been completed.

As at the date of issuance of this financial statements, there is no definitive agreement that has been entered into by the Company with any party and there is no assurance that the Proposed Acquisition will materialise. Accordingly, the financial impact relating to the Proposed Acquisition has not been disclosed in this financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

38. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

  This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

  Management is currently assessing the effects of applying the new standard on the Group's financial statements. At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. Meanwhile, there will be additional disclosure requirements under SFRS upon its adoption.

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

  The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

  While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through OCI and hence there will be no change to the accounting for these assets. The other financial assets held by the Group include equity instruments currently classified as AFS for which fair value through OCI election is available.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

38. New or revised accounting standards and interpretations (continued)

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018) (continued)

  Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

  For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

  FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedged ratio" to be the same as the one management actually use for risk management purposes. Currently, the Group does not undertake any hedging activities.

  There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

  FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

  The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $67,105,000 (Note 32(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

  Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of COSCO Corporation (Singapore) Limited on 3 March 2017.

FIVE-YEAR SUMMARY

	Note	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000
PROFIT OR LOSS						
Sales		3,734,261	3,508,134	4,260,705	3,519,773	2,557,359
Operating profit/(loss) before taxation		229,041	60,535	17,448	(901,196)	(877,515)
Share of profit/(loss) of associated companies	1	580	407	(197)	30	(250)
Profit/(loss) before income tax		229,621	60,942	17,251	(901,166)	(877,765)
Income tax (expense)/credit		(59,842)	(8,157)	9,026	(13,669)	(98,319)
Net profit/(loss)		169,779	52,785	26,277	(914,835)	(976,084)
Attributable to:						
Equity holders of the company		105,685	30,615	20,893	(569,958)	(466,499)
Non-controlling interests		64,094	22,170	5,384	(344,877)	(509,585)
Net profit/(loss)		169,779	52,785	26,277	(914,835)	(976,084)
Dividend	2	44,785	22,392	11,196	–	–
BALANCE SHEET						
Share capital		270,608	270,608	270,608	270,608	270,608
Statutory and other reserves		152,927	245,139	284,328	328,838	311,859
Retained earnings/(Accumulated loss)		857,971	820,027	812,819	222,586	(246,407)
Non-controlling interests		767,699	839,307	861,750	517,951	(15,546)
Total equity		2,049,205	2,175,081	2,229,505	1,339,983	320,514
Trade and other receivables		44,344	36,874	4,377	–	102,556
Available-for-sale financial assets		4,244	4,391	4,841	4,890	4,599
Club memberships		310	303	303	311	280
Investments in associated companies		4,235	4,826	4,736	4,854	4,185
Investment properties		11,730	11,293	10,990	10,579	14,675
Property, plant and equipment		2,225,689	2,227,868	2,267,057	2,307,323	2,527,363
Intangible assets		9,477	9,539	9,564	9,583	9,536
Deferred expenditure		3,020	3,066	3,029	2,980	2,799
Deferred income tax assets		201,914	225,212	267,901	236,932	140,598
Current assets		4,888,594	6,211,360	7,372,499	7,777,241	6,974,136
Current liabilities		(3,778,379)	(4,702,660)	(5,172,565)	(6,467,535)	(6,441,623)
Non-current liabilities		(1,565,973)	(1,856,991)	(2,543,227)	(2,547,175)	(3,018,590)
Net Assets		2,049,205	2,175,081	2,229,505	1,339,983	320,514
RATIOS						
Basic earnings per share (cents)	3	4.7	1.4	0.9	(25.5)	(20.8)
Dividend per share (cents)		2.0	1.0	0.5	–	–
Dividend cover (times)	4	2.4	1.4	1.9	–	–
Net tangible assets per share (cents)		56.8	59.2	60.7	36.3	14.6
Gearing ratio (Net of Cash)	5	1.0	1.3	2.5	6.0	17.2

Notes

1. The share of profit/(loss) of associated companies is net of tax.
2. No dividend has been declared/recommended for the financial year ended 31 December 2016.
3. Basic earnings per share is calculated as net profit/(loss) attributable to equity holders of the company divided by the weighted average number of ordinary shares issued in the financial year.
4. The dividend cover is calculated as net profit attributable to equity holders of the Company divided by the amount of equity dividend.
5. Gearing ratio is derived by taking total borrowings (net of cash) over the shareholders' funds.

SHAREHOLDING STATISTICS

As at 6 March 2017

Number of Shares in Issue	:	2,239,244,954
Class of shares	:	Ordinary shares
Voting rights	:	On a Poll: 1 vote for each ordinary share

DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS AS AT 6 MARCH 2017

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	24	0.07	663	0.00
100 - 1,000	2,449	7.64	2,389,492	0.11
1,001 - 10,000	18,231	56.89	102,516,537	4.58
10,001 - 1,000,000	11,297	35.25	543,210,871	24.26
1,000,001 and above	47	0.15	1,591,127,391	71.05
	32,048	100.00	2,239,244,954	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 6 MARCH 2017

	Direct Interest		Indirect Interest	
Name of substantial shareholders	**No. of Shares**	**%**	**No. of shares**	**%**
China Ocean Shipping (Group) Company	1,194,565,488	53.35	–	–
China COSCO Shipping Corporation Limited*	–	–	1,194,565,488	53.35

** China COSCO Shipping Corporation Limited is deemed interested in the shares held by China Ocean Shipping (Group) Company.*

TOP TWENTY HOLDERS OF SHARES AS AT 6 MARCH 2017

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CHINA OCEAN SHIPPING (GROUP) COMPANY	1,194,565,488	53.35
2	SEMBCORP MARINE LTD	70,000,000	3.13
3	CITIBANK NOMINEES SINGAPORE PTE LTD	59,416,351	2.65
4	DBS NOMINEES PTE LTD	43,723,940	1.95
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	26,621,558	1.19
6	SCM INVESTMENT HOLDINGS PTE LTD	21,000,000	0.94
7	SEMBMARINE INVESTMENT PTE LTD	20,400,000	0.91
8	UOB KAY HIAN PTE LTD	18,638,600	0.83
9	RAFFLES NOMINEES (PTE) LTD	18,381,970	0.82
10	OCBC SECURITIES PRIVATE LTD	15,450,624	0.69
11	OCBC NOMINEES SINGAPORE PTE LTD	12,567,869	0.56
12	PHILLIP SECURITIES PTE LTD	8,671,508	0.39
13	HUI SHUNE MING @ HUI SHUN MENG	8,070,000	0.36
14	MAYBANK KIM ENG SECURITIES PTE LTD	6,745,697	0.30
15	HSBC (SINGAPORE) NOMINEES PTE LTD	6,502,010	0.29
16	CIMB SECURITIES (SINGAPORE) PTE LTD	5,940,414	0.27
17	DBSN SERVICES PTE LTD	3,959,022	0.18
18	DBS VICKERS SECURITIES (S) PTE LTD	3,375,000	0.15
19	TAN CHWEE HUAT	3,210,000	0.14
20	LI XIN	3,000,000	0.13
	TOTAL:	**1,550,240,051**	**69.23**

Note: The percentages are computed based on 2,239,244,954 ordinary shares as at 6 March 2017.

SHARES HELD BY PUBLIC

Based on the information available and to the best knowledge of the Company as at 6 March 2017, approximately 46.51% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, Meeting Room Nicoll 1, Level 3 on Thursday, 20 April 2017 at 3:00 p.m. for the purpose of transacting the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To approve payment of Directors' Fees of S$244,000 for the year ended 31 December 2016. (last year: S$244,000) **(Resolution 2)**

3. To re-elect the following directors, on recommendation of the Nominating Committee and endorsement of the Board of Directors, who are retiring in accordance with Article 98 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   a. Dr Wang Kai Yuen *(See Explanatory Note 1)* **(Resolution 3)**

   b. Mr Liang Yan Feng *(See Explanatory Note 2)* **(Resolution 4)**

4. To re-elect the following directors, on recommendation of the Nominating Committee and endorsement of the Board of Directors, who are retiring in accordance with Article 104 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   a. Mr Gu Jing Song *(See Explanatory Note 3)* **(Resolution 5)**

   b. Mr Li Xi Bei *(See Explanatory Note 4)* **(Resolution 6)**

5. To re-appoint Messrs. PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

6. General Mandate to authorise the Directors to issue shares or convertible securities: **(Resolution 8)**

   "That pursuant to Section 161 of the Companies Act (Cap 50) and the Listing Rules of the Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors to:

   (a) issue shares in the capital of the Company (whether by way of bonus, rights or otherwise); or

(b) make or grant offers, agreements or options that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, options, debentures or other instruments convertible into Shares;

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:

(i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued shares in the capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the issued shares in the capital of the Company (calculated in accordance with (ii) below); and

(ii) for the purpose of determining the aggregate number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued share capital shall be calculated based on the issued shares in the capital of the Company at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent consolidation or subdivision of shares; and

(iii) unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.” *(See Explanatory Note 5)*

BY ORDER OF THE BOARD

Tan Wee Sin
Company Secretary

Singapore, 29 March 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Business to be transacted

1. Dr Wang Kai Yuen will, upon re-election as a Director, remain as the Chairman of the Nominating Committee and a member of the Enterprise Risk Management Committee, Audit Committee, Remuneration Committee and Strategic Development Committee of the Company; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

2. Mr Liang Yan Feng will, upon re-election as a Director, remain as a member of the Enterprise Risk Management Committee of the Company.

3. Mr Gu Jing Song will, upon re-election as a Director, remain as the Chairman of the Strategic Development Committee and a member of the Enterprise Risk Management Committee, Nominating Committee and Remuneration Committee of the Company.

4. Mr Li Xi Bei will, upon re-election as a Director, remain as a member of the Enterprise Risk Management Committee of the Company.

5. Ordinary Resolution 8 is to empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the capital of the Company up to an amount not exceeding in aggregate 50% of the issued shares in the capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the issued shares in the capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

NOTES:

i. A member of the Company entitled to attend and vote at a meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

ii. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

iii. The instrument appointing a proxy or proxies must be deposited at Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not later than 48 hours before the time fixed for holding the Annual General Meeting.

iv. This instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any attorney duly authorised.

v. A corporation which is a member may also authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting in accordance with Section 179 of the Companies Act (Cap 50).

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

COSCO CORPORATION (SINGAPORE) LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 196100159G)

Important:

1. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is sent to them at the request of their CPF Approved Nominees solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

ANNUAL GENERAL MEETING

PROXY FORM

I/We ____________________ NRIC/Passport No. ____________

of ____

being a member of COSCO Corporation (Singapore) Limited (the "**Company**"), hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
And/or (delete as appropriate)			
Name	**Address**	**NRIC/Passport No.**	**Proportion of Shareholdings (%)**

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, Meeting Room Nicoll 1, Level 3 on Thursday, 20 April 2017 at 3:00 p.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against the item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To receive and adopt the Audited Financial Statements for the year ended 31 December 2016 and the Reports of the Directors and the Auditors thereon.		
2.	To approve payment of Directors' Fees.		
3.	To re-elect Dr Wang Kai Yuen, who is retiring under Article 98 of the Constitution of the Company.		
4.	To re-elect Mr Liang Yan Feng, who is retiring under Article 98 of the Constitution of the Company.		
5.	To re-elect Mr Gu Jing Song, who is retiring under Article 104 of the Constitution of the Company.		
6.	To re-elect Mr Li Xi Bei, who is retiring under Article 104 of the Constitution of the Company.		
7.	To re-appoint Messrs. PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
8.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap 50.		

Dated this __________ day of ______________ 2017

Total No. of Shares in	No. of Shares
CDP Register	
Register of Members	

____
Signature of Member(s) or Common Seal

IMPORTANT: Please Read Notes for This Proxy Form.

NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A Shareholder (other than a Relevant Intermediary) of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a Member of the Company. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the AGM of the Company is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

   "**Relevant Intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not less than 48 hours before the time set for holding the annual general meeting. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the annual general meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the annual general meeting, in accordance with section 179 of the Companies Act, Chapter 50 of Singapore.

8. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of a Shareholder whose Shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the annual general meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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