COSCO SHIPPING

COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

RESHAPING OUR FUTURE

ANNUAL REPORT 2017

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INVESTOR RELATIONS CONTACTS

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CORPORATE PROFILE

COSCO SHIPPING International (Singapore) Co., Ltd. (formerly known as COSCO Corporation (Singapore) Limited) aims to become one of the leading integrated logistics management service providers in South and Southeast Asia, following the 100% acquisition of Cogent Holdings Limited and 40% acquisition of PT. Ocean Global Shipping, an associated Company.

Cogent Holdings Limited has a broad based clientele, ranging from local SMEs to multinational companies. As the owner of one of Singapore's largest one-stop integrated centres, Cogent 1.Logistics Hub, Cogent's main businesses comprise warehousing, container depot, automotive logistics and transport management in Singapore. It also operates warehousing and container depot businesses in Malaysia.

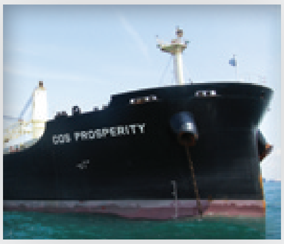
PT. Ocean Global Shipping Group specialises in logistic service, freight forwarding and container depot services.

The Company will actively expand its logistical networks through strategic acquisitions and investments as it strives to become a key integrated logistics player in the South and Southeast Asian region.

OUR
BUSINESSES

As of 31 December 2017

Ship Repair and
Marine Engineering



Dry Bulk Shipping
and Others

Moving Forward

Logistics

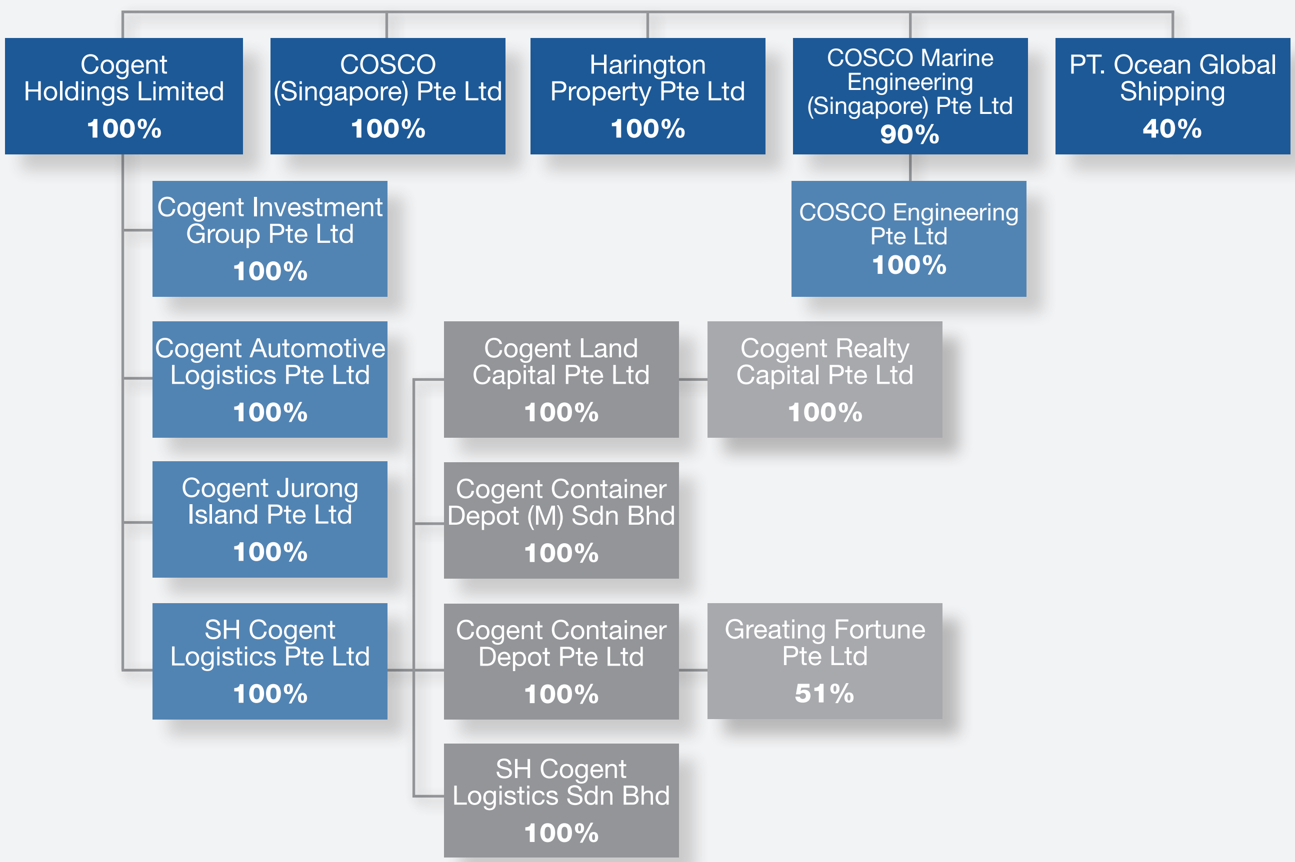
Dry Bulk Shipping

Ship Repair and
Marine Engineering

CORPORATE STRUCTURE

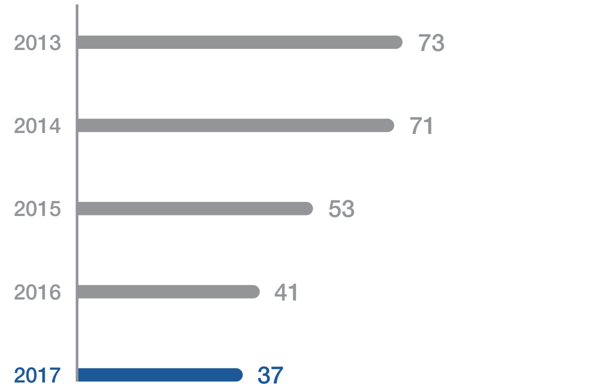
As of 31 December 2017

Moving Forward

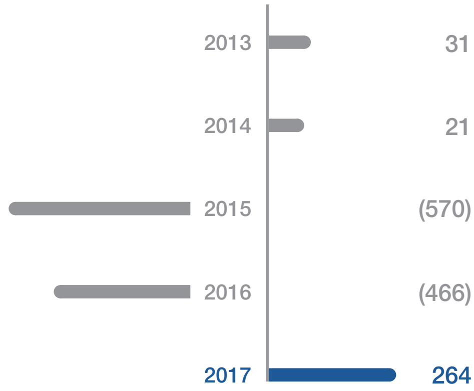


FINANCIAL HIGHLIGHTS

Turnover from Continuing Operations (S$'m)

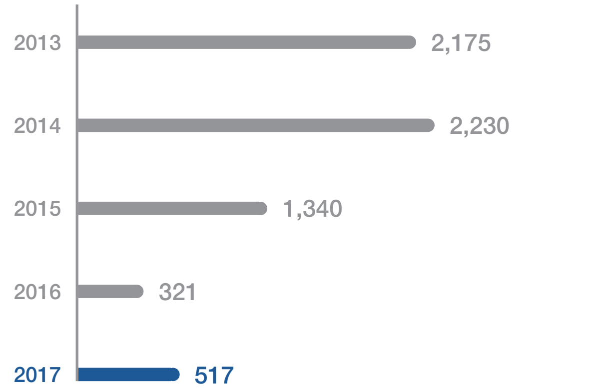


Net Profit Attributable to Equity Holders (S$'m)

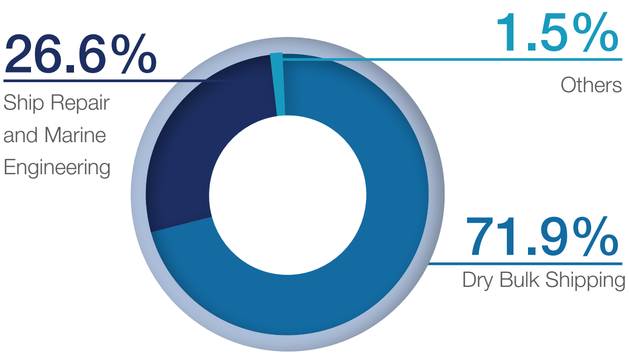


* The comparative figures have been restated as a result of the disposal of subsidiaries in the financial year ended 31 December 2017.

Net Assets (S$'m)



Revenue from Continuing Operations by Activities (%)



FINANCIAL HIGHLIGHTS

5-YEAR PROFIT OR LOSS ACCOUNTS (S$'M)	2013 (RESTATED)	2014 (RESTATED)	2015 (RESTATED)	2016 (RESTATED)	2017
Turnover from continuing operations	73.1	70.8	53.1	40.5	37.2
Profit/(loss) from continuing operations	0.1	7.5	(3.4)	(26.0)	(27.1)
Profit/(loss) from discontinued operations	52.7	18.8	(911.4)	(950.1)	166.9
Total profit/(loss)	52.8	26.3	(914.8)	(976.1)	139.8
Profit /(loss) attributable to equity holders of the Company	30.6	20.9	(570.0)	(466.5)	263.9

* The comparative figures in the profit or loss have been restated as a result of the disposal of subsidiaries in the financial year ended 31 December 2017.

OTHER KEY STATISTICS	2013	2014	2015	2016	2017
Number of Shares (m)	2,239.2	2,239.2	2,239.2	2,239.2	2,239.2
Basic Earnings per Share (cents)	1.4	0.9	(25.5)	(20.8)	11.8
Dividend per Share (cents)	1.0	0.5	-	-	-
Dividend Cover (times)	1.4	1.9	-	-	-
Net Tangible Assets per Share (cents)	59.2	60.7	36.3	14.6	23.0
Net Assets Value per Share (cents)	59.7	61.1	36.7	15.0	23.0
Gearing Ratio (net of cash)(times)	1.3	2.5	6.0	17.2	Net Cash
Return on Equity (%)	2.3	1.5	(52.1)	(80.6)	62.0
Return on Assets (%)	0.4	0.2	(5.6)	(4.6)	5.1

MESSAGE FROM CHAIRMAN

"We would like to thank all our shareholders for their patience and understanding, as we push ahead to seek and acquire promising and profitable businesses to replenish our portfolio."

Wang Yu Hang
Chairman

MESSAGE FROM CHAIRMAN

Dear Shareholders

The past year was a very busy one for us. We divested our entire loss-making shipyard business in China and worked hard to identify and nurture new growth opportunities.

We would like to thank all our shareholders for their patience and understanding, as we push ahead to seek and acquire promising and profitable businesses to replenish our portfolio.

For the year ended 31 December 2017, the Group recorded loss from continuing operations in dry bulk shipping and other businesses of $27.1 million on turnover of $37.2 million.

Gross turnover from continuing operations decreased by 8.2% to $37.2 million for 2017 compared to 2016 mainly due to a decrease in shipping revenue from a smaller fleet of bulk carriers.

At the end of the financial year, the Group's dry bulk shipping fleet comprised three bulk carriers after having scrapped seven bulk carriers by the end of 2017.

Overall, the Group recorded net profit attributable to equity holders of $263.9 million for the year, compared to a loss of $466.5 million for 2016.

The Group recorded profit from discontinued operations of $166.9 million for 2017 which included gain recognised on the disposal of subsidiaries of $373.6 million, offset by loss from discontinued operations of $206.7 million.

The Group's net asset value per share at 31 December 2017 was 23.0 cents, compared to 15.0 cents for the previous year.

Bulk shipping market remains soft

While there has been some recovery in the bulk shipping market, the uptick was from a very low base and the Baltic Dry Index (BDI) has remained at a relatively low level.

The BDI, which is a measure of shipping costs for commodities, started the year at 953 points and ended 2017 at 1,366 points, averaging 1,145 points for the whole year.

Disposal of shipyard business in China

Resolutions passed at the Extraordinary General Meeting ("EGM") to sell 51% equity interest in COSCO Shipyard Group Co., Ltd., 50% equity interest in COSCO (Nantong) Shipyard Co., Ltd. and 39.1% equity interest in COSCO (Dalian) Shipyard Co., Ltd. to our China Parent Group. The deal will inject RMB 1.41 billion (net of tax) into the Company's funds, allowing it to invest in promising businesses.

The Group had sustained substantial losses in its shipyard business over the last few financial years, owing to highly challenging market conditions. The disposal is an effort to stem further losses, reduce the Company's debt and improve its financial position.

MESSAGE FROM CHAIRMAN

"The Company will continue the hard work to reshape our future. We will accelerate our efforts to actively look for other investment opportunities, to potentially develop new businesses in South and Southeast Asia's logistics sectors."

Reshaping our business through acquisitions

On 3 November 2017, the Company announced that it had entered into a Share Sale and Purchase Agreement with COSCO SHIPPING (South East Asia) Pte Ltd to acquire approximately 40% of the issued and paid-up share capital of PT. Ocean Global Shipping, incorporated in Indonesia, for a consideration of S$13,953,371 payable in cash. PT. Ocean Global Shipping's business includes logistic service, freight forwarding and container depot services.

On 3 November 2017, the Company made a voluntary conditional cash offer for all the shares of Cogent Holdings Limited, one of Singapore's leading logistics management service providers, and its subsidiaries, with a consideration of S$1.02 per share amounting to approximately S$488 million.

On 2 January 2018, the Company received valid acceptances representing approximately 92.05% of the total number of shares. With that, the Offer Acceptance Condition had been satisfied and the Offer had become unconditional as to acceptances and in all other respects.

On 6 March 2018, the Company has completed the compulsory acquisition. Following the competition of the compulsory acquisition, Cogent has become a wholly-owned subsidiary of the Company. Cogent has been delisted from the official list of the SGX-ST on 8 March 2018.

The Group's control of one of Singapore's leading full service, integrated logistics service providers with a track record of over 40 years will help us to transform our business to offer end-to-end services to our customers with logistical needs in Singapore and Malaysia. The Company intends for Cogent to carry on with its existing business activities.

Singapore continues to advance as logistics hub

Singapore, one of the largest cargo hubs in the world, saw its sea cargo throughput continue to increase in 2017. Total cargo tonnage handled by the Port of Singapore increased by 5.5% to 626.2 million tonnes in 2017, compared to 593.3 million tonnes in 2016. The number of vessel arrival tonnage was up by 5.1% to reach 2.8 billion gross tonnes in 2017.

Singapore continues to be a highly promising growth centre for logistics in the region. The World Bank's Logistics Performance Index in 2016 ranked the country as Asean's logistics hub for the 10th consecutive year, globally the country is ranked fifth.

MESSAGE FROM CHAIRMAN

Singapore is well-positioned to take advantage of developments in South and Southeast Asia that are set to transform the logistics industry in region, driven by regional economic integration, free trade agreements and e-Commerce. The projected high growth of the economies of India, Indonesia, Thailand, Vietnam, and the Philippines will further fuel demand for transportation and logistics services in these countries.

World economic and trade outlook looking more positive

The vibrant South & South East Asian economies can also look forward to stronger economic growth worldwide. The International Monetary Fund (IMF) in its World Economic Outlook updated in January 2018 projected the global economy to rise to 3.9% in 2018 and 2019, from 3.7% in 2017. It said the revision reflected the stronger global growth momentum.

The stronger economic growth has resulted in the World Trade Organisation (WTO) raising its forecast for global trade forecast to 3.6% for the entire 2017 from its previous estimate of 2.4%. WTO has attributed the stronger growth in 2017 to a resurgence of Asian trade and a pickup in intra-regional shipments. It expects trade growth to moderate in 2018 to around 3.2% within its full range estimate of 1.4% to 4.4%.

While business confidence has improved generally, we still see uncertainty and confusion in the volatile world due to new leadership styles in some countries and continued conflicts around the world. Going forward, we will continue to be vigilant and to tread cautiously.

Potential opportunities

The Company will continue the hard work to reshape our future. We will accelerate our efforts to actively look for other investment opportunities, to potentially develop new businesses in South and Southeast Asia's logistics sectors. We will also work closely with external consultants and industry experts to align with China's One Belt, One Road (OBOR) Vision.

Deep appreciation

On behalf of the board I would like to record our deep appreciation to our staff and the various business associates for their support during the year as we prepared for our exit from the loss-making shipyard business into fresh business ventures.

We are also very thankful to our shareholders for their patience and support as we endeavour to transit into new revenue streams.

The Board has resolved not to recommend payment of dividend for the financial year ended 31 December 2017 as the Company was evaluating various strategic moves to expand its business.

Thank you.

WANG YU HANG
Chairman

INTERVIEW WITH
VICE CHAIRMAN AND PRESIDENT

"We aim to become a comprehensive service provider across the entire logistics value chain to meet the expected increase in demand in the years ahead as South and Southeast Asia continues to enjoy exponential economic growth."

Gu Jing Song
Vice-Chairman and President

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

1. Which area of the logistics value chain do you expect to see exponential growth in the future, especially in the South and Southeast Asia region?

We aim to become a comprehensive service provider across the entire logistics value chain to meet the expected increase in demand in the years ahead as South and Southeast Asia continues to enjoy exponential economic growth.

The Asian Development Bank has projected economic growth of 7.2% in 2018, from 7% in 2017, for South Asian countries. The growth, driven by expected double-digit rise in middle class consumption of goods and services, will drive expansion of the logistics sector.

ASEAN (Association of Southeast Asian Nations) is expected to see an increase in trade volume by 130% at an estimated value of some US$5.7 trillion by 2023, mainly driven by a rise in demand for goods and services in China, India and other countries in the region.

The ASEAN grouping is seen as a single market with multiple free trade agreements with its Dialogue Partners such as China, Korea, Japan, India, Australia and New Zealand that augurs well for the volume of goods and services into the region.

The ASEAN Connectivity Master Plan envisages enhanced trade routes, improved speed and reliability of supply chains in each Member State and lower supply chain costs.

Singapore too, is an excellent location for the logistics business. It is an established prime location for major logistics firms, with 20 of the top 25 global logistics players operating here.

Furthermore, the Singapore government has introduced the Sea Transport Industry Transformation Map with the aim to expand the industry's real value-add by S$4.5 billion by 2025. It will be building on its existing strategies to develop Singapore into a global maritime centre and further reinforce its position as a leading logistics and supply chain management hub.

This augurs well for our Company as we transform ourselves into a regional logistics provider by growing our network further through acquisitions to leverage on economy of scale and the experience of our China Parent Company.

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

2. How do you think the Company can benefit from the One Belt, One Road ("OBOR") initiative by China in the years ahead?

We believe the belt and road initiative will help not only to strengthen economic relations between the 10 ASEAN member states and China, it will also connect the region with a much wider market and open up a lot of opportunities for further economic growth.

Two-way investment between China and ASEAN has been reported to have exceeded US$160 billion in 2016, as more Chinese companies venture into the region.

Bilateral trade which reached almost half a trillion US dollars in 2015 has been targeted to hit US$1 trillion by the end of 2020.

With the expected rapid expansion of trade between them, we can expect the ASEAN states to make more investments in infrastructure, including facilities to boost logistics capability and efficiency, such as road, ports and warehousing facilities. This will help to make the region an important trade node on the global map.

That will be good for our business. We will position our Group to take advantage of the economic expansion in the region to further grow our revenues.

3. In what ways does COSCO SHIPPING intend to expand the capability and competiveness of its logistics business in the years ahead?

We are on a mission to seek opportunities to reshape the Company by growing our business portfolio to expand our capability and increase our revenue streams. We will use the proceeds from the disposal of our loss-making shipyard assets to acquire new businesses in the logistics space.

There are certainly opportunities for us to synergise our newly-acquired logistics business with the operations of associated companies in the China COSCO SHIPPING Group. With the Group's co-operation and extensive network, we aim to increase our service offerings and further enhance our value propositions to support our strategy to grow our customer base and revenues.

We plan to further improve our infrastructure and service capability to become a leader in providing integrated logistics solutions across the entire logistics value chain.

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

4. What are your key considerations for investing in future logistics businesses?

One of the key considerations for any new investment will be its track record and how well it can fit into the overall strategy of our Company. It must have a lot of synergistic potential to further extend our service capability and market footprint.

It is also very important for us to take into consideration the target Company's market territory, the portfolio and location of its assets and the scalability of its business.

To ensure we can extract as much value as possible from the acquisition, we will carefully weigh the analyses and advice from our internal team and external consultants before recommending it to the Board.

While we are eager to grow our logistics business as quickly as possible, we must also exercise prudent due diligence to ensure that every new investment will be sustainable and will contribute positively to our Company's future.

5. Going forward, what is your sense of the market for the Group?

Globally, economic conditions seem to have improved in 2017 and reports have suggested that 2018 will be a better year. We certainly hope so.

Singapore's economy had performed remarkably well in 2017 with Gross Domestic Product (GDP) growth of 3.5%, outperforming even the government's earlier estimates. For 2018, government forecasters expect economic growth of between 1.5% and 3.5%.

The International Monetary Fund (IMF) had in its revised World Economic Outlook Report in January 2018 projected growth of 3.9% for 2018 and 2019, 0.2% point higher than its estimate for 2017, attributing the more upbeat forecast to the stronger pace of global growth. However, it cautioned that risk remained skewed to the downside over the medium term, including the increase in core inflation in advanced economies and interests rates. It said vulnerabilities include geopolitical tensions, political uncertainty and inward-looking polices.

Technology has also been changing the way business is being done, and continues to pose many challenges including greater competition across the entire market landscape.

We believe there will be much opportunity for us to further build our capability in the logistics space. We are moving forward positively, but with discriminate caution.

OPERATIONS REVIEW

Discontinued shipyard operations

On 5 May 2017, the Group announced the disposal of all the shipyard assets in China to the Parent Group. The transaction was on a willing-buyer and willing-seller basis after taking into account the value of net assets and profits and losses till 31 March 2017.

In August 2017, the Group's shareholders approved the sale of 51% equity interest in COSCO Shipyard Group Co., Ltd., 50% equity interest in COSCO (Nantong) Shipyard Co., Ltd. and 39.1% equity interest in COSCO (Dalian) Shipyard Co., Ltd. (collectively the Group's shipyard business in China).

The relevant authorities in China have given their approval for the transfer of shareholdings of COSCO Shipyard Group Co., Ltd. and COSCO (Dalian) Shipyard Co., Ltd. in October 2017 and COSCO (Nantong) Shipyard Co., Ltd. in November 2017. Accordingly, the 3 entities ceased to be subsidiaries of the Company on the respective dates. The entire results from COSCO Shipyard Group Co., Ltd., COSCO (Nantong) Shipyard Co., Ltd. and COSCO (Dalian) Shipyard Co., Ltd. and the resulting gain on disposal of subsidiaries are presented separately on the Consolidated Profit or Loss as "Discontinued Operations".

The Group recorded profit from discontinued operations of $166.9 million for 2017 which included gain recognised on the disposal of subsidiaries of $373.6 million, offset by loss from discontinued operations of $206.7 million.

OPERATIONS REVIEW

Continuing operations

The Group recorded loss from continuing operations in dry bulk shipping, ship repair, marine engineering related activities and rental of property of $27.1 million on turnover of $37.2 million for 2017.

Seven bulk carriers were scrapped by the end of 2017. Currently, the Group's dry bulk shipping fleet comprises three bulk carriers.

Companies owning the seven scrapped bulk carriers have since been or will be deregistered from the Registrar of Business in Singapore and Hong Kong.

During the financial year, there was some recovery in charter rates of bulk carriers, though it was from a very low base. The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started the year at 953 points and ended the period at 1,366 points, averaging 1,145 points for the entire year.

GROUP FINANCIAL REVIEW

OVERVIEW

The Group recorded net profit attributable to equity holders of $263.9 million for FY 2017.

Continuing Operations

The Group recorded loss from continuing operations in dry bulk shipping and other businesses of $27.1 million on turnover of $37.2 million for FY 2017.

Group turnover from continuing operations decreased by 8.2% to $37.2 million for FY 2017 compared to FY 2016 mainly due to a decrease in shipping revenue from a smaller fleet of bulk carriers. Currently, the Group's dry bulk shipping fleet comprises 3 bulk carriers, having scrapped seven bulk carriers by the end of FY 2017.

The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started the year at 953 points and ended the year at 1,366 points. For FY 2017, the BDI averaged 1,145 points which was a 70.1% increase from the average of 673 points in FY 2016. Whilst there has been some recovery, such recovery was made from a very low base and the BDI remains at a relatively low level.

Gross profit for FY 2017 was $11.6 million as compared to gross loss of $6.0 million in FY 2016 mainly due to some recovery in the relatively low charter rates of bulk carriers and write-back of accrued owner's expenses for vessels that have been scrapped.

Other losses increased by $21.5 million to $24.3 million for FY 2017 mainly due to the loss on disposal of property, plant and equipment.

Loss attributable to equity holders of the Company for continuing operations increased by 4.3% to $27.2 million, as compared to FY 2016.

Discontinued Operations

The Group recorded net profit from discontinued operations of $166.9 million for FY 2017 which included gain recognised on the disposal of subsidiaries of $373.6 million, offset by loss from discontinued operations of $206.7 million.

CASH FLOW

Net cash provided by operating activities for FY 2017 was $341.9 million compared to net cash used in operating activities of $438.4 million in FY 2016.

Net cash used in investing activities for FY 2017 was $1.3 billion mainly due to the net cash outflow on disposal of subsidiaries.

Net cash used in financing activities was $509.4 million. This was mainly due to net repayments of bank borrowings and interest paid during FY 2017.

GROUP FINANCIAL REVIEW

BALANCE SHEET

(31 December 2017 vs 31 December 2016)

Assets and Liabilities

In August 2017, the Group's shareholders approved the sale of 51% equity interest in COSCO Shipyard Group Co., Ltd., 50% equity interest in COSCO (Nantong) Shipyard Co., Ltd. and 39.1% equity interest in COSCO (Dalian) Shipyard Co., Ltd. (collectively "the Group's shipyard business in China"). The relevant authorities in China have given their approval for the transfer of shareholdings of COSCO Shipyard Group Co., Ltd. and COSCO (Dalian) Shipyard Co., Ltd. in October 2017 and COSCO (Nantong) Shipyard Co., Ltd. in November 2017. Accordingly, the 3 entities ceased to be subsidiaries of the Company on the respective dates and the carrying value of the assets, liabilities and non-controlling interest of the former subsidiaries have been de-recognised from the balance sheet.

The Group's total assets and total liabilities as at 31 December 2017 were $564.1 million and $47.5 million respectively.

Equity

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.

Statutory and other reserves deficit of $19.0 million was mainly due to foreign currency translation loss.

Capital and reserves attributable to equity holders of the Company increased by $179.1 million to $515.2 million was mainly due to the gain on disposal of subsidiaries.

GEARING

Following the disposal of the Group's shipyard business in China, the Group is in a net cash position as at 31 December 2017.

NET ASSET VALUE PER SHARE

The Group's net asset value per share increased by 53.3% from 15.0 cents per share as at 31 December 2016 to 23.0 cents per share as at 31 December 2017.

CORPORATE GOVERNANCE

COSCO SHIPPING International (Singapore) Co., Ltd. (formerly known as COSCO Corporation (Singapore) Limited)("COSCO SHIPPING" 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, 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 seven (7) 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 2017 is set out in the table below:

Name	Type of Meetings					
		Committee				
	Board	Audit	Nominating	Remuneration	Enterprise Risk Management	Strategic Development
	No. of Meetings held: 7	No. of Meetings held: 6	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	2	NA	NA	NA	NA	0
Gu Jing Song	7	NA	1	1	4	0
Li Xi Bei	5	NA	NA	NA	3	NA
Liang Yan Feng	4	NA	NA	NA	2	NA
Tom Yee Lat Shing	4	4	0	1	3	0
Wang Kai Yuen	7	6	1	1	4	0
Er Kwong Wah	7	6	1	1	4	0
Ang Swee Tian	7	6	1	1	4	0
Li Man (Alternate to Wang Yu Hang)	7	NA	NA	NA	NA	NA
Ouyang Chao Mei (Alternate to Liang Yan Feng)	6	NA	NA	NA	4	NA

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 SHIPPING comprises the following members:

Wang Yu Hang	Chairman and Non-Independent 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 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 42 to 47 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.

CORPORATE GOVERNANCE

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.

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 and 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.

CORPORATE GOVERNANCE

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.

During the financial year, the strategies issues were discussed extensively and decided at the Board level. As such, there was no SDC meeting held during the year.

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.

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.

CORPORATE GOVERNANCE

The process for the appointment of new directors begins with the NC, together with the Chairman and President cum Vice Chairman 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 and Non-Executive	19.1.2016	22.4.2016
Gu Jing Song	Vice Chairman, President and Non-Independent Executive	30.8.2016	20.4.2017
Li Xi Bei	Non-Independent Executive	30.8.2016	20.4.2017
Liang Yan Feng	Non-Independent and Non-Executive	8.7.2014	20.4.2017
Tom Yee Lat Shing	Non-Executive Lead Independent	16.11.1993	22.4.2016
Wang Kai Yuen	Non-Executive Independent	2.5.2001	20.4.2017
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

Note: 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.

CORPORATE GOVERNANCE

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 pages 47 of 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

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 Wang Yu Hang pursuant to Article 98; and

b) Mr Er Kwong Wah pursuant to Article 98.

Mr Tom Yee has indicated that he will not be seeking re-election as a Director of the Company and will retire at the conclusion of the AGM. Upon Mr Tom Yee's retirement, he will cease as Chairman of the Audit Committee and a member of the Enterprise Risk Management, Nominating, Remuneration and Strategy Development Committees.

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.

CORPORATE GOVERNANCE

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.

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.

CORPORATE GOVERNANCE

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;

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; and

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.

CORPORATE GOVERNANCE

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.

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.

CORPORATE GOVERNANCE

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 2017 is as follows:

	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Non-Independent Executive Directors in the Band of below S$500,000					
Gu Jing Song	–	46	–	54	100
Li Xi Bei	–	61	–	39	100
Non-Independent and Non-Executive Directors in the Band of below S$500,000					
Ouyang Chao Mei*	–	66	15	19	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 director are paid by a subsidiary.

	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Executives in the Band of below S$500,000					
Li Man	–	66	1	33	100
Ma Hong Han[1]	–	49	–	51	100
Wang Kang Tian[2]	–	57	–	43	100
Wong Meng Yun[3]	–	74	7	19	100

Note:

1. Mr Ma Hong Han resigned as Chief Financial Officer on 9 May 2017.
2. Mr Wang Kang Tian was appointed as Chief Risk Officer and Chief Financial Officer on 14 November 2017.
3. Mr Wong Meng Yun retired as Financial Controller on 15 January 2018.

CORPORATE GOVERNANCE

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 four 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.

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 2017.

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.

- 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.

CORPORATE GOVERNANCE

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 ensures 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.

CORPORATE GOVERNANCE

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 150 to 159 in the Notes to the Financial Statements.

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 2017 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 adequacy and 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 2017 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 and Non-Executive
Wang Kang Tian	Chief Financial Officer and Chief Risk Officer
Ouyang Chao Mei	Managing Director of COSCO (Singapore) Pte Ltd

CORPORATE GOVERNANCE

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.

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.

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;

CORPORATE GOVERNANCE

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.

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 six (6) 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 2017 are S$1,210,000 and S$695,000 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.

AC's commentary on key financial reporting matters

The AC has discussed significant financial reporting matters with management and the external auditors which have included as key audit matters ("KAMs") in the independent auditors' report for the financial year ended 31 December 2017, as set out on page 80 to 83 of this Annual Report.

CORPORATE GOVERNANCE

In assessing each KAM, the AC took into consideration the approach and methodology applied by management in the valuation of assets, as well as the reasonableness of the estimates and key assumptions used. The AC also considered the report from the external auditors, including their findings and views on the key areas of audit focus. The AC concluded that the Group's accounting treatment and estimates in each of the KAMs were appropriate.

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 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.

CORPORATE GOVERNANCE

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 2017 as the Company was evaluating various strategic moves to expand its businesses.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16

COSCO SHIPPING 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.

CORPORATE GOVERNANCE

E. INTERESTED PERSON TRANSACTIONS ("IPTS") POLICY

Our ultimate holding Company, China COSCO Shipping Corporation Limited, is a state-owned enterprise under the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council (the "State Council") of the People's Republic of China ("PRC"). SASAC is a governmental entity in the PRC under the direct leadership and supervision of the State Council and exercises its functions by virtue of PRC law. It is responsible for the supervision, guidance and monitoring of the enterprises under its supervision. SASAC also despatches supervisory panels to supervise different state-owned enterprises on behalf of the State Council and promulgates guidelines and policies with respect to the management of state-owned property. Nevertheless, as provided under the applicable PRC law, SASAC does not interfere in the daily operations of the state-owned enterprises it supervises. As SASAC exercises its supervisory functions pursuant to, and as required by, the laws of the PRC on behalf of the State Council, SASAC is not regarded as an interested person with respect to the Company.

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.

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	–	582
Chimbusco Zhoushan Branch	–	4,825
China Marine Bunker (Dalian) Co., Ltd	–	9,257
China Marine Bunker Guangzhou Co., Ltd	–	1,037
China Ocean Shipping (Group) Company	–	841
China Shipping - Vastwin Engineering & Logistic Co., Ltd.	–	685
China Shipping Bulk Carrier Co., Ltd	353	1,756
China Shipping Industry (Guangzhou) Co., Ltd	–	4,671
China Shipping Industry (Jiangsu) Co., Ltd	–	1,792
China Shipping Industry (Shanghai Changxing) Co., Ltd	–	11,521
China Shipping Tanker Company Limited	–	3,753

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
(Continued)		
Cosco (Cayman) Mercury Co., Ltd	–	310
Cosco (HK) Insurance Brokers Ltd	–	145
Cosco (HK) Investment & Development Co., Ltd	–	8,740
Cosco (HK) Shipping Co., Ltd	–	4,388
Cosco Bulk Carrier Co., Ltd	–	3,846
Cosco Bulk Tianjin Forwarding Co., Ltd	–	229
Cosco-Feoso (S) Pte Ltd	103	–
Cosco Finance Co., Ltd	–	717,830
COSCO Kansai Paint & Chemicals Co., Ltd	–	530
Cosco Logistic (GZ) Heavy Transportation	–	253
Cosco Logistics (Shanghai) Heavy Haulage Co., Ltd	–	3,254
Cosco Petroleum Pte Ltd	–	1,491
Cosco Shipping (South East Asia) Pte Ltd [1]	13,953	–
Cosco Shipping Bulk Co., Ltd	–	853
Cosco Shipping Development Co., Ltd	751	1,677
Cosco Shipping Ferry Co., Ltd	–	119
Cosco Shipping Lines Co., Ltd	–	7,159
Cosco Shipping Logistics Co., Ltd	–	184
Cosco Shipping Logistics Dalian Co., Ltd.	–	343
Cosco Shipping Specialized Carriers Co., Ltd	–	9,938
Cosco Shipping Tanker (Dalian) Co., Ltd	702	1,776
Cosco Shipping Tanker (Shanghai) Co., Ltd	104	1,394
Cosco Shipping Asphalt (Hainan) Co., Ltd (formerly known as "Cosco Southern Asphalt Shipping Co., Ltd")	–	225
Dapengwan Maritime Company Limited	–	377
Mulanwan Maritime Company Limited	–	308
Nantong Chimbusco Marine Bunker Co., Ltd	–	1,550
Nantong Cosco Heavy Industry Co., Ltd	–	3,661
Qingdao Manning Co-operation Ltd	–	2,125
Qingdao Ocean Shipping Company	–	1,010
Refined Success Limited	–	124
SDIC Shipping Development Co., Ltd	–	414
Shanghai Ocean Crew Co., Ltd	–	2,304
Yueliangwan Maritime Co., Limited	–	315
Total [2]	15,966	817,592

CORPORATE GOVERNANCE

Notes:

[1] This relates to the proposed acquisition of 40% of the issued shares of the issued and paid-up share capital of PT. Ocean Global Shipping by the Company for a consideration of S$13,953,370.86 payable in cash pursuant to a Share Sale and Purchase Agreement entered into by the Company with COSCO Shipping (South East Asia) Pte Ltd on 3 November 2017.

[2] The above transactions do not include the disposal of 51% equity interest in COSCO Shipyard Group Co., Ltd., 50% equity interest in COSCO (Nantong) Shipyard Co., Ltd. and 39.1% equity interest in COSCO (Dalian) Shipyard Co., Ltd. for an aggregate consideration of RMB1,465,822,955.00 (equivalent to approximately S$301.0 million) which was approved by shareholders on 30 August 2017.

	As at 31/12/2017	As at 31/12/2016
	S$'000	S$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	–	323,576
- Short-term bank deposits	–	1,248
	–	324,824
Loan from a fellow subsidiary, COSCO Finance Co., Ltd	–	294,729

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 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 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
Wang Kang Tian
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
7 Straits View
Marina One, East Tower, Level 12
Singapore 018936
Partner-in-charge:
Tham Tuck Seng
(since FY2015)

Company Secretary

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 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 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 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
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 (Non-Executive Director) • Pacific Century Regional Development Limited (Non-Executive Director) • Powermatic Data Systems Ltd (Non-Executive Director)
Wang Kai Yuen	• China Aviation Oil (Singapore) Corporation Ltd (Deputy Chairman) • ComfortDelGro Corporation Limited (Director) • Ezion Holdings Ltd (Chairman) • HLH Group Ltd (Chairman) • Emas Offshore Limited (Director)
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) • ecoWise Holding Limited (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

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 WANG KANG TIAN
Chief Financial Officer and
Chief Risk Officer

Mr Wang Kang Tian was appointed Chief Financial Officer and Chief Risk Officer of the Company in November 2017.

Mr Wang started his career in July 1988 as Vice General Manager of Finance Division of Guangzhou Shipping Company Limited. In July 1997, he joined China Shipping Group Company Limited as General Manager of Finance Division. In July 2002, Mr Wang joined China Shipping Development Company Limited where he served as Chief Financial Officer and Vice President for 14 years.

Prior to his existing appointment at COSCO SHIPPING, Mr Wang was Chief Finance Officer of China COSCO Energy Transportation Company Limited from July 2015 to October 2017.

Mr Wang graduated from Anhui University of Finance and Economics in July 1988 and obtained a Master's degree in Economics in 2005 from Renmin University of China.

KEY MANAGEMENT

MR LI MAN
Vice President

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

From July 1993 to October 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.

INVESTOR RELATIONS

COSCO SHIPPING adopts a proactive approach in communicating with its shareholders, investors, analysts and the media about the Company's operations, performance and outlook to allow the investment community to take an informed perspective of their investment decisions. As such, the Company ensures that all news releases and Company announcements are disclosed to shareholders in a timely, accurate and consistent manner. These materials are made available via the SGX-ST portal and updated on the Company's website.

During the year, the senior management and investor relations team have remained committed in engaging all stakeholders on COSCO SHIPPING's new strategies and key developments through multiple communication channels such as the shareholders meeting, analyst briefings, investor conferences and press releases.

Through these events, the Company was able to interact closely with the stakeholders, which was especially crucial during the Company's transition into logistics business.

The Annual General Meeting (AGM) held every April is also an important avenue for shareholders to meet the Board of Directors and senior management, provide feedback about the Company as well as gain deeper insights into the Company's business operations.

INVESTOR RELATIONS

Major Investor Relations Events in 2017

Date	Organiser	Event
24 February 2017	COSCO SHIPPING	FY2016 Full Year Results Briefing
24 February 2017	COSCO SHIPPING	FY2016 Full Year Results Announcement
20 April 2017	COSCO SHIPPING	Annual General Meeting / Extraordinary General Meeting
5 May 2017	COSCO SHIPPING	FY2017 1st Quarter Results Briefing
5 May 2017	COSCO SHIPPING	FY2017 1st Quarter Results Announcement
4 August 2017	COSCO SHIPPING	FY2017 2nd Quarter Results Briefing
4 August 2017	COSCO SHIPPING	FY2017 2nd Quarter Results Announcement
30 August 2017	COSCO SHIPPING	Extraordinary General Meeting
3 November 2017	COSCO SHIPPING	FY2017 3rd Quarter Results Briefing
3 November 2017	COSCO SHIPPING	FY2017 3rd Quarter Results Announcement

COSCO vs STI Index

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 SHIPPING International (Singapore) Co., Ltd., 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 three categories: external; internal 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.

RISK MANAGEMENT

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.

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.

RISK MANAGEMENT

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 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 Group is susceptible to the cyclical world-wide demand and pricing in its industries, which are highly dependent upon global economic condition.

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.

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.

The dry bulk shipping index has recovered from historical lows but remained at a relatively low level. 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.

RISK MANAGEMENT

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.

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.

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.

RISK MANAGEMENT

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 150 to 159 in the Notes to the Financial Statements.

DISPOSAL OF SHIPYARD BUSINESS AND ACQUISIITON OF LOGISTICS BUSINESS

The Company disposed its (a) 51% equity interest in COSCO Shipyard Group Co., Ltd.; (b) 50% equity interest in COSCO (Nantong) Shipyard Co., Ltd.; and (c) 39.1% equity interest in COSCO (Dalian) Shipyard Co., Ltd. in FY 2017.

As announced, the Group had also completed the acquisition of 40% stake in PT. Ocean Global Shipping and 100% stake in Cogent Holdings Limited and it is now providing integrated logistic service.

With the completion of the disposal of shipyard business in FY 2017 and acquisition of logistic service in 2018, the risk factors of the Group had changed significantly. The Group will perform risk profiling in the newly acquired business and to implement risk mitigation plans accordingly.

SUSTAINABILITY REPORT

CONTENTS

BOARD STATEMENT

The COSCO SHIPPING International (Singapore) Co., Ltd. (**"COSCO")** Board of Directors has assigned responsibility for overseeing the Company's sustainability initiatives to the Sustainability Team. The Board has always been committed to sustainability and fully supports the adoption of the new SGX sustainability reporting guidelines. As a listed Company, COSCO is committed to the Code of Corporate Governance of Singapore. The Code provides the framework for controls, checks and accountabilities and requires the Board of Directors to consider sustainability issues in its business decisions.

COSCO's Board of Directors is collectively responsible for the long-term success of the Company. The Board considers sustainability issues as part of its strategy formulation. It has determined COSCO's material Environmental, Social and Governance (ESG) factors, and exercises oversight in the management and monitoring of its material ESG factors. The 2017 Sustainability Report is our first sustainability report and reflects the Company's performance on sustainability.

OUR SUSTAINABILITY FRAMEWORK AND REPORTING

This section of the annual report presents the annual sustainability performance of COSCO for the period 1 January 2017 to 31 December 2017. The information in this section ("Sustainability Report") is organised and presented in accordance with the GRI Standards: Core option published in 2016, established by the Global Reporting Initiative (GRI).

We build upon our sustainability theme "Reshaping Our Future" for our 2017 annual report. This is on account of our performance being a clear demonstration of balanced approach to the three pillars of sustainable development. This section primarily focuses on sustainability aspects pertaining to maritime engineering, dry bulk shipping and property management business of COSCO's Singapore operations. Information presented in the section has been sourced directly from our operations. We are in the process of setting up sustainability targets and will be reporting on the same in subsequent years. Below is a reflection of our internal sustainability related goals.

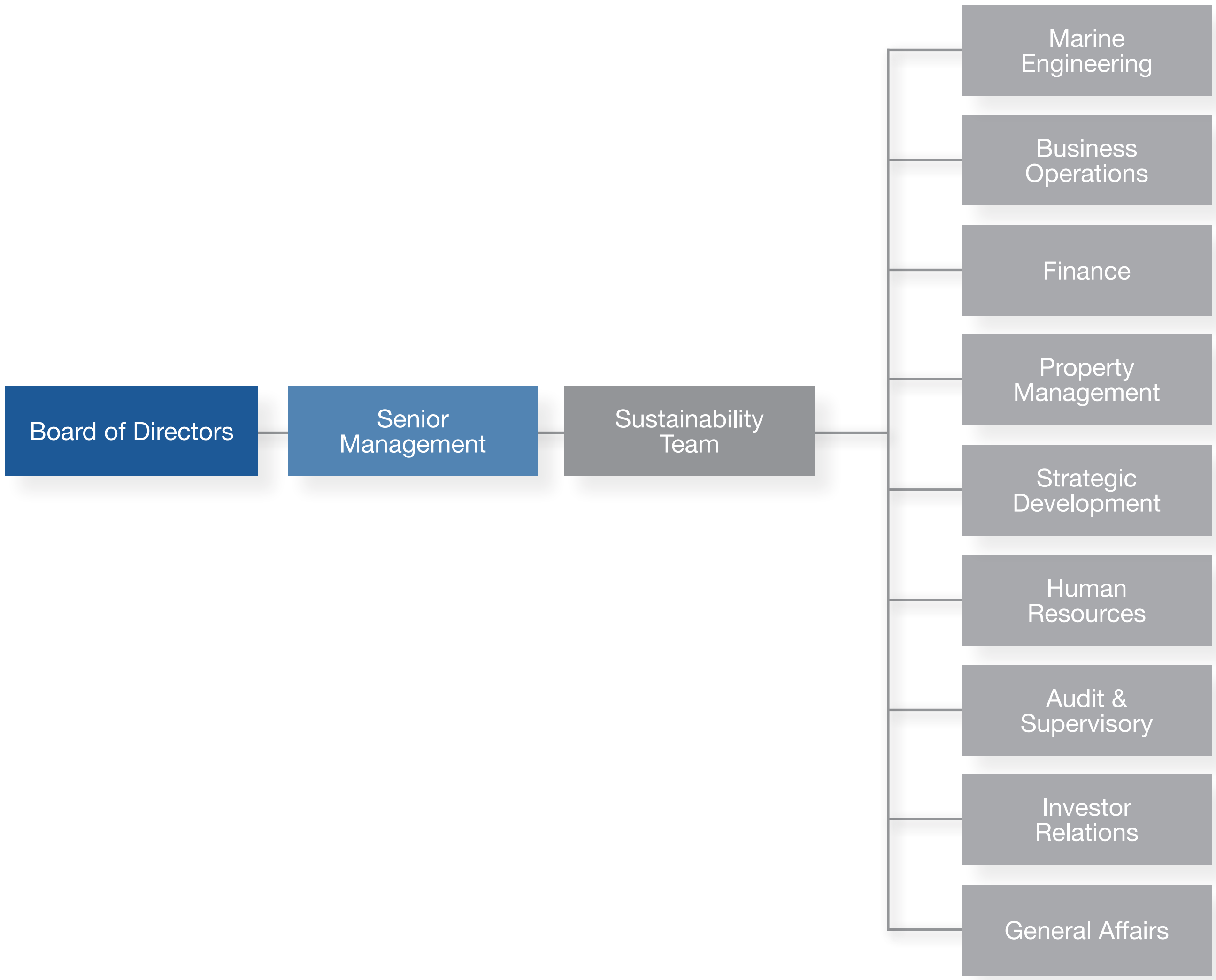
ENVIRONMENTAL GOALS	SOCIAL GOALS	GOVERNANCE (ECONOMIC) GOALS
Reduction of energy consumption	Increase operations with local community and conduct impact assessment	Increase focus on innovative business practices
Improve on waste management techniques	Increase programs for upgrading employee skills	Enhance shareholder value

The GRI Standards Content Index at the end of this section confirms that all disclosures required as per 'in-accordance core' criteria of the GRI Standards, are accurately included in this Sustainability Report, as required by disclosures GRI 102-54 and 102-55. For any further query or suggestion related to COSCO's sustainability initiatives, please reach out to us at jonatan.tan@cosco.com.sg.

OUR SUSTAINABILITY FRAMEWORK AND REPORTING

Sustainability Governance Structure

Our key business departments and functions will continue to help us strive for excellence in sustainability and enable COSCO to consider Environmental, Social and Governance (ESG) issues in key decisions making and strategy formulation.



Stakeholder Engagement at COSCO

At COSCO, we understand that the stakeholders are people or entities that are directly or indirectly influenced by our business operations and outcomes, or that can significantly influence our businesses. Feedback from our key stakeholders form a crucial part of our strategic and business planning, and is viewed as a valuable insight for the Company to continuously improve its sustainability performance. Through internal discussion and review, key stakeholder groups are identified across the entire value chain. Engagements with key stakeholder groups are planned annually.

OUR SUSTAINABILITY FRAMEWORK AND REPORTING

We are committed to expand our engagement methods and use the subsequent output in our future disclosures. COSCO's management is very much determined to continuously improve upon sustainability performance by engaging with key stakeholder groups.

Figure 1 Stakeholder Engagement Mechanisms at COSCO

EMPLOYEES

Monthly management meetings are held to discuss day to day operation issues.

Lunch with Senior Management are organised to orientate employees and familiarise them with the Company's management team.

Newsletters are circulated on daily basis to keep employees abreast of COSCO's news.

Regular training sessions and transitional assistance programs are conducted.

INDUSTRY & GOVERNMENT

We work with various industry associations and with government on areas related to our key business activities.

Classification associations: DNV Norway, NK Japan, CCS China

Industry associations: Protection & Indemnity (P&I) (Steamship P&I Club)

Government: Port Authority of Singapore (PSA), Maritime Port Authority (MPA)

CUSTOMER

Customer related surveys and engagement activities are conducted to collect feedback.

SUPPLIERS & CONTRACTORS

Safety briefings are conducted regularly for staff and contractors working on site.

LOCAL COMMUNITIES / NGOs

Regular dialogues are held with our endorsed charity organisations which shape our community outreach initiatives.

SHAREHOLDERS & INVESTORS

Shareholders are kept abreast of the Company's key developments through press releases and Annual Reports.

Annual General Meetings and investor meetings are conducted to engage our shareholders and investors in two-way communications.

OUR SUSTAINABILITY FRAMEWORK AND REPORTING

Materiality Assessment

Materiality assessment is a critical input into our corporate sustainability strategy because it ensures we provide our stakeholders with the sustainability information most relevant to them and to our business. To determine this, we conducted a formal materiality assessment in 2017. The assessment process included interviews with internal stakeholders such as employees and management and internal workshops, to identify the most important Environmental, Social and Governance (ESG) issues.

The Sustainability Team aims to conduct annual assessment of Company's Material Topics as well as monitor the performance of these topics as part of COSCO's upcoming sustainability strategy. COSCO adopts a four-step process to define the material aspects in our operations:

IDENTIFICATION	PRIORITISATION	VALIDATION	REVIEW
• Sustainability Team shortlists sustainability issues from issues universe	• Material issues are grouped under the shortlisted GRI Material Topics	• The list of ranked Material Topics is circulated to Senior Management for feedback	• The Sustainability Team re-examines the Material Topics in relation to the feedback obtained to prepare for reporting
• Sustainability Team shortlists sustainability topics from the list of Materieal Topics defined under the GRI Standards	• Through discussion and analysis, the topics are ranked in relation to the significance of their economic, environmental, social and governance impact		

Following are COSCO's material issues:

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Energy Management	Community Engagement	Economic Performance
Effluents & Waste	Training & Education	
	Employment	

In the future, COSCO aims to illustrate degree of importance of material issues to internal and external stakeholders, by mapping the same on a materiality matrix.

ABOUT COSCO

In 2017, COSCO offered capabilities in ship repair, ship building and offshore marine engineering through the Group's six major shipyards strategically located along China's coastline.

Structural Changes during 2017

In 2017, COSCO took significant steps towards transforming the Company, laying the foundation for a smooth transition of operations to logistics business.

Divesting COSCO Shipyard Group

In 2017, COSCO sold its stake in COSCO Shipyard Group Co., Ltd., COSCO (Nantong) Shipyard Co., Ltd., and COSCO (Dalian) Co., Ltd.

This move has paved the way for COSCO to shift its operational focus to the logistics business in Singapore, Malaysia and Indonesia.

Acquisition of PT. Ocean Global Shipping, Indonesia

In November 2017, COSCO acquired 40% stake of PT. Ocean Global Shipping, which provides logistics services, container canvassing and management, ship agency and chartering and bunkering.

Cogent Holdings Aquisition

In November 2017, COSCO launched a buyout of Cogent Holdings Limited, a Singapore listed logistics Company that has a large presence in both Singapore and Malaysia.

ABOUT COSCO

About Cogent Holdings Limited

Cogent offers a wide range of comprehensive logistics services; from transportation management services, container depot management services, automotive logistics management services, to warehousing and property management services. Being one of the leading logistics service providers in Singapore and a well-trusted business partner in the transport and logistics industry, it has one of Singapore's largest one-stop integrated logistics hub which consolidates all their services under one roof, enabling seamless synergy of operations leading to higher productivity, improved workplace safety and greater savings for customers.

Business Segmentation

The business at COSCO is segmented into **three segments**,

(i) Ship repair and marine engineering

(ii) Dry Bulk Carriers which include global transport of dry bulk cargos, typically grain, iron ore, coal, steel, cement and fertiliser

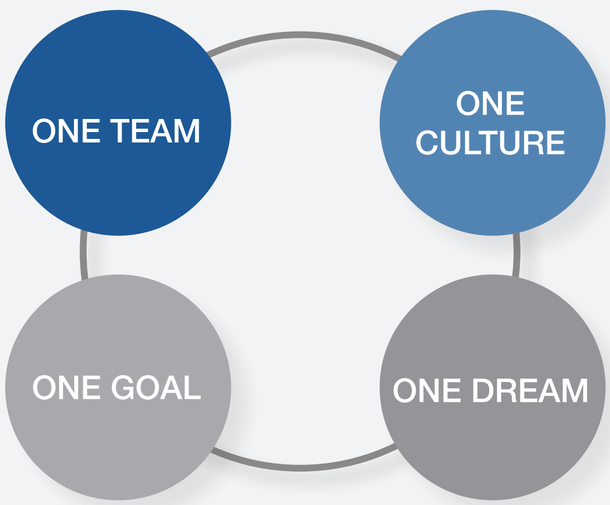
(iii) Services which include property management

Ship repairing and marine engineering, dry bulk carriers and property management have been our core businesses; however, after the takeover of Cogent Holdings Limited, and aquisition of 40% stake in PT. Ocean Global Shipping, our focus will expand to logistics services. Moving forward in 2018, COSCO will focus majorly on logistics services which include land transportation, warehousing, container depot, automotive logistics and project cargo. We will ensure that our customers receive the best integrated solutions in the market. Our expertise from the shipping industry and high customer after care support means that we can customise, localise or globalise our offerings to suit our customers' needs regardless of the industry they are in.

COSCO'S CORE BUSINESS VALUES

On 1st March 2016, the parent Company started the programme to consolidate its container shipping operation which was guided by the principle of "**Four Ones**" (One Team, One Culture, One Goal and One Dream). Following the concept of Four Ones, COSCO strives to be an outstanding enterprise that is larger, more globalised, competitive and valuable, as well as a better practitioner of national initiatives, a better service provider for its customers, a better partner for its suppliers and a better career development platform for its employees.

OUR CORE VALUES



Sustainability Across Our Key Business Functions

As an organisation that is committed to sustained growth and value creation, we adopt responsible practices across our business functions. These are encapsulated in the various policies which govern our business practices, safety and health of our staff and stewardship of the environment.

Risk Management

Risk management and internal controls has been the main focus of the Enterprise Risk Management Committee to raise the standards of corporate governance. At COSCO, the Board of Directors believes that good corporate governance is an effectual balance of promoting the long-term success of the Company and providing accountability and controls systems which are symmetric with risks involved. It is essential to facilitate effective, entrepreneurial and prudent management.

Human Resource

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. 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.

Being in the maritime industry, COSCO requires a highly-skilled talent pool to lead and execute complex and specialised job scopes. Outstanding top graduates from renowned universities are recruited through a 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 work 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.

COSCO'S
CORE BUSINESS VALUES

Technical staff are also required to undergo annual assessment conducted in simulated environments to ensure that they remain equipped and competent in meeting the necessary standards and safety measures at the worksite.

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 conducted to help raise health awareness among staff, and improve their mental well-being at work.

Workplace Safety

Rooted in COSCO's ethos that respect every individual's right 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.

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.

COSCO adopts industry's best practices and complies with international safety standards. Likewise, our robust safety management system is established in accordance with the requirement of the OHSAS 1800 occupational health and safety management system standards.

The "Annual Safety Month" was launch across COSCO shipyards in China to promote safety culture on the ground and keep employees abreast of safety developments. Besides safety campaigns help 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. Regular on-site inspections at the respective shipyards are performed to ensure the strict adherence to safety precautions across the production line.

COSCO'S
CORE BUSINESS VALUES

Corporate Social Responsibility

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.

In supporting the Chinese art and cultural development in Singapore, COSCO has been a steadfast patron of the Singapore Chinese Orchestra in fulfilling its social and artistic mission. 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.

Accolades & Memberships

SCDF
The Life Saving Force

CERTIFIED MEMBER OF THE SINGAPORE MARITIME OFFICERS UNION

Key Sustainability Related Impacts, Risks, and Opportunities

Operating from multiple locations exposes the Company to risks related to laws and regulations of governments and regulatory bodies in different countries. COSCO recognises the importance of establishing resilient relationships with business partners and local authorities to keep abreast of prevailing changes in statutory and regulatory requirements in the countries we operate. Moreover, COSCO's operating environment is developed and managed based on locally and internationally recognised standards in quality management and practices. We believe, our Company is perfectly positioned to deliver business efficiently.

Singapore has built up a strong reputation as a logistics hub and is a regional springboard connecting the Asian markets to the rest of the world. Given the challenging market conditions in the marine industry, COSCO has divested its investments in the shipyard business into the growing logistics service businesses. We believe that the new businesses can leverage on our existing logistics knowledge and global presence to cross sell our services and develop new businesses and revenue streams in the future.

NURTURING OUR ENVIRONMENT

ENVIRONMENT

COSCO would like to reaffirm its commitment to environmental sustainability through energy conservation and resource optimisation efforts. We aim to reduce our energy consumption usage through various means of energy reducing methods. We strive to educate our employees on the various method that can be adopted in order to reduce energy consumption.

ENERGY AND FUEL MANAGEMENT

(a) Reduction of energy consumption

We aim to reflect on our current environment related policies, practices and initiatives to minimise the environmental impacts of energy consumption and maximise operational efficiencies.

COSCO aims to reduce its energy consumption in office by adopting innovative practices and promoting environment friendly behaviour amongst employees. We encourage all employees to turn off all their computers and laptops after office hours. We also aim to reduce our energy consumption by switching all our equipment to energy efficient equipment where applicable. We will strengthen data collection process with respect to energy and fuel management and will be reporting in the subsequent years.

At COSCO, we aim to ensure compliance to environmental norms and regulations. We work with many governmental and nongovernmental organisations, to develop and integrate sustainability best practices in our daily operations. COSCO operations include use of high energy consumption equipment. To operate these equipment, large amounts of energy is sourced from non-renewable sources. In future, we aim to further survey the market and analyse the habits that we can adopt to identify various measures for reducing energy consumption.

Our decision to change our business operations has been done with careful considerations and planning. But we are excited about the future at COSCO, and our new venture in logistics services. We will continue to use innovative technology in delivering sustainable logistics solutions. Resource optimisation and better route planning to reduce redundancies in distribution are examples of how we can minimise negative environmental impact while reducing costs.

EFFLUENTS AND WASTE

(b) Waste by type & disposal method

The key types of waste generated in our operations in 2017 were paper, waste oil, waste water and general waste. Going forward we intend to measure the waste generated through our operations and report quantity of waste by different disposal methods. We will strengthen data collection process with respect to waste and effluents and will be reporting in the subsequent years. At COSCO, we are also exploring new recycling initiatives.

COMMUNITY AND EMPLOYEE ENGAGEMENT

SOCIAL

At COSCO, we value the importance of being a responsible corporate citizen and believe in contributing to the society. We will continue to improve employee engagement through regular training sessions and transitional assistance programs to ensure that all our employees are well integrated into the Company.

COMMUNITY ENGAGEMENT

(a) Operations with local community engagements, impact assessments, and development programs

COSCO has always been keen to play a significant role in contribution towards the community at large. In Singapore, COSCO has been a steadfast patron of the Chinese art and cultural development. COSCO has been one of the Singapore Chinese Orchestra's patrons for the past five years. Our donation aides the Singapore Chinese Orchestra in its social and artistic missions.

We believe these initiative 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 and aims to report on the impact created in the society.

TRAINING AND EDUCATION

(b) Programs for upgrading employee skills and transition assistance programs

Upgrading our employees' skills and providing them with proper training are important aspects to the management at COSCO. COSCO is committed to provide its employees with training programs that are designed for specific skills development.

At COSCO, transition assistance programs are provided to support employees who are retiring or who have been terminated. These programmes include:

- Pre-retirement planning for intended retirees
- Retraining for those intending to continue working
- Severance pay, which can take into account employee age and years of service
- Job placement services
- Assistance (such as training, counselling) on transitioning to a non-working life

At COSCO, our aim is to continuously provide our employees with trainings that not only enhance their skills but also adds to their personality development. Our employee training programs that aim to upgrade skills include:

- Internal training courses
- Funding support for external training or education
- The provision of sabbatical periods with guaranteed

Our employee's health and wellness are important to us. We provide annual health screening for all full time employees. We distribute fruits and cakes to all employees on special occasions.

PROGRESS WITH PURPOSE

EMPLOYMENT

(c) Benefits provided to full-time employees that are not provided to temporary or part-time employees

At COSCO, we value our employees as they are the pillars that support the Company in every aspect of our operations. We currently provide our employees with benefits such as insurance, meals and transport reimbursement, parental leave, childcare leave, retirement benefits, as well as a special gift for all our staff on their birthday month.

Since 2017, COSCO has increased the benefits of all its full-time employees by providing them with a wider insurance coverage. Full-time staff insurance coverage now includes Inpatient (Hospital & Surgical) and Outpatient care, Travel and Personal Accidents as well as Dental coverage.

One of COSCO's top priority is to continuously improve their employees' quality of life. Moving forward, the Management of COSCO aims to increase their employee benefits further by including study leave, educational fund, and increase the recreational activities for all of their employees. The management has proposed for non-Singaporean employees to be entitled to child care leave. Additional childcare leave has also been proposed for all current employees that are entitled to these benefits.

GOVERNANCE

We work towards empowering our people, strengthening our supply chain, nurturing the environment we operate in and collaborating with business community.

ECONOMIC PERFORMANCE

(a) Direct economic value generated and distributed

At COSCO, we understand business sustainability depends on integration of financial economic performance and non-financial i.e. environmental, social performance. Our corporate culture, value chain and business models are aimed towards creating value for all stakeholders.

Our first Sustainability Report comes at a time of change for us and the industries in which we operate. Amid low economic growth and changes in regulatory pressures, we have responded with a whole new strategy for COSCO's future businesses. In 2018, COSCO aims to be a leading service provider creating and delivering best-in-class logistics services to companies around the South and Southeast Asia region.

Economic performance is defined as our most material aspect because, like most companies, our economic success ensures our long-term viability and enables the execution of our sustainability strategies. Please refer for details on direct economic value generated and distributed in 2017.

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Employment			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	59
	103-2	The management approach and its components	70
	103-3	Evaluation of the management approach	70
GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	70
Training and Education			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	59
	103-2	The management approach and its components	69
	103-3	Evaluation of the management approach	69
GRI 404: Training and Education 2016	404-2	Programs for upgrading employee skills and transition assistance programs	69
Local Communities			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	59
	103-2	The management approach and its components	69
	103-3	Evaluation of the management approach	69
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	69

Financial Statements

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

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 87 to 168 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 2017 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	
Li Xi Bei	
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 2017

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 31.12.2017	At 1.1.2017	**At 31.12.2017**	At 1.1.2017
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 31.12.2017	At 1.1.2017
Related corporation		
COSCO SHIPPING Holdings Co., Ltd.		
- Share Appreciation Rights		
Li Man	**–**	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 2018 were the same as those as at 31 December 2017.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

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 2017

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 31.12.2017	Aggregate exercised since commencement of Scheme 2002 to 31.12.2017	Aggregate lapsed since commencement of Scheme 2002 to 31.12.2017	Aggregate outstanding as at 31.12.2017
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 1.1.2017	Number of unissued ordinary shares lapsed during the financial year	Number of unissued ordinary shares at 31.12.2017	Exercise price	Exercise period
	'000	'000	'000	$	
2007 Options	2,800	(2,800)	–	2.48	5.2.2008 – 4.2.2017
2008 Options	6,750	(6,030)	720	2.95	24.3.2009 – 23.3.2018
	9,550	(8,830)	720		

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

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 2017 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

TOM YEE LAT SHING
Director

9 March 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

(Formerly known as COSCO Corporation (Singapore) Limited)

For the financial year ended 31 December 2017

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of COSCO SHIPPING International (Singapore) Co., Ltd. (formerly known as 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 2017 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 consolidated profit or loss of the Group for the year ended 31 December 2017;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheet of the Group as at 31 December 2017;
- the balance sheet of the Company as at 31 December 2017;
- 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 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 SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.
(Formerly known as COSCO Corporation (Singapore) Limited)

For the financial year ended 31 December 2017

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 2017. 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) Discontinued operations *(Refer to Notes 2.28 and 10 to the financial statements)* During the year, the Company disposed its entire equity interest in COSCO Shipyard Group Co., Ltd., COSCO (Dalian) Shipyard Co., Ltd., and COSCO (Nantong) Shipyard Co., Ltd. (collectively the "Disposal Group") to COSCO Shipping Heavy Industry Co., Ltd., a wholly-owned subsidiary of parent company China COSCO Shipping Corporation Limited ("China COSCO"), at a sales consideration (net of tax) of RMB1,413 million (approximately S$290 million). Accordingly, the Group has ceased consolidation of the Disposal Group. The disposal has been accounted as "**Discontinued operations**". We have considered "**Discontinued operations**" as a key audit matter as significant judgement areas are involved in determining the following: - Loss after tax from discontinued operations; and - Carrying amounts of assets and liabilities disposed of, which consequently determines the after-tax gain recognized on the disposal of subsidiaries. Such significant judgement areas set out below have been considered by us in forming our opinion on the Group's financial statements for the year ended 31 December 2017. Refer to Note 2.28 – Discontinued operations, for the accounting policies for discontinued operations and Note 3 – Critical accounting estimates, assumptions and judgments, for disclosures relating to the significant judgements in relation to the discontinued operations.	

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

(Formerly known as COSCO Corporation (Singapore) Limited)

For the financial year ended 31 December 2017

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
a) Revenue and cost recognition of construction contracts using the percentage-of-completion ("POC") method *(Refer to Notes 2.7 and 10 to the financial statements)*	**a) Our audit procedures in relation to assessment of POC and total contract costs determined by management include:**
The Disposal Group recognised revenue and cost based on the percentage-of-completion ("POC") method amounting to $1,588 million and $1,546 million respectively as disclosed in Note 10 to the financial statements. The Disposal Group adopted the POC method in determining revenue and cost recognition for its construction contracts. For these contracts, management estimates the physical proportion of the contract work completed, which are used to measure the POC for the Disposal 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 Disposal Group's engineers to determine the progress of the construction, past experience of completed projects, and industry practices.	- Sighted to certified progress reports from engineers, performed site visits, and obtained confirmations from project owners to assess the appropriateness of management's estimates of the physical proportion of work completed; - Evaluated the effectiveness of management's controls over the estimation of total costs and assessed the reasonableness of key inputs in the cost estimation. We tested the appropriateness of estimated costs by comparing these against actual costs incurred; - Reviewed management's POC estimation by comparing the actual cost incurred as a percentage to the total contract costs; - Recomputed revenue and cost of sales recognised; - Recomputed provision for foreseeable losses. We considered the judgements made by management in relation to the estimation of POC and total contract costs to be appropriate based on the audit procedures we have performed.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.
(Formerly known as COSCO Corporation (Singapore) Limited)

For the financial year ended 31 December 2017

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
b) Impairment of trade and other receivables *(Refer to Notes 2.11(e)(i) and 12 to the financial statements)* At disposal date, the trade and other receivables balance of the Disposal Group amounted to $3,849 million (Gross amount of $4,259 million, allowance for impairment of receivables of $410 million). With the oil and gas industry facing challenges, some customers had requested for amendments to contract terms, deferral of delivery dates of vessels and/or are facing financial difficulties, impacting the recoverability of the trade and other receivables of such construction contracts. In reviewing trade and other receivables, management has made significant judgments in: - Assessing whether the Disposal Group's customers will be able to fulfil their contractual obligations to take delivery of their orders; - Assessing whether there is any observable data indicating that there had been a significant change in the payment ability of debtors; - Determining the recoverable amount of trade and other receivables based on the historical loss experience for assets with similar credit risk characteristics; and - Estimating the recoverable amount of trade and other receivables based on external valuation reports.	**b) Our audit procedures in relation to impairment of trade and other receivables include:** - Reviewed management's assessment of the risk of customers defaulting on the contracts, and corroborated management's assessment against our understanding of the industry and publicly available announcements and information to understand the financial position of the major customers; - Reviewed payment milestones due from customers for selected debtors and discussed with management on their assessment of whether impairment of trade and other 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 appropriate based on the audit procedures we have performed.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.
(Formerly known as COSCO Corporation (Singapore) Limited)

For the financial year ended 31 December 2017

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
c) Net realisable value ("NRV") of inventories work-in-progress *(Refer to Notes 2.18 and 12 to the financial statements)* At disposal date, the Disposal Group held certain vessels as inventories work-in-progress with carrying value of $1,009 million (Gross amount of $1,452 million, provision for write-down of inventories WIP of $443 million). In estimating the net realisable value ("NRV") of these inventories, management has estimated the selling price of these inventories based on external valuation reports.	**c) Our audit procedures in relation to the NRV of inventories work-in-progress include:** - Reviewed contractual terms to assess if the Disposal Group has the legal title to these vessels; and - Assessed valuation performed by external valuers engaged by management by evaluating the competency, capabilities and objectivity of management's external valuers and assessing the reasonableness of the estimated recoverable amount by reference to industry reports. We considered the judgements made by management in relation to the estimation of NRV of inventories work-in-progress to be appropriate based on the audit procedures we have performed.
d) Recoverability of deferred income tax assets ("DTA") *(Refer to Notes 2.19 and 12 to the financial statements)* At disposal date, the Disposal Group's DTA amounted to $87 million. The DTA arose 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 judgement made by the management on the expected future taxable profits available which the DTA can be utilised.	**d) Our audit procedures in relation to assessing the recoverability of DTA include:** - Discussed with management the key assumptions made regarding revenue growth assumptions and estimated expenses by comparing them with historical results; and - Compared the revenue growth assumptions to independent industry reports; - Verified the mathematical accuracy of the calculations in management's five-year taxable profit projection. We considered the judgements made by management in relation to recoverability of DTA to be appropriate based on the audit procedures we have performed.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.
(Formerly known as COSCO Corporation (Singapore) Limited)

For the financial year ended 31 December 2017

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors, Corporate Governance Report, Sustainability Report and Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which 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 Other Sections, 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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

(Formerly known as COSCO Corporation (Singapore) Limited)

For the financial year ended 31 December 2017

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

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.
(Formerly known as COSCO Corporation (Singapore) Limited)

For the financial year ended 31 December 2017

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, 9 March 2018

CONSOLIDATED PROFIT OR LOSS

For the financial year ended 31 December 2017

	Note	**2017 $'000**	2016 $'000 (restated)
Continuing operations			
Sales	4	**37,186**	40,505
Cost of sales	5	**(25,630)**	(46,509)
Gross profit/(loss)		**11,556**	(6,004)
Other income	7	**2,092**	2,160
Other gains and losses	8	**(24,326)**	(2,803)
Expenses			
- Distribution	5	**(222)**	(497)
- Administrative	5	**(15,749)**	(18,327)
Loss before income tax		**(26,649)**	(25,471)
Income tax expense	9(a)	**(406)**	(522)
Loss from continuing operations		**(27,055)**	(25,993)
Discontinued operations			
Profit/(loss) from discontinued operations	10	**166,875**	(950,091)
Total profit/(loss)		**139,820**	(976,084)
Profit/(loss) attributable to:			
Equity holders of the Company		**263,876**	(466,499)
Non-controlling interests		**(124,056)**	(509,585)
		139,820	(976,084)
Profit/(loss) attributable to equity holders of the Company relates to:			
Loss from continuing operations		**(27,248)**	(26,128)
Profit/(loss) from discontinued operations		**291,124**	(440,371)
		263,876	(466,499)
Earnings per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company (expressed in cents per share)			
Basic earnings per share			
From continuing operations	11(a)	**(1.22)**	(1.16)
From discontinued operations	11(a)	**13.00**	(19.67)
Diluted earnings per share			
From continuing operations	11(b)	**(1.22)**	(1.16)
From discontinued operations	11(b)	**13.00**	(19.67)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Total profit/(loss)		**139,820**	(976,084)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value gain/(loss)	31(b)(iv)	**46**	(57)
- Reclassification on the disposal of subsidiaries	31(b)(iv)	**(232)**	–
Currency translation differences arising from consolidation			
- Losses	31(b)(iii)	**(2,327)**	(40,446)
- Reclassification on the disposal of subsidiaries	31(b)(iii)	**(79,799)**	–
Other comprehensive loss, net of tax		**(82,312)**	(40,503)
Total comprehensive income/(loss)		**57,508**	(1,016,587)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**179,141**	(486,125)
Non-controlling interests		**(121,633)**	(530,462)
		57,508	(1,016,587)

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

BALANCE SHEETS

As at 31 December 2017

	Note	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**58,504**	1,520,375	**35,995**	29,868
Restricted cash	12	**140,660**	–	**140,660**	–
Trade and other receivables	13	**308,844**	4,531,947	**301,086**	57,866
Inventories	14	**199**	835,582	**–**	–
Construction contract work-in-progress	15	**–**	72,408	**–**	–
Income tax receivables		**–**	1,933	**–**	–
Other current assets	16	**592**	11,891	**465**	100
		508,799	6,974,136	**478,206**	87,834
Non-current assets					
Trade and other receivables	17	**–**	102,556	**–**	–
Available-for-sale financial assets	18	**–**	4,599	**–**	–
Club memberships	19	**147**	280	**34**	48
Investments in associated companies	20	**–**	4,185	**–**	–
Investments in subsidiaries	21	**–**	–	**126,639**	372,778
Investment properties	22	**13,786**	14,675	**–**	–
Property, plant and equipment	23	**40,638**	2,527,363	**182**	393
Intangible assets	24	**–**	9,536	**–**	–
Deferred expenditure	25	**766**	2,799	**–**	–
Deferred income tax assets	29	**–**	140,598	**–**	–
		55,337	2,806,591	**126,855**	373,219
Total assets		**564,136**	9,780,727	**605,061**	461,053
LIABILITIES					
Current liabilities					
Trade and other payables	26	**46,770**	2,095,706	**89,125**	17,585
Current income tax liabilities		**612**	9,877	**19**	2,174
Borrowings	27	**–**	4,297,091	**–**	–
Provisions	28	**–**	38,949	**–**	–
		47,382	6,441,623	**89,144**	19,759
Non-current liabilities					
Borrowings	27	**–**	3,018,327	**–**	–
Deferred income tax liabilities	29	**132**	263	**–**	–
		132	3,018,590	**–**	–
Total liabilities		**47,514**	9,460,213	**89,144**	19,759
NET ASSETS		**516,622**	320,514	**515,917**	441,294
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	30	**270,608**	270,608	**270,608**	270,608
Statutory and other reserves	31	**(18,958)**	311,859	**45,105**	45,105
Retained earnings/(accumulated loss)		**263,551**	(246,407)	**200,204**	125,581
		515,201	336,060	**515,917**	441,294
Non-controlling interests		**1,421**	(15,546)	**–**	–
Total equity		**516,622**	320,514	**515,917**	441,294

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

		Attributable to equity holders of the Company					
	Note	Share capital $'000	Statutory and other reserves $'000	(Accumulated loss)/ retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
2017							
Beginning of financial year		**270,608**	**311,859**	**(246,407)**	**336,060**	**(15,546)**	**320,514**
Total comprehensive (loss)/income for the year		–	(84,735)	263,876	179,141	(121,633)	57,508
Disposal of subsidiaries		–	(246,215)	246,215	–	138,700	138,700
Dividend declared by a subsidiary to non-controlling interests of a subsidiary		–	–	–	–	(100)	(100)
Transfer from retained earnings to statutory reserves	31(b)(ii)	–	133	(133)	–	–	–
End of financial year		**270,608**	**(18,958)**	**263,551**	**515,201**	**1,421**	**516,622**
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	31(b)(ii)	–	2,494	(2,494)	–	–	–
Changes in ownership interests in subsidiaries - acquisition of additional interests in subsidiaries	31(b)(v)	–	153	–	153	(1,541)	(1,388)
End of financial year		**270,608**	**311,859**	**(246,407)**	**336,060**	**(15,546)**	**320,514**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Total profit/(loss)		**139,820**	(976,084)
Adjustments for:			
- Amortisation of deferred expenditure		**78**	87
- Depreciation of investment properties and property, plant and equipment		**120,338**	143,594
- Dividend income		**(30)**	(729)
- Income tax expense		**63,356**	98,319
- Interest expense		**189,621**	224,784
- Interest income		**(22,629)**	(27,888)
- Allowance for expected losses recognised on construction contracts		**190,054**	73,449
- Write-down of inventories		**46,198**	283,379
- Loss on disposal of transferable club memberships		**42**	33
- Allowance for impairment of property, plant and equipment		**–**	11,013
- Net (reversal)/allowance for impairment of trade and other receivables		**(93,536)**	180,282
- Loss on disposal of property, plant and equipment		**22,589**	2,089
- Share of loss of associated companies		**284**	250
- Write-off of property, plant and equipment		**2,790**	360
- Pre-tax gain recognised on the disposal of subsidiaries		**(384,364)**	–
- Exchange differences		**(267,796)**	238,741
		6,815	251,679
Changes in working capital:			
- Inventories and construction contract work-in-progress		**(109,051)**	70,804
- Trade and other receivables		**468,067**	(343,158)
- Trade and other payables		**(92,537)**	(401,343)
- Other current assets		**1,160**	3,646
- Provisions		**77,091**	(17,551)
Cash provided by/(used in) operations		**351,545**	(435,923)
Income tax paid		**(9,660)**	(2,513)
Net cash provided by/(used in) operating activities		**341,885**	(438,436)
Cash flows from investing activities			
Additions to property, plant and equipment		**(9,231)**	(26,070)
Disposal of transferable club memberships		**84**	1
Disposal of property, plant and equipment		**21,608**	3,040
Disposal of subsidiaries, net cash outflow	12	**(1,143,995)**	–
Additions to investment properties		**(148)**	–
Increase in restricted cash		**(140,660)**	–
Interest received		**18,920**	21,733
Dividends received		**30**	776
Net cash used in investing activities		**(1,253,392)**	(520)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from financing activities			
Proceeds from borrowings		**2,249,394**	5,352,000
Repayments of borrowings		**(2,577,630)**	(4,709,631)
Cash outflow to non-controlling interests on acquisition of additional interests in subsidiaries		**–**	(1,388)
Decrease/(increase) in bank deposits pledged		**848**	(129)
Interest paid		**(181,011)**	(216,730)
Dividends paid to non-controlling interests of subsidiaries		**(1,005)**	(2,603)
Net cash (used in)/provided by financing activities		**(509,404)**	421,519
Net decrease in cash and cash equivalents		**(1,420,911)**	(17,437)
Cash and cash equivalents at beginning of financial year		**1,518,398**	1,569,004
Effects of currency translation on cash and cash equivalents		**(38,983)**	(33,169)
Cash and cash equivalents at end of financial year	12	**58,504**	1,518,398

Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	1 January 2017 $'000	Principal and interest payments $'000	Interest expense $'000	Disposal of subsidiaries $'000	Foreign exchange movement $'000	31 December 2017 $'000
Bank borrowings	7,315,418	(328,236)	–	(6,621,733)	(365,449)	–
Interest payable	20,014	(181,011)	189,621	(28,426)	(198)	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

1. General information

With effect from 20 April 2017, the name of the Company has been changed from COSCO Corporation (Singapore) Limited to COSCO SHIPPING International (Singapore) Co., Ltd..

COSCO SHIPPING International (Singapore) Co., Ltd. (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 21 to the financial statements.

The ship repair, ship building and marine engineering activities segment in the People's Republic of China was discontinued during the financial year (Note 10).

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 2017

On 1 January 2017, 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 except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions* (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

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 2017

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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.5 Intangible assets (continued)

Goodwill on acquisitions (continued)

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.

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".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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.

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 13 and 17) and "cash and cash equivalents" (Note 12) and "other current assets - deposits" (Note 16) on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(a) *Classification* (continued)

(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.

(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 2017

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 2017

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.16 Fair value estimation of financial assets and liabilities (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.19 Income taxes (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.22 Currency translation (continued)

(b) *Transactions and balances* (continued)

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 relate to borrowings are presented in the income statement within “finance cost”. 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;

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

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.

2.28 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations; or

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

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.

The critical accounting estimates, assumptions and judgements were made in determining the loss after tax from discontinued operations, and the carrying amounts of assets and liabilities disposed of which consequently determines the after-tax gain recognised on the disposal of COSCO Shipyard Group Co., Ltd., COSCO (Dalian) Shipyard Co., Ltd., and COSCO (Nantong) Shipyard Co., Ltd. (collectively the "Disposal Group").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

These accounting estimates, assumptions and judgements are not expected to have a significant risk of resulting in a material adjustment within the next financial year.

(a) *Construction contracts*

For construction contracts, management has estimated the physical proportion of the contract work completed, which are used to measure the percentage-of-completion ("POC") for the Disposal 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 the POC and total contract costs. In making these estimates, management has relied on the expertise of the Disposal Group's engineers to determine the progress of the construction, past experience of completed projects, and industry practices.

During the financial year ended 31 December 2017, the Disposal Group recognized revenue and cost based on the POC method amounting to $1,588,294,000 and $1,545,635,000 respectively (2016: $2,516,854,000 and $2,828,181,000 respectively) as disclosed in Note 10.

(b) *Impairment of trade and other receivables*

Management reviews its trade and other receivables for objective evidence of impairment regularly. Management considers factors such as amendments to contract terms, deferral of delivery dates of vessels, significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments by the debtor.

In determining this, management has considered the possibility of discontinuance of the contracts, 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 estimated the impairment 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.

Management believed that the allowance for impairment of trade and other receivables recognised is adequate for based on their best estimates of the difference between the recoverable amount and carrying amount of trade receivables individually determined to be impaired.

During the financial year ended 31 December 2017, the Disposal Group had recognised a reversal for impairment of trade and other receivables amounting to $93,536,000 (2016: allowance for impairment of trade and other receivables of $180,282,000).

As at disposal date and 31 December 2016, the trade and other receivables balance of the Disposal Group amounted to $3,849,319,000 (Gross amount of $4,259,662,000 allowance for impairment of receivables of $410,343,000) and $4,517,957,000 (Gross amount of $5,061,292,000 allowance for impairment of receivables of $543,335,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

The Disposal Group held 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 external valuation reports. 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 financial year ended 31 December 2017, the Disposal Group had written down inventories based on their estimation of the net realisable value of these inventories amounting to $46,198,000 (2016: $283,379,000) as disclosed in Note 14.

As at disposal date and 31 December 2016, the Disposal Group held certain vessels as inventories work-in-progress with carrying value of $1,008,833,000 (Gross amount of $1,451,818,000, provision for write-down of inventories WIP of $442,985,000) and $618,557,000 (Gross amount of $1,024,522,000, provision for write-down of inventories WIP of $405,965,000) respectively.

(d) *Recoverability of deferred income tax assets*

Deferred tax assets are recognised due to deductible temporary differences and tax losses of the Disposal Group. 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.

During the financial year ended 31 December 2017, the Disposal Group had derecognised deferred tax assets amounting to $66,708,000 (2016: $91,554,000) as management had assessed and deemed these amount of deferred tax assets to be irrecoverable in the foreseeable future.

As at disposal date and 31 December 2016, the Disposal Group had recognised deferred tax assets amounting to $86,928,000 and $140,598,000 respectively as disclosed in Note 12 and Note 29 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

4. Revenue

	The Group	
	2017	2016
	$'000	$'000
		(restated)
Rendering of services		
- Ship repair and marine engineering	**9,880**	9,994
- Charter hire	**26,739**	29,703
Others	**567**	808
Total sales	**37,186**	40,505

5. Expenses by nature

	The Group	
	2017	2016
	$'000	$'000
		(restated)
Allowance for impairment of property, plant and equipment (Note 23)	**–**	6,608
Amortisation of deferred expenditure	**37**	37
Audit fee	**1,210**	1,258
Raw materials, finished goods, consumables and other overheads	**1,524**	1,786
Changes in inventories and work-in-progress	**1,117**	(192)
Crew overheads	**6,191**	11,139
Depreciation of investment properties and property, plant and equipment (Notes 22 and 23)	**5,427**	12,558
Director and employee compensation (Note 6)	**8,076**	9,039
Insurance	**1,332**	2,296
Non-audit service fees paid/payable to auditor of the Company	**695**	42
Professional fees	**5,708**	385
Rental expense on operating leases	**2,343**	687
Repairs and maintenance	**307**	254
Sub-contractor expenses	**2,432**	2,738
Vessel overheads	**4,681**	12,899
Write-off of property, plant and equipment	**–**	360
Other expenses	**521**	3,439
Total cost of sales, distribution and administrative expenses	**41,601**	65,333

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. Director and employee compensation

	The Group	
	2017	2016
	$'000	$'000
		(restated)
Wages, salaries and staff benefits	**239,421**	329,696
Employer's contribution to defined contribution plans	**27,286**	35,407
Directors' fees of the Company	**244**	244
	266,951	365,347
Less: Amounts attributable to discontinued operations	**(258,875)**	(356,308)
Amounts attributable to continuing operations (Note 5)	**8,076**	9,039

7. Other income

	The Group	
	2017	2016
	$'000	$'000
		(restated)
Compensation income from customers	**–**	766
Government grants	**62**	78
Interest income	**1,069**	795
Rental income	**605**	469
Sale of scrap materials	**13**	39
Sundry income	**343**	13
	2,092	2,160

8. Other gains and losses

	The Group	
	2017	2016
	$'000	$'000
		(restated)
Currency exchange loss - net	**(2,347)**	(1,378)
Loss on disposal of property, plant and equipment	**(22,398)**	(1,878)
Gain on sale of bunker stock	**419**	453
	(24,326)	(2,803)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

9. Income taxes

(a) Income tax expense

	The Group	
	2017	2016
	$'000	$'000 (restated)
Tax expense attributable to profit or loss is made up of:		
- Profit or loss for the financial year:		
From continuing operations		
Current income tax		
- Singapore	**565**	497
Deferred income tax (Note 29)		
- Singapore	**(1)**	–
	564	497
From discontinued operations		
Current income tax		
- Foreign	**11,386**	13,202
Deferred income tax (Note 29)		
- Foreign	**51,651**	86,048
	63,037	99,250
- (Over)/under provision in prior financial years:		
From continuing operations		
Current income tax		
- Singapore	**(158)**	25
From discontinued operations		
Current income tax		
- Foreign	**34**	(1,514)
Deferred Income tax (Note 29)		
- Foreign	**(121)**	61
	63,356	98,319
Income tax expense attributable to:		
- continuing operations	**406**	522
- discontinued operations (Note 10(a))	**62,950**	97,797
	63,356	98,319

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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	
	2017	2016
	$'000	$'000
		(restated)
(Loss)/profit before tax from:		
- continuing operations	**(26,649)**	(25,471)
- discontinued operations (Note 10(a))	**229,825**	(852,294)
	203,176	(877,765)
Share of loss of associated companies, net of tax	**284**	250
Profit/(loss) before tax and share of loss of associated companies	**203,460**	(877,515)
Tax calculated at a tax rate of 17% (2016: 17%)	**34,588**	(149,178)
Effects of:		
- different tax rates in other countries	**(5,222)**	4,571
- tax incentives	**(3,980)**	(3,712)
- income not subject to tax	**(56,161)**	(129)
- expenses not deductible for tax purposes	**12,676**	46,999
- utilisation of previously unrecognised tax losses	**(5,290)**	(40,676)
- deferred tax assets not recognised	**20,276**	150,350
- derecognition of deferred tax assets recognised previously	**66,708**	91,554
- over provision of current income tax in prior years	**(124)**	(1,489)
- (over)/under provision of deferred income tax in prior years	**(121)**	61
- others	**6**	(32)
Tax charge	**63,356**	98,319

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

		2017			2016	
	Before tax	**Tax charge**	**After tax**	Before tax	Tax credit	After Tax
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Fair value gain on available-for-sale financial assets	**61**	**(15)**	**46**	(76)	19	(57)
Currency translation differences arising from consolidation	**(2,327)**	**–**	**(2,327)**	(40,446)	–	(40,446)
Other comprehensive (loss)/income	**(2,266)**	**(15)**	**(2,281)**	(40,522)	19	(40,503)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. Discontinued operations

In August 2017, the Group's shareholders approved the sale of the Company's entire equity interest in COSCO Shipyard Group Co., Ltd., COSCO (Dalian) Shipyard Co., Ltd. and COSCO (Nantong) Shipyard Co., Ltd. (collectively the "Disposal Group"), which constituted the Group's ship repair, ship building and marine engineering activities segment in the PRC, to a fellow subsidiary.

The transfers of shareholdings of COSCO Shipyard Group Co., Ltd. and COSCO (Dalian) Shipyard Co., Ltd. were effected in October 2017 and COSCO (Nantong) Shipyard Co., Ltd. in November 2017. Accordingly, these 3 entities ceased to be subsidiaries of the Company on these dates.

(a) The summarised financial information of the discontinued operations are as follows:

	Group	
	2017	2016
	$'000	$'000
Sales	**1,588,294**	2,516,854
Cost of sales	**(1,545,635)**	(2,828,181)
Gross profit/(loss)	**42,659**	(311,327)
Other income	**60,102**	86,473
Other gains and losses	**(27,821)**	(29,005)
Expenses		
- Distribution	**(34,645)**	(56,640)
- Administrative	**(4,929)**	(316,761)
- Finance	**(189,621)**	(224,784)
Share of loss of associated companies	**(284)**	(250)
Loss before income tax	**(154,539)**	(852,294)
Tax expense	**(52,186)**	(97,797)
Loss after tax from discontinued operations	**(206,725)**	(950,091)
Pre-tax gain recognised on the disposal of subsidiaries	**384,364**	–
Tax expense	**(10,764)**	–
After-tax gain recognised on the disposal of subsidiaries	**373,600**	–
Profit/(loss) for the year from discontinued operations	**166,875**	(950,091)

(b) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2017	2016
	$'000	$'000
Net cash provided by/(used in) operating activities	**335,459**	(428,114)
Net cash provided by/(used in) investing activities	**9,510**	(1,432)
Net cash (used in)/provided by financing activities	**(539,491)**	421,519
Total cash outflows	**(194,522)**	(8,027)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Earnings per share

(a) Basic earnings per share

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

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(27,248)**	(26,128)	**291,124**	(440,371)	**263,876**	(466,499)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**2,239,245**	2,239,245	**2,239,245**	2,239,245	**2,239,245**	2,239,245
Basic earnings per share (cents per share)	**(1.22)**	(1.16)	**13.00**	(19.67)	**11.78**	(20.83)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, net (loss)/profit 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)/profit.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. Earnings per share (continued)

(b) Diluted earnings per share (continued)

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

	Continuing operations		Discontinued operations		Total	
	2017	2016	**2017**	2016	**2017**	2016
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(27,248)**	(26,128)	**291,124**	(440,371)	**263,876**	(466,499)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**2,239,245**	2,239,245	**2,239,245**	2,239,245	**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	**2,239,245**	2,239,245	**2,239,245**	2,239,245
Diluted earnings per share (cents per share)	**(1.22)**	(1.16)	**13.00**	(19.67)	**11.78**	(20.83)

12. Cash and cash equivalents

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

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**50,462**	550,531	**35,995**	1,463
Short-term bank deposits	**8,042**	969,844	**–**	28,405
	58,504	1,520,375	**35,995**	29,868

Cash at bank and short-term bank deposits include an amount of $Nil (2016: $324,824,000) 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	
	2017	2016
	$'000	$'000
Cash and bank balances (as above)	**58,504**	1,520,375
Less: Bank deposits pledged	**–**	(1,977)
Cash and cash equivalents per consolidated statement of cash flows	**58,504**	1,518,398

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Cash and cash equivalents (continued)

Restricted Cash

On 3 November 2017, the Company made a voluntary conditional cash offer (the "Offer") to acquire 100% equity interest in Cogent Holdings Limited for a consideration of $488,070,000 as disclosed in Note 33(a). A restricted bank balance amounting to $140,660,000 is held in an account which is earmarked for the sole purpose of the Offer and is not freely remissible for use by the Group.

Disposal of subsidiaries

The Company has disposed its entire equity interest in the Disposal Group for a sales consideration of $290,046,000 (net of tax). The consideration is recognised as other receivables from a fellow subsidiary as included in Note 13. The effects of the disposal on the cash flows of the Group were:

	Group 2017 $'000
Carrying amounts of assets and liabilities disposed of:	
Cash and cash equivalents	1,145,125
Trade and other receivables	3,849,319
Inventories	1,218,693
Construction contract work-in-progress (Note 15)	158,223
Income tax receivables	1,854
Other current assets	10,139
Available-for-sale financial assets (Note 18)	4,602
Investments in associated companies (Note 20)	3,845
Investment properties (Note 22)	3,455
Property, plant and equipment (Note 23)	2,267,225
Intangible assets (Note 24)	9,523
Deferred expenditure	1,929
Deferred income tax assets (Note 29)	86,928
Total assets	8,760,860
Trade and other payables	2,164,685
Current income tax liabilities	477
Borrowings	6,621,733
Provisions (Note 28(b))	116,040
Deferred income tax liabilities (Note 29)	148
Total liabilities	8,903,083
Net liabilities derecognised	(142,223)
Non-controlling interests	138,700
Net liabilities disposed of	(3,523)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

12. Cash and cash equivalents (continued)

Disposal of subsidiaries (continued)

The aggregate cash outflows arising from the disposal of COSCO Shipyard Group Co., Ltd., COSCO (Nantong) Shipyard Co., Ltd. and COSCO (Dalian) Shipyard Co., Ltd. were:

	Group 2017 $'000
Net liabilities disposed of (as above)	(3,523)
Reclassification of currency translation reserve (Note 31(b)(iii))	(79,799)
Reclassification of fair value reserves (Note 31(b)(iv))	(232)
After-tax gain recognised on the disposal of subsidiaries (Note 10)	373,600
Sales consideration from disposal	290,046
Less: Due from a fellow subsidiary	(290,046)
Less: Cash and cash equivalents in subsidiaries disposed of	(1,145,125)
Add: Bank deposits pledged by subsidiaries disposed of	1,130
Net cash outflow on disposal	(1,143,995)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

13. Trade and other receivables - current

	The Group 2017 $'000	The Group 2016 $'000	The Company 2017 $'000	The Company 2016 $'000
Trade receivables:				
- Non-related parties (i)	**6,033**	527,023	**–**	–
- Fellow subsidiaries	**1,681**	14,347	**–**	–
- Associated companies	**–**	52	**–**	–
	7,714	541,422	**–**	–
Less: Allowance for impairment of receivables				
- Non-related parties	**–**	(41,177)	**–**	–
Trade receivables – net	**7,714**	500,245	**–**	–
Construction contracts due from customers (Note 15):				
- Non-related parties (i)	**–**	4,230,131	**–**	–
Less: Allowance for impairment of receivables				
- Non-related parties	**–**	(488,969)	**–**	–
	–	3,741,162	**–**	–
Other receivables:				
- Non-related parties	**43**	48,111	**–**	2
- Fellow subsidiaries (ii)	**290,134**	1,494	**290,134**	–
- Associated companies (ii)	**–**	58	**–**	–
	290,177	49,663	**290,134**	2
Less: Allowance for impairment of other receivables				
- Non-related parties	**–**	(13,189)	**–**	–
	290,177	36,474	**290,134**	2
Advances paid to suppliers	**–**	250,792	**–**	–
Staff advances	**7**	440	**6**	–
Dividend receivable from				
- Subsidiaries	**–**	–	**–**	57,864
- A fellow subsidiary	**10,946**	–	**10,946**	–
- Associated companies	**–**	2,834	**–**	–
Total	**308,844**	4,531,947	**301,086**	57,866

(i) As at 31 December 2016, certain subsidiaries of the Disposal Group factored trade receivables and construction contracts due from customers with carrying amounts of $1,353,956,000 to banks in exchange for cash. The transactions had been accounted for as collateralised borrowings (Note 27) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

14. Inventories

	The Group	
	2017	2016
	$'000	$'000
Raw materials	**199**	186,894
Work-in-progress	**–**	648,674
Finished goods	**–**	14
	199	835,582

The cost of inventories recognised as an expense and included in "discontinued operations" amounted to $1,290,814,000 (2016: $2,361,463,000). This includes inventories write-down of $46,198,000 (2016: $283,379,000).

15. Construction contract work-in-progress

	The Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**72,408**	199,122
Contract costs incurred during the financial year	**1,117,515**	1,889,578
Contract expenses recognised in profit or loss	**(1,031,363)**	(2,007,804)
Currency translation differences	**(337)**	(8,488)
Disposal of subsidiaries (Note 12)	**(158,223)**	–
End of financial year	**–**	72,408
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**4,424,809**	5,507,510
Less: Progress billings	**(1,513,134)**	(1,364,712)
Currency translation differences	**19,818**	(9,501)
Disposal of subsidiaries	**(2,931,493)**	–
	–	4,133,297
Presented as:		
Due from customers on construction contracts (Note 13)	**–**	4,230,131
Due to customers on construction contracts (Note 26)	**–**	(96,834)
	–	4,133,297
Advances received on construction contracts (Note 26)	**–**	106,346

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. Other current assets

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Deposits	**108**	1,703	**19**	–
Prepayments	**484**	10,188	**446**	100
	592	11,891	**465**	100

17. Trade and other receivables - non-current

	The Group	
	2017	2016
	$'000	$'000
Trade receivables from non-related parties (i)	**–**	283,742
Less: Current portion	**–**	(181,186)
	–	102,556

(i) As at 31 December 2016, breakdown of non-current trade and other receivables relating to the Disposal Group were as follows:

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

- Trade receivables amounting to $246,528,000 were 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 would be repayable in full by 2019. The balance of $70,608,000 due after 31 December 2017 had been presented within non-current trade receivables. The trade receivables were 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 Disposal Group (Note 34(b)).

As at 31 December 2016, the fair values of the non-current trade receivables approximated its carrying amounts, determined from cash flow analyses discounted at market borrowing rates of 2.96% per annum which the directors expected to be available to the Group.

18. Available-for-sale financial assets

	The Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**4,599**	4,890
Currency translation differences	**(58)**	(215)
Fair value gain/(loss) recognised in other comprehensive income (Note 31(b)(iv))	**61**	(76)
Disposal of subsidiaries (Note 12)	**(4,602)**	–
End of financial year	**–**	4,599

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. Available-for-sale financial assets (continued)

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

	The Group	
	2017	2016
	$'000	$'000
Quoted equity shares in a corporation, at fair value	**–**	657
Unquoted equity shares in corporations, at cost		
- A fellow subsidiary	**–**	2,912
- A non-related party	**–**	1,030
	–	3,942
	–	4,599

As at 31 December 2016, the directors had assessed that the range of reasonable fair value measurements was significant and the probabilities of the various estimates could not be reasonably assessed. Therefore, the unquoted equity shares had been measured at cost.

19. Club memberships

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Transferable club memberships, at cost	**363**	531	**245**	273
Currency translation differences	**(5)**	3	**–**	–
Allowance for impairment in value of club memberships	**(211)**	(254)	**(211)**	(225)
	147	280	**34**	48

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

20. Investments in associated companies

	The Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**4,185**	4,854
Currency translation differences	**(56)**	(212)
Share of loss after tax	**(284)**	(250)
Dividends received, net of tax	**–**	(207)
Disposal of subsidiaries (Note 12)	**(3,845)**	–
End of financial year	**–**	4,185

The Group had interests in a number of individually immaterial associates held through the Disposal Group. The following table summarises, in aggregate, the carrying amount and share of loss and other comprehensive loss of these associates that are accounted for using the equity method:

	2017	2016
	$'000	$'000
Carrying amount of interests in immaterial associates	**–**	4,185
Group's share of:		
- Loss from discontinuing operations	**(284)**	(250)
- Other comprehensive loss	**(56)**	(212)
- Total comprehensive loss	**(340)**	(462)

The associated companies as listed below had share capital consisting solely of ordinary shares, which were held directly by the Group. The country of incorporation was also their principal place of business. There were 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	
			2017	2016
			%	%
DMI (Guangzhou) Ltd (i) and (ii)	Overhaul and spare-parts replacement and repair	People's Republic of China ("PRC")	**–**	30
Tru-Marine Cosco (Tianjin) Engineering Co., Ltd. (i) and (ii)	Overhaul and spare-parts replacement and repair	PRC	**–**	40
Diesel Marine International (Nantong) Co., Ltd. (i) and (ii)	Overhaul and spare-parts replacement and repair	PRC	**–**	30
Diesel Marine Dalian Ltd (i) and (ii)	Overhaul and spare-parts replacement and repair	PRC	**–**	30

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

(ii) Disposed during the year due to disposal of the subsidiaries set out in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Investments in subsidiaries

	The Company 2017 $'000	2016 $'000
Unquoted equity shares		
Beginning of financial year	**388,746**	388,746
Disposal of investment in subsidiaries	**(246,139)**	–
	142,607	388,746
Accumulated impairment losses	**(15,968)**	(15,968)
End of financial year	**126,639**	372,778

Movement in accumulated impairment losses are as follows:

	2017 $'000	2016 $'000
Beginning of financial year	**15,968**	16,448
Reversal of impairment charge	**–**	(480)
End of financial year	**15,968**	15,968

As at 31 December 2016, there had 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 ended 31 December 2016.

The Group had the following subsidiaries as at 31 December 2017 and 2016:

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	
			2017 $'000	2016 $'000	**2017 %**	2016 %	**2017 %**	2016 %	**2017 %**	2016 %
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	**–**	–

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For the financial year ended 31 December 2017

21. 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	
			2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
			$'000	$'000	**%**	%	**%**	%	**%**	%
COSCO Shipyard Group Co., Ltd. (iii), (iv) and (vi)	Investment holding, ship repair and marine engineering	People's Republic of China ("PRC")	**–**	191,173	**–**	51	**–**	51	**–**	49
COSCO (Nantong) Shipyard Co., Ltd. (iii), (iv) and (vi)	Ship repair and marine engineering	PRC	**–**	24,670	**–**	50	**–**	75	**–**	25
COSCO (Dalian) Shipyard Co., Ltd. (iii), (iv) and (vi)	Ship repair, ship building and marine engineering	PRC	**–**	30,296	**–**	39	**–**	69	**–**	31
COSCO (Guangdong) Shipyard Co., Ltd. (iii), (iv), (vi) and (vii)	Ship repair, ship building and marine engineering	PRC	**–**	–	**–**	–	**–**	38	**–**	62
COSCO (Zhoushan) Shipyard Co., Ltd. (iii), (iv) and (vi)	Ship repair, ship building and marine engineering	PRC	**–**	–	**–**	–	**–**	51	**–**	49
COSCO (Shanghai) Shipyard Co., Ltd. (iii), (iv), (vi) and (vii)	Ship repair and marine engineering	PRC	**–**	–	**–**	–	**–**	48	**–**	52
COSCO (Qidong) Offshore Co., Ltd. (iii), (iv), (vi) and (vii)	Marine engineering	PRC	**–**	–	**–**	–	**–**	31	**–**	69
COSCO Shipyard Engineering Service (Dalian) Co., Ltd. (formerly known as COSCO Dalian Rikky Ocean Engineering Co., Ltd.) (iii), (vi) and (vii)	Overhaul, repair, commissioning and spare-parts replacement of governor, turbocharger and engine fuel system	PRC	**–**	–	**–**	–	**–**	44	**–**	56
COSCO (Nantong) Clavon Ship Engineering Co., Ltd. (iii), (vi) and (vii)	Ship repair and corrosion control	PRC	**–**	–	**–**	–	**–**	31	**–**	69

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For the financial year ended 31 December 2017

21. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment 2017 $'000	Cost of investment 2016 $'000	Proportion of ordinary shares directly held by the Company 2017 %	Proportion of ordinary shares directly held by the Company 2016 %	Effective shareholding held by the Company 2017 %	Effective shareholding held by the Company 2016 %	Effective shareholding held by non-controlling interests 2017 %	Effective shareholding held by non-controlling interests 2016 %
Zhongxing Sea-Land Engineering Co., Ltd. (iii), (vi) and (vii)	Ship repair	PRC	–	–	–	–	–	26	–	74
COSCO Shipyard Total Automation Co., Ltd. (iii) and (vi)	Design, manufacture, sale and technical service relating to vessels and industrial instruments	PRC	–	–	–	–	–	51	–	49
COSCO (Hongkong) Shipyard Co., Ltd. (iii) and (vi)	Provision of shipyard financing, marketing and sales of shipbuilding and offshore projects	Hong Kong	–	–	–	–	–	51	–	49
Dalian Developer Driling Co., Limited (iii) and (vi)	Leasing, management and sales of offshore projects	Hong Kong	–	–	–	–	–	69	–	31
Cos Fair Shipping Pte Ltd (i) and (v)	Ship owning and ship chartering	Singapore/ Worldwide	–	–	–	–	–	100	–	–
Cos Glory Shipping Inc. (i) and (v)	Ship owning and ship chartering	Panama/ Worldwide	–	–	–	–	–	100	–	–
Hanbo Shipping Limited (ii) and (ix)	Ship owning and ship chartering	Hong Kong/ Worldwide	–	–	–	–	100	100	–	–
Sanbo Shipping Limited (ii) and (x)	Ship owning and ship chartering	Hong Kong/ Worldwide	–	–	–	–	100	100	–	–
Cos Orchid Shipping Pte Ltd (i) and (v)	Ship owning and ship chartering	Singapore/ Worldwide	–	–	–	–	–	100	–	–
Cos Prosperity Shipping Pte Ltd (i) and (v)	Ship owning and ship chartering	Singapore/ Worldwide	–	–	–	–	–	100	–	–
Cos Knight Shipping Maritime Inc. (i) and (v)	Ship owning and ship chartering	Panama/ Worldwide	–	–	–	–	–	100	–	–

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For the financial year ended 31 December 2017

21. 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	
			2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
			$'000	$'000	**%**	%	**%**	%	**%**	%
Cos Lucky Shipping Maritime Inc. (i) and (v)	Ship owning and ship chartering	Panama/ Worldwide	**–**	–	**–**	–	**–**	100	**–**	–
COSCO Engineering Pte Ltd (i) and (viii)	Ship repairing, marine engineering, container repairs and services, fabrication works services and production of marine outfitting components	Singapore	**–**	–	**–**	–	**90**	90	**10**	10
			142,607	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 up to date of disposal for the purpose of preparation of consolidated financial statements of the Group.

(v) Dissolved during the year.

(vi) Disposed during the year as detailed in Note 10.

(vii) As at 31 December 2016, these entities were 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 was less than 50%, these entities were considered indirectly controlled by the Company through the Company's controlling interest in CSG.

(viii) This entity is controlled by the Company's direct subsidiary, COSCO Marine Engineering (Singapore) Pte Ltd.

(ix) This entity was deregistered in January 2018.

(x) This entity is in the process of deregistration.

Significant restrictions

Cash and short-term deposits of $Nil (2016: $1,403,338,000) 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.

Carrying value of non-controlling interests

	2017	2016
	$'000	$'000
COSCO Shipyard Group Co., Ltd. and its subsidiaries	**–**	(16,875)
Other subsidiaries with immaterial non-controlling interests	**1,421**	1,329
	1,421	(15,546)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Investments in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below were the summarised financial information for the Disposal Group, 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. as at 31 December 2016.

During the financial year ended 31 December 2017, the Disposal Group was disposed as detailed in Note 10. The summarised balance sheets and cash flows of the Disposal Group are disclosed in Note 12 and the summarised income statement of the Disposal Group is disclosed in Note 10.

Summarised balance sheet

	2016 $'000
Current	
Assets	6,844,434
Liabilities	(6,466,459)
Total current net assets	377,975
Non-current	
Assets	2,688,747
Liabilities	(3,018,457)
Total non-current net liabilities	(329,710)
Net assets	48,265

Summarised income statement

	2016 $'000
Revenue	2,517,968
Loss before income tax	(852,914)
Income tax expense	(97,797)
Total loss	(950,711)
Other comprehensive loss	(43,094)
Total comprehensive loss	(993,805)
Dividends declared to non-controlling interests	(1,494)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

21. Investments in subsidiaries (continued)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

Summarised cash flows

	2016 $'000
Net cash used in operating activities	(428,114)
Net cash used in investing activities	(2,820)
Net cash provided by financing activities	422,907
Net decrease in cash and cash equivalents	(8,027)
Cash and cash equivalents at beginning of year	1,444,320
Effects of currency translation on cash and cash equivalents	(34,932)
Cash and cash equivalents at end of year	1,401,361

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.

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 was summarised as follows:

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

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For the financial year ended 31 December 2017

22. Investment properties

	The Group	
	2017	2016
	$'000	$'000
Cost		
Beginning of financial year	**23,178**	15,942
Currency translation differences	**(47)**	(196)
Additions	**148**	–
Reclassification from property, plant and equipment (Note 23)	**4,798**	7,432
Disposal of subsidiaries (Note 12)	**(5,224)**	–
End of financial year	**22,853**	23,178
Accumulated depreciation		
Beginning of financial year	**8,503**	5,363
Currency translation differences	**(16)**	(56)
Depreciation charge		
- Continuing operations (Note 5)	**432**	284
- Discontinued operations	**140**	141
Reclassification from property, plant and equipment (Note 23)	**1,777**	2,771
Disposal of subsidiaries (Note 12)	**(1,769)**	–
End of financial year	**9,067**	8,503
Net book value	**13,786**	14,675
Fair values	**31,330**	29,011

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 2017 and 2016, the fair values of the properties have been determined by CBRE Private Limited.

The following amounts are recognised in profit or loss:

	The Group	
	2017	2016
	$'000	$'000
		(restated)
Rental income	**652**	929
Direct operating expenses arising from investment properties that generate rental income	**781**	587

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. 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
2017								
Cost								
Beginning of financial year	1,239,164	57,687	1,022,417	44,101	754,776	1,036,617	9,720	4,164,482
Currency translation differences	(15,895)	(729)	(13,032)	(570)	(43,242)	(13,219)	(116)	(86,803)
Disposal of subsidiaries (Note 12)	(1,202,580)	(55,474)	(1,002,833)	(40,396)	(448,739)	(1,022,361)	(10,962)	(3,783,345)
Additions	–	473	964	462	–	–	7,332	9,231
Disposals	(7,753)	(1,369)	(9,291)	(2,697)	(181,871)	(72)	–	(203,053)
Reclassification to investment properties (Note 22)	(4,798)	–	–	–	–	–	–	(4,798)
Reclassification	1,848	421	4,057	613	–	(965)	(5,974)	–
End of financial year	9,986	1,009	2,282	1,513	80,924	–	–	95,714
Accumulated depreciation and impairment losses								
Beginning of financial year	312,935	50,847	683,535	39,498	195,954	354,350	–	1,637,119
Currency translation differences	(3,844)	(634)	(8,393)	(508)	(10,079)	(4,387)	–	(27,845)
Disposal of subsidiaries (Note 12)	(321,853)	(50,100)	(716,158)	(36,973)	(22,245)	(368,791)	–	(1,516,120)
Depreciation charge								
- Continuing operations (Note 5)	394	55	88	174	4,284	–	–	4,995
- Discontinued operations	26,059	2,127	51,363	1,084	15,238	18,900	–	114,771
Disposals	(4,945)	(1,369)	(8,260)	(2,489)	(138,932)	(72)	–	(156,067)
Reclassification to investment properties (Note 22)	(1,777)	–	–	–	–	–	–	(1,777)
End of financial year	6,969	926	2,175	786	44,220	–	–	55,076
Net book value								
End of financial year	**3,017**	**83**	**107**	**727**	**36,704**	**–**	**–**	**40,638**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. Property, plant and equipment (continued)

The Group (continued)

	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 22)	(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								
- Continuing operations (Note 5)	540	57	141	248	11,288	–	–	12,274
- Discontinued operations	32,860	2,978	67,582	1,494	2,369	23,612	–	130,895
Impairment charge								
- Continuing operations (Note 5)	–	–	–	–	6,608	–	–	6,608
- Discontinued operations	–	–	–	–	–	4,405	–	4,405
Disposals	(196)	(871)	(6,887)	(2,764)	(35,497)	(34)	–	(46,249)
Reclassification to investment properties (Note 22)	(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**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. **Property, plant and equipment** (continued)

The Group (continued)

As at 31 December 2016, the following arose from the Disposal Group:

- Borrowing costs of $7,000 which arose due to financing for the construction of docks and quays were capitalised at an effective interest rate of 4.48%.
- Certain subsidiaries of the Group had secured certain property, plant and equipment with carrying amounts of $277,308,000 to financing institutions in exchange for cash. The transactions had been accounted for as collateralised borrowings as the banks had full recourse to the subsidiaries in the event of default (Note 27).
- An inventory amounting to $453,967,000 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
2017			
Cost			
Beginning of financial year	533	1,122	1,655
Additions	3	–	3
Disposals	–	(607)	(607)
End of financial year	536	515	1,051
Accumulated depreciation			
Beginning of financial year	514	748	1,262
Depreciation charge	11	81	92
Disposals	–	(485)	(485)
End of financial year	525	344	869
Net book value			
End of financial year	**11**	**171**	**182**
2016			
Cost			
Beginning of financial year	528	1,122	1,650
Additions	5	–	5
End of financial year	533	1,122	1,655
Accumulated depreciation			
Beginning of financial year	500	620	1,120
Depreciation charge	14	128	142
End of financial year	514	748	1,262
Net book value			
End of financial year	**19**	**374**	**393**

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For the financial year ended 31 December 2017

24. Intangible assets

	The Group	
	2017	2016
	$'000	$'000
Goodwill arising on consolidation	**–**	9,536
Cost		
Beginning of financial year	**9,536**	9,583
Currency translation differences	**(13)**	(47)
Disposal of subsidiaries (Note 12)	**(9,523)**	–
End of financial year	**–**	9,536
Net book value	**–**	9,536

Impairment tests for goodwill

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

During the financial year ended 31 December 2016, the recoverable amount of a CGU was 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. 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
Growth rate[1]	nil
Discount rate[2]	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 had revealed that the recoverable amount of the CGU was higher than its carrying amount. Hence, there was no impairment charge recognised for the financial year ended 31 December 2016.

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 the financial year ended 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. 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.

26. Trade and other payables

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade payables:				
- Non-related parties	**771**	436,022	**–**	–
- Associated companies	**–**	2,181	**–**	–
- Fellow subsidiaries	**943**	6,244	**–**	–
	1,714	444,447	**–**	–
Construction contracts:				
Advances received (Note 15):				
- Non-related parties	**–**	101,653	**–**	–
- Fellow subsidiaries	**–**	4,693	**–**	–
	–	106,346	**–**	–
Due to customers (Note 15):				
- Non-related parties	**–**	96,834	**–**	–
	–	203,180	**–**	–
Advances from non-related parties	**536**	16,214	**–**	–
Non-trade payables:				
- Subsidiaries	**–**	–	**47,380**	15,040
- Fellow subsidiaries	**38,039**	–	**38,000**	–
	38,039	–	**85,380**	15,040
Deposits received	**302**	13,284	**–**	–
Deferred income	**–**	5,425	**–**	–
Other accruals for operating expenses	**6,179**	1,396,442	**3,745**	2,545
Dividend payable to non-controlling interests of subsidiaries	**–**	16,714	**–**	–
Total	**46,770**	2,095,706	**89,125**	17,585

The non-trade payables to subsidiaries and fellow subsidiaries are unsecured, interest-free and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. Borrowings

	The Group	
	2017	2016
	$'000	$'000
Current		
Bank borrowings (unsecured)	–	2,386,046
Bank borrowings (secured)	–	1,639,115
Loan from a fellow subsidiary (unsecured)	–	188,796
Bills payable	–	83,134
	–	4,297,091
Non-current		
Bank borrowings (unsecured)	–	2,912,394
Loan from a fellow subsidiary (unsecured)	–	105,933
	–	3,018,327
Total borrowings	–	7,315,418

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

	The Group	
	2017	2016
	$'000	$'000
Less than 1 year	–	4,297,091
1 – 5 years	–	3,018,327
	–	7,315,418

(a) Security granted

As at 31 December 2016, total borrowings included secured liabilities of $1,639,115,000 for the Group. Bank borrowings of the Group were secured over certain trade receivables (Note 13), construction contracts due from customers (Note 15) and property, plant and equipment (Note 23) of the Disposal Group.

(b) Loan from a fellow subsidiary

As at 31 December 2016, the loans from a fellow subsidiary of $294,729,000 were unsecured, interest-bearing at an average interest rate of 3.44%. $188,796,000 of the total loan was due in 2016 and the remaining amount of $105,933,000 was due by 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. Borrowings (continued)

(c) Fair values of non-current borrowings

As at 31 December 2016, 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 USD	2016 RMB	2016 EUR
Bank borrowings	2.96%	2.87%	2.18%
Loan from a fellow subsidiary	2.82%	4.52%	–

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

(d) Breach of loan covenants

As at 31 December 2016, certain subsidiaries of the Disposal Group had loan agreements that were subjected to covenant clauses, where certain key financial ratios need to be met. Some of the loan covenant clauses had been breached and the banks were contractually entitled to request for repayment of the outstanding loan amounting to $1,488,354,000. The outstanding balance was presented as a current liability as at 31 December 2016.

28. Provisions

	The Group	
	2017	2016
	$'000	$'000
Provision for off hire claim (Note (a))	**–**	443
Provision for warranties (Note (b))	**–**	38,506
	–	38,949

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

	The Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**443**	1,584
(Reversal)/provision made during the financial year	**(77)**	245
Provision utilised during the financial year	**(332)**	(1,432)
Currency translation differences	**(34)**	46
End of financial year	**–**	443

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. **Provisions** (continued)

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

	The Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**38,506**	54,916
Provision/(reversal) recognised during the financial year	**82,323**	(8,259)
Provision utilised during the financial year	**(4,825)**	(5,768)
Currency translation differences	**36**	(2,383)
Disposal of subsidiaries (Note 12)	**(116,040)**	–
End of financial year	**–**	38,506

The Group provided one to two-year warranties on certain ship building and marine engineering contracts in respect of the Disposal Group and undertakes to repair or rectify defects that fail to perform satisfactorily. A provision was 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.

29. 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	
	2017	2016
	$'000	$'000
Deferred income tax assets:		
- To be recovered within one year	**–**	71,410
- To be recovered after one year	**–**	69,188
	–	140,598
Deferred income tax liabilities:		
- To be settled after one year	**132**	263

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. Deferred income taxes (continued)

Movement in the deferred income tax account is as follows:

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**(140,335)**	(236,644)	**–**	–
Currency translation differences	**2,143**	10,219	**–**	–
Disposal of subsidiaries (Note 12)	**86,780**	–	**–**	–
Deferred tax charged to profit or loss, attributable to:				
- continuing operations	**(1)**	–	**–**	–
- discontinued operations	**51,530**	86,109	**–**	–
Deferred tax charged/(credited) to other comprehensive income (Note 31(b)(iv))	**15**	(19)	**–**	–
End of financial year	**132**	(140,335)	**–**	–

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 $Nil (2016: $481,887,000) 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 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

	Accelerated tax depreciation	Fair value gain - net	Total
	$'000	**$'000**	**$'000**
2017			
Beginning of financial year	133	137	270
Currency translation differences	–	(4)	(4)
Disposal of subsidiaries (Note 12)	–	(148)	(148)
Credited to profit or loss for continuing operations (Note 9)	(1)	–	(1)
Charged to other comprehensive income	–	15	15
End of financial year	**132**	**–**	**132**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. Deferred income taxes (continued)

Deferred income tax liabilities (continued)

	Accelerated tax depreciation $'000	Fair value gain - net $'000	Total $'000
2016			
Beginning of financial year	133	161	294
Currency translation differences	–	(5)	(5)
Credited to other comprehensive income	–	(19)	(19)
End of financial year	**133**	**137**	**270**

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

	The Group	
	2017	2016
	$'000	$'000
Total deferred income tax liabilities	**132**	270
Offsetting of deferred income tax assets from the same tax jurisdiction	**–**	(7)
Total deferred income tax liabilities after appropriate offsetting from the same tax jurisdiction	**132**	263

Deferred income tax assets

	Provisions and accruals $'000	Tax losses $'000	Total $'000
2017			
Beginning of financial year	(134,873)	(5,732)	(140,605)
Currency translation differences	2,086	61	2,147
Disposal of subsidiaries (Note 12)	79,277	7,651	86,928
Charged/(credited) to profit or loss for discontinued operations (Note 9)	53,510	(1,980)	51,530
End of financial year	**–**	**–**	**–**
2016			
Beginning of financial year	(184,140)	(52,798)	(236,938)
Currency translation differences	8,003	2,221	10,224
Charged to profit or loss for discontinued operations (Note 9)	41,264	44,845	86,109
End of financial year	**(134,873)**	**(5,732)**	**(140,605)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

29. Deferred income taxes (continued)

Deferred income tax assets (continued)

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

	The Group	
	2017	2016
	$'000	$'000
Total deferred income tax assets	**–**	(140,605)
Offsetting of deferred income tax liabilities from the same tax jurisdiction	**–**	7
Total deferred income tax assets after appropriate offsetting from the same tax jurisdiction	**–**	(140,598)

30. Share capital

	Issued share capital	
	No. of ordinary shares '000	**Amount $'000**
2017		
Beginning and end of financial year	**2,239,245**	**270,608**
2016		
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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Share capital (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Share capital (continued)

Share options (continued)

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 2017

	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
2007 Options	2,800	(2,800)	–	2.48	5.2.2008 - 4.2.2017
2008 Options	6,750	(6,030)	720	2.95	24.3.2009 - 23.3.2018
	9,550	(8,830)	720		

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		

As at 31 December 2017 and 2016, all outstanding options are exercisable. There was no share option issued in 2017 and 2016. 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 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Statutory and other reserves

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
(a) Composition:				
Share option reserve	**44,578**	44,578	**44,578**	44,578
Statutory reserve	**–**	245,679	**–**	–
Currency translation reserve	**(63,605)**	20,922	**–**	–
Fair value reserve	**–**	208	**–**	–
Other reserve	**69**	472	**527**	527
	(18,958)	311,859	**45,105**	45,105

	The Group		The Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
(b) Movements:				
(i) Share option reserve				
Beginning and end of financial year	**44,578**	44,578	**44,578**	44,578

	The Group	
	2017	2016
	$'000	$'000
(ii) Statutory reserve		
Beginning of financial year	**245,679**	243,185
Disposal of subsidiaries	**(245,812)**	–
Transfer from retained earnings	**133**	2,494
End of financial year	**–**	245,679
(iii) Currency translation reserve		
Beginning of financial year	**20,922**	40,519
Reclassification on disposal of subsidiaries (Note 12)	**(79,799)**	–
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	**(2,327)**	(40,446)
Non-controlling interests	**(2,401)**	20,849
End of financial year	**(63,605)**	20,922

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. Statutory and other reserves (continued)

	The Group	
	2017	2016
	$'000	$'000
(b) Movements: (continued)		
(iv) Fair value reserve		
Beginning of financial year	**208**	237
Reclassification on disposal of subsidiaries (Note 12)	**(232)**	–
Fair value gain/(loss) for available-for-sale financial asset (Note 18)	**61**	(76)
Deferred tax (charged)/credited to other comprehensive income (Note 29)	**(15)**	19
	46	(57)
Non-controlling interests	**(22)**	28
End of financial year	**–**	208
(v) Other reserve		
Beginning of financial year	**472**	319
Disposal of subsidiaries	**(403)**	–
Changes in ownership interests in subsidiaries - acquisition of additional interests in subsidiaries	**–**	153
End of financial year	**69**	472

Statutory reserve represented the amount set aside in compliance with the local laws in the PRC where the subsidiaries of the Disposal Group reside.

Statutory and other reserves are non-distributable.

32. Dividends

No dividend will be recommended at the Annual General Meeting scheduled on 27 April 2018. No dividend was declared for the financial year ended 31 December 2016.

33. 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	
	2017	2016
	$'000	$'000
Property, plant and equipment	**–**	11,503
Commitment for an acquisition (Note 38(i))	**488,070**	–
Investment in an associated company (Note 38(ii))	**13,953**	–
	502,023	11,503

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Commitments (continued)

(b) Operating lease commitments – where the Group is a lessee

As at 31 December 2016, the Group leased various office premises, docks and quays from non-related parties and related parties under non-cancellable operating lease agreements.

As at 31 December 2017, the Group leased various office premises from non-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	
	2017	2016
	$'000	$'000
Not later than 1 year	**182**	10,002
Later than 1 year but not later than 5 years	**763**	32,771
Later than 5 years	**48**	24,332
	993	67,105

(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	
	2017	2016
	$'000	$'000
Not later than 1 year	**3,190**	5,480
Later than 1 year but not later than 5 years	**4,759**	–
Later than 5 years	**151**	–
	8,100	5,480

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. 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. In respect of the previous year ended 31 December 2016, currency exposure to the net assets of the Group's foreign operations in the People's Republic of China was managed primarily through borrowings denominated in RMB and USD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. 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 2017					
Financial assets					
Cash and cash equivalents and available-for-sale financial assets	13,302	45,201	1	–	58,504
Restricted cash	140,660	–	–	–	140,660
Trade and other receivables, excluding advances paid to suppliers	6,602	1,156	301,086	–	308,844
Receivables from subsidiaries	22,000	25,380	–	–	47,380
Other financial assets	108	–	–	–	108
	182,672	71,737	301,087	–	555,496
Financial liabilities					
Payables by subsidiaries	22,000	25,380	–	–	47,380
Other financial liabilities	43,753	2,481	–	–	46,234
	65,753	27,861	–	–	93,614
Net financial assets	116,919	43,876	301,087	–	461,882
Less: Net financial assets denominated in the respective entities' functional currencies	(115,483)	(36,742)	–	–	
Currency exposure	**1,436**	**7,134**	**301,087**	**–**	

* Others mainly include Euro, Norwegian Kronor and Japanese Yen.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. 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 (continued):

	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 2017

34. 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:

	2017				2016			
	SGD $'000	**USD $'000**	**RMB $'000**	**Total $'000**	SGD $'000	USD $'000	RMB $'000	Total $'000
Financial assets								
Cash and cash equivalents	**4,181**	**31,813**	**1**	**35,995**	7,652	22,215	1	29,868
Restricted cash	**140,660**	**–**	**–**	**140,660**	–	–	–	–
Trade and other receivables	**–**	**–**	**301,086**	**301,086**	1	14,483	43,382	57,866
Other financial assets	**19**	**–**	**–**	**19**	–	–	–	–
	144,860	**31,813**	**301,087**	**477,760**	7,653	36,698	43,383	87,734
Financial liabilities								
Other financial liabilities	**63,745**	**25,380**	**–**	**89,125**	17,545	–	40	17,585
Net financial assets/ (liabilities)	**81,115**	**6,433**	**301,087**	**388,635**	(9,892)	36,698	43,343	70,149
Less: Net financial (assets)/ liabilities denominated in the entity's functional currency	**(81,115)**	**–**	**–**		9,892	–	–	
Currency exposure	**–**	**6,433**	**301,087**		–	36,698	43,343	

If the USD changes against the SGD and RMB, and RMB changes against the SGD, by 100 basis points (2016: 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)	
	2017 Profit after tax $'000	2016 Loss after tax $'000
The Group		
USD against SGD		
- Strengthened	**35**	(594)
- Weakened	**(35)**	594
USD against RMB		
- Strengthened	**–**	11,562
- Weakened	**–**	(11,562)
RMB against SGD		
- Strengthened	**12,167**	–
- Weakened	**(12,167)**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

	Increase/(decrease)	
	Profit after tax	Profit after tax
	$'000	$'000
The Company		
USD against SGD		
- Strengthened	**40**	1,052
- Weakened	**(40)**	(1,052)
RMB against SGD		
- Strengthened	**12,167**	8,649
- Weakened	**(12,167)**	(8,649)

(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.

As at 31 December 2017, the Group has no borrowings.

As at 31 December 2016, the Group's interest rate risk mainly arose from borrowings at variable rates related to the Disposal Group. The Group monitored the interest rates on borrowings closely to ensure that the borrowings were maintained at favourable rates and would use derivative financial instruments to hedge their exposures when the exposure was significant.

As at 31 December 2016, the Group's borrowings at variable rates on which effective hedges had not been entered into, were denominated in USD. If the USD interest rates had increased/decreased by 0.5% with all other variables including tax rate being held constant, the loss after tax would had been higher/lower by $19,001,000 as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. 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 with respect to trade receivables. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

As at 31 December 2016, certain subsidiaries of the Group had obtained 4 vessels and 2 jack up rigs valued at $463,180,000 from their debtors as collateral to secure outstanding trade receivables of $254,058,000. 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 as at 31 December 2017 and 2016. 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 other receivables of the Group and of the Company comprise 1 debtor, (2016: Nil) which is a fellow subsidiary, and it represents 99% of other receivables. This is in relation to the sale of the Disposal Group as disclosed in Note 10.

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 staff advances, amount due from fellow subsidiaries 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	
	2017	2016
	$'000	$'000
By business segments		
Ship repair, ship building and marine engineering	**6,405**	4,380,601
Shipping	**1,157**	3,103
Others*	**301,282**	7
	308,844	4,383,711

*Included in others are consideration for the sale of the Disposal Group due from a fellow subsidiary amounting to $290,046,000 as disclosed in Note 12 and dividend receivable from a fellow subsidiary amounting to $10,946,000 as disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. 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	
	2017	2016
	$'000	$'000
Past due 0 to 3 months	**2,373**	2,670
Past due 3 to 6 months	**66**	105,720
Past due over 6 months	**1,457**	106,110
	3,896	214,500

As at 31 December 2017, the Group has recognised allowance for impairment of trade and other receivables amounting to $Nil (2016: $543,335,000).

The movement in the allowance for impairment in respect of these trade and other receivables are as follows:

	The Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**543,335**	424,967
Currency translation differences	**(7,780)**	(19,009)
(Reverse)/allowance made	**(93,536)**	180,282
Allowance utilised	**(31,679)**	(42,905)
Disposal of subsidiaries	**(410,340)**	–
End of financial year	**–**	543,335

Further information relating to the allowance for impairment of trade and other receivables is given in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. 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 2017			
Other financial liabilities	**(46,234)**	**–**	**–**
At 31 December 2016			
Other financial liabilities	(1,871,330)	–	–
Borrowings	(4,466,748)	(3,105,886)	–
The Company			
At 31 December 2017			
Other financial liabilities	**(89,125)**	**–**	**–**
At 31 December 2016			
Other financial liabilities	(17,585)	–	–

(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 62.0% per annum for the current financial year ended 31 December 2017 (2016: - 80.6% per annum).

The return on shareholders' fund is calculated as net profit/(loss) attributable to equity holders of the Company divided by average shareholders' equity.

Except as disclosed in Note 27 (d), the Group and the Company were in compliance with all externally imposed capital requirements for the financial year ended 31 December 2016.

The Group and Company are not exposed to any externally imposed capital requirements for the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. 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**

There were no transfers between Levels 1 and 2 during financial year ended 31 December 2016.

The available-for-sale financial assets were disposed with the sale of Disposal Group during the financial year ended 31 December 2017.

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.

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 18 to the financial statements, except for the following:

	The Group		**The Company**	
	2017 $'000	2016 $'000	**2017 $'000**	2016 $'000
Loans and receivables	**508,116**	5,905,789	**477,760**	87,734
Financial liabilities at amortised cost	**46,234**	9,186,748	**89,125**	17,585

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. Financial risk management (continued)

(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.

35. Immediate and ultimate holding corporation

The Company's immediate holding corporation is China Ocean Shipping (Group) Company, incorporated in the People's Republic of China ("PRC"). The Company's ultimate holding corporation is China COSCO Shipping Corporation Limited, incorporated in PRC.

36. 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. For the purpose of the related party transactions disclosures, the Group applies the exemption on disclosure of related parties transactions as allowed under FRS 24.

The transactions conducted with government-related entities are based on terms agreed between the parties.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

36. Related party transactions (continued)

(a) (continued)

Continuing operations

	The Group	
	2017	2016
	$'000	$'000
Revenue		
Sales to fellow subsidiaries	**2,630**	2,654
Sales of property, plant and equipment to a fellow subsidiary	**103**	–
Rental income received/receivable from fellow subsidiaries	**386**	776
Rental income received/receivable from related parties	**62**	51
Time charter revenue received/receivable from a fellow subsidiary	**395**	203
Service income received from fellow subsidiaries	**772**	12
Commission received/receivable from a fellow subsidiary	**14**	–
Expenditure		
Purchases from fellow subsidiaries	**2,690**	7,324
Purchases from associated companies	**19**	16
Rental paid/payable to fellow subsidiaries	**979**	188
Crew wages paid/payable to fellow subsidiaries	**4,429**	8,715
Service expenses paid/payable to fellow subsidiaries	**93**	121
Insurance premium paid/payable to a fellow subsidiary	**144**	152
Commission paid/payable to fellow subsidiaries	**119**	12

	The Group	
	2017	2016
	$'000	$'000
Commitments		
Operating lease commitments with fellow subsidiaries where the Group is a lessor	**–**	36

Outstanding balances as at 31 December 2017, arising from sales or purchases of goods and services and receivables/payables from/to fellow subsidiaries, are set out in Notes 13 and 26 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

36. Related party transactions (continued)

(a) (continued)

Discontinued operations

	The Group	
	2017	2016
	$'000	$'000
Revenue		
Sales to fellow subsidiaries	**49,058**	45,022
Sales to associated companies	**43**	84
Rental income received/receivable from fellow subsidiaries	**1,203**	275
Rental income received/receivable from associated companies	**5**	7
Service income received from ultimate holding corporation	**842**	943
Service income received from fellow subsidiaries	**395**	467
Interest received/receivable from a fellow subsidiary	**1,186**	2,497
Expenditure		
Purchases from fellow subsidiaries	**20,729**	30,754
Purchases from associated companies	**517**	767
Rental paid/payable to fellow subsidiaries	**19,951**	229
Sub-contractor costs paid/payable to fellow subsidiaries	**13,352**	10,299
Sub-contractor costs paid/payable to associated companies	**1,199**	3,397
Service expenses paid/payable to fellow subsidiaries	**10**	96
Service expenses paid/payable to an associated company	**5**	834
Service expenses paid/payable to related parties	**–**	92
Interest paid/payable to a fellow subsidiary	**10,780**	12,254

	The Group	
	2017	2016
	$'000	$'000
Commitments		
Operating lease commitments with an associated company where the Group is a lessor	**–**	5

(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 2017 and 2016. The share options granted previously were given on the same terms and conditions as those offered to other employees of the Company (Note 30). There were no outstanding number of share options granted to key management of the Group at the end of the financial years 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

36. Related party transactions (continued)

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2017	2016
	$'000	$'000
Salaries and other short-term benefits	**1,631**	2,569
Directors' fees of the Company	**244**	244
Employer's contribution to defined contribution plans including Central Provident Fund	**8**	10
	1,883	2,823

Included in the above was total compensation to directors of the Company amounting to $1,631,000 (2016: $ 2,567,000).

37. 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 continuing operations relate to segments in Singapore which derive revenue from shipping, ship repair and marine engineering.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

37. Segment information (continued)

The segment information provided to the key management for the reportable segments is as follows:

	Shipping $'000	Ship repair, and marine engineering activities $'000	All other segments $'000	Total for continuing operations $'000
Financial year ended 31 December 2017				
The Group				
Sales				
- External sales	26,739	9,880	567	37,186
- Inter-segment sales	–	1	45,907	45,908
	26,739	9,881	46,474	83,094
Elimination				(45,908)
				37,186
Segment results	(14,494)	2,271	(15,495)	(27,718)
Interest income				1,069
Loss before income tax				(26,649)
Income tax expense				(406)
Net loss				(27,055)
Other segment items				
Capital expenditure				
- Property, plant and equipment	6	45	16	67
- Investment property	–	–	148	148
Amortisation of deferred expenditure	–	37	–	37
Depreciation of investment properties and property, plant and equipment	4,373	436	618	5,427
Segment assets/ Consolidated total assets	53,910	16,990	493,236	564,136
Segment liabilities	2,481	2,166	42,123	46,770
Current income tax liabilities				612
Deferred income tax liabilities				132
Consolidated total liabilities				47,514
Consolidated net assets				516,622

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

37. Segment information (continued)

	Shipping $'000 (restated)	Ship repair, and marine engineering activities $'000 (restated)	All other segments $'000 (restated)	Total for continuing operations $'000 (restated)
Financial year ended 31 December 2016				
The Group				
Sales				
- External sales	29,703	9,994	808	40,505
- Inter-segment sales	–	495	15,040	15,535
	29,703	10,489	15,848	56,040
Elimination				(15,535)
				40,505
Segment results	(19,170)	1,024	(8,120)	(26,266)
Interest income				795
Loss before income tax				(25,471)
Income tax expense				(522)
Net loss				(25,993)
Other segment items				
Capital expenditure				
- Property, plant and equipment	2,219	23,837	14	26,070
Amortisation of deferred expenditure	–	37	–	37
Depreciation of investment properties and property, plant and equipment	11,409	486	663	12,558
Allowance for impairment of property, plant and equipment	6,608	–	–	6,608
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

Sales between segments are carried out at terms agreed between the relevant parties. 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 2017

37. Segment information (continued)

Geographical information

The Group's continuing business segment mainly operate in 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 from continuing operations		Non-current assets	
	2017	2016	**2017**	2016
	$'000	$'000 (restated)	**$'000**	$'000
People's Republic of China	**–**	–	**–**	2,697,252
Singapore*	**37,186**	40,505	**55,337**	109,339
	37,186	40,505	**55,337**	2,806,591

* 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.

No single external customer has sales which exceed 10% of the Group's total sales for continuing operations for the financial years ended 31 December 2017 and 31 December 2016.

38. Events occurring after balance sheet date

(i) On 3 November 2017, the Company made a voluntary conditional cash offer (the "Offer") to acquire 100% equity interest in Cogent Holdings Limited ("Cogent") for a consideration of $488,070,000. As at 31 December 2017, the Offer remains conditional to the satisfaction of certain criteria.

On 26 December 2017, the Company entered into a credit facility with the Bank of China Limited for an amount up to $350,000,000, to partially finance the purchase consideration. No amounts were drawn as at 31 December 2017. On 2 January 2018, the credit facility was drawn down partially for an amount of $327,649,000.

On 2 January 2018, the Offer turned unconditional and the Company acquired more than 90% of the issued shares of Cogent. On 6 March 2018, the Company has completed the compulsory acquisition and Cogent has become a wholly-owned subsidiary of the Company.

(ii) On 3 November 2017, the Company entered into a Share Sale and Purchase Agreement with a related company, COSCO SHIPPING (South East Asia) Pte Ltd, to acquire approximately 40% equity interest in PT. Ocean Global Shipping for a consideration of $13,953,371. As at 31 December 2017, conditions precedent to the completion of the acquisition have not been fully satisfied.

On 2 February 2018, the Company completed the acquisition of PT. Ocean Global Shipping.

(iii) On 1 January 2018, the Company entered into a loan agreement with a fellow subsidiary to convert the non-trade payables of $38,000,000 disclosed in Note 26 into a loan. The loan is unsecured, interest bearing at 2.38% per annum and repayable on 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

39. Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

Singapore-incorporated companies listed on the Singapore Exchange are required to apply a new financial reporting framework identical to the IFRS, Singapore Financial Reporting Standards (International) (SFRS(I)s), for annual periods beginning on or after 1 January 2018.

The Group has adopted SFRS(I)s on 1 January 2018 and as a result, the Group's financial statements for the financial year ending 31 December 2018 will be prepared in accordance with SFRS(I)s.

In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group expects that the adoption of SFRS(I)s will have no material impact on the financial statements in the year of initial application.

In addition to the adoption of SFRS(I)s, the following SFRS(I)s, and amendments and interpretations of SFRS(I)s that are relevant to the Group and the Company are effective on or after the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 16 *Leases*
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

The management anticipates that the adoption of the above standards and interpretations in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise 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. Specifically, the standard introduces a 5-step approach to revenue recognition:

- 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

39. Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards (continued)

SFRS(I) 15 *Revenue from Contracts with Customers* (continued)

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

SFRS(I) 15 will take effect from financial years beginning on or after 1 January 2018. In accordance with the requirements of SFRS(I) 1, the Group will adopt SFRS(I) 15 retrospectively. The Group is currently finalising the transition adjustments.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. SFRS(I) 9 also introduces expanded disclosure requirements and changes in presentation. The adoption of SFRS(I) 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

SFRS(I) 9 will take effect from financial years beginning on or after 1 January 2018. The Group plans to elect to apply the short-term exemption under SFRS(I) 1, which exempt the Group from applying SFRS(I) 9 to comparative information. The Group is currently finalising the transition adjustments.

SFRS(I) 16 *Leases*

SFRS(I) 16 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.

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 SFRS(I) 16.

The standard also introduces expanded disclosure requirements and changes in presentation.

SFRS(I) 16 will take effect from financial years beginning on or after 1 January 2019.

The standard will affect primarily the accounting for the Group's operating leases. The future minimum rental expense payable under significant non-cancellable leases is disclosed in Note 33. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

40. Comparative figures

The comparative figures in the Consolidated Profit or Loss and related comparative notes to accounts have been restated as a result of the disposal of subsidiaries detailed in Note 10.

Group	**2016 As reclassified $'000**	2016 As previously reported $'000
Continuing operations		
Sales	**40,505**	2,557,359
Cost of sales	**(46,509)**	(2,874,690)
Gross loss	**(6,004)**	(317,331)
Other income	**2,160**	88,633
Other gains and losses	**(2,803)**	(31,808)
Expenses		
- Distribution	**(497)**	(57,137)
- Administrative	**(18,327)**	(335,088)
- Finance	**–**	(224,784)
Share of loss of associated companies	**–**	(250)
Loss before income tax	**(25,471)**	(877,765)
Income tax expense	**(522)**	(98,319)
Loss from continuing operations	**(25,993)**	(976,084)
Discontinued operations		
Loss from discontinued operations	**(950,091)**	–
Net loss	**(976,084)**	(976,084)

41. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of COSCO SHIPPING International (Singapore) Co., Ltd. on 9 March 2018.

FIVE-YEAR SUMMARY

	Note	2013 $'000 (Restated)	2014 $'000 (Restated)	2015 $'000 (Restated)	2016 $'000 (Restated)	2017 $'000
PROFIT OR LOSS						
Continuing operations						
Sales		73,099	70,846	53,137	40,505	37,186
Profit/(loss) before income tax		613	8,108	(2,560)	(25,471)	(26,649)
Income tax expense		(545)	(627)	(880)	(522)	(406)
Profit/(loss) from continuing operations		68	7,481	(3,440)	(25,993)	(27,055)
Discontinued operations						
Profit/(loss) from discontinued operations		52,717	18,796	(911,395)	(950,091)	166,875
Total profit/(loss)		52,785	26,277	(914,835)	(976,084)	139,820
Profit/(loss) attributable to:						
Equity holders of the Company		30,615	20,893	(569,958)	(466,499)	263,876
Non-controlling interests		22,170	5,384	(344,877)	(509,585)	(124,056)
		52,785	26,277	(914,835)	(976,084)	139,820
Profit/(loss) attributable to equity holders of the Company relates to:						
(Loss)/profit from continuing operations		(192)	7,110	(3,812)	(26,128)	(27,248)
Profit/(loss) from discontinued operations		30,807	13,783	(566,146)	(440,371)	291,124
		30,615	20,893	(569,958)	(466,499)	263,876
Dividend	1	22,392	11,196	–	–	–

Notes:

1. No dividend has been declared/recommended for the financial year ended 31 December 2017.
2. The comparative figures in the Profit or Loss have been restated as a result of the disposal of subsidiaries in the financial year ended 31 December 2017.

FIVE-YEAR SUMMARY

	Note	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000
BALANCE SHEET						
Share capital		270,608	270,608	270,608	270,608	270,608
Statutory and other reserves		245,139	284,328	328,838	311,859	(18,958)
Retained earnings/ (accumulated loss)		820,027	812,819	222,586	(246,407)	263,551
Non-controlling interests		839,307	861,750	517,951	(15,546)	1,421
Total equity		2,175,081	2,229,505	1,339,983	320,514	516,622
Trade and other receivables		36,874	4,377	–	102,556	–
Available-for-sale financial assets		4,391	4,841	4,890	4,599	–
Club memberships		303	303	311	280	147
Investment in associated companies		4,826	4,736	4,854	4,185	–
Investment properties		11,293	10,990	10,579	14,675	13,786
Property, plant and equipment		2,227,868	2,267,057	2,307,323	2,527,363	40,638
Intangible assets		9,539	9,564	9,583	9,536	–
Deferred expenditure		3,066	3,029	2,980	2,799	766
Deferred income tax assets		225,212	267,901	236,932	140,598	–
Current assets		6,211,360	7,372,499	7,777,241	6,974,136	508,799
Current liabilities		(4,702,660)	(5,172,565)	(6,467,535)	(6,441,623)	(47,382)
Non-current liabilities		(1,856,991)	(2,543,227)	(2,547,175)	(3,018,590)	(132)
Net assets		2,175,081	2,229,505	1,339,983	320,514	516,622
RATIOS						
Basic earnings per share from continuing operations (cents)	1	–	0.3	(0.2)	(1.1)	(1.2)
Basic earnings per share from discontinued operations (cents)	2	1.4	0.6	(25.3)	(19.7)	13.0
Dividend per share (cents)		1.0	0.5	–	–	–
Dividend cover (times)	3	1.4	1.9	–	–	–
Net tangible assets per share (cents)		59.2	60.7	36.3	14.6	23.0
Gearing ratio (net of cash)	4	1.3	2.5	6.0	17.2	Net cash

Notes:

1. Basic earnings per share from continuing operations is calculated as net profit/(loss) from continuing operations attributable to equity holders of the company divided by the weighted average number of ordinary shares issued in the financial year.

2. Basic earnings per share from discontinued operations is calculated as net profit/(loss) from discontinued operations attributable to equity holders of the company divided by the weighted average number of ordinary shares issued in the financial year.

3. The dividend cover is calculated as net profit attributable to equity holders of the Company divided by the amount of equity dividend.

4. Gearing ratio is derived by taking total borrowings (net of cash) over the shareholders' funds.

SHAREHOLDING STATISTICS

As at 9 March 2018

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 9 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	27	0.09	772	0.00
100 - 1,000	2,348	7.42	2,281,737	0.10
1,001 - 10,000	17,370	54.90	98,354,003	4.39
10,001 - 1,000,000	11,840	37.42	594,742,554	26.56
1,000,001 and above	53	0.17	1,543,865,888	68.95
Total	**31,638**	**100.00**	**2,239,244,954**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 9 MARCH 2018

	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 9 MARCH 2018

	SHAREHOLDER'S NAME	NO. OF SHARES	%
1	CHINA OCEAN SHIPPING COMPANY	1,194,565,488	53.35
2	CITIBANK NOMINEES SINGAPORE PTE LTD	63,498,308	2.84
3	DBS NOMINEES PTE LTD	49,400,015	2.21
4	UNITED OVERSEAS BANK NOMINEES PTE LTD	26,526,511	1.18
5	UOB KAY HIAN PTE LTD	19,702,300	0.88
6	RAFFLES NOMINEES (PTE) LTD	17,852,988	0.80
7	OCBC SECURITIES PRIVATE LTD	16,777,524	0.75
8	PHILLIP SECURITIES PTE LTD	14,149,394	0.63
9	OCBC NOMINEES SINGAPORE PTE LTD	13,416,869	0.60
10	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	13,243,837	0.59
11	MAYBANK KIM ENG SECURITIES PTE LTD	8,067,932	0.36
12	HSBC (SINGAPORE) NOMINEES PTE LTD	7,868,722	0.35
13	CHUA LIAK CHNG SC	7,064,000	0.32
14	LIM & TAN SECURITIES PTE LTD	6,505,500	0.29
15	ARIFIN @ LIE TJONG TJIN @ LIE CHANG CHIN	6,000,000	0.27
16	HUI SHUNE MING @ HUI SHUN MENG	5,600,000	0.25
17	LEE FOOK CHOY	5,366,000	0.24
18	DBSN SERVICES PTE LTD	5,340,169	0.24
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,004,850	0.22
20	SEE SEE MENG	5,000,000	0.22
	Total	**1,490,950,407**	**66.59**

Note: The percentages are computed based on 2,239,244,954 ordinary shares as at 9 March 2018.

SHARES HELD BY PUBLIC

Based on the information available and to the best knowledge of the Company as at 9 March 2018, 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 Marina Bay Sands (MBS) Sands Expo & Convention Centre, Level 3 Cassia Ballroom 3201A-3 & 3301A-3 on Friday, 27 April 2018 at 2:00 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 2017 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 2017. (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. Mr Wang Yu Hang *(See Explanatory Note 1)* **(Resolution 3)**
   b. Mr Er Kwong Wah *(See Explanatory Note 2)* **(Resolution 4)**

4. To note the retirement of Mr Tom Yee Lat Shing as a director pursuant to Article 98 of the Constitution of the Company *(See Explanatory Note 3)*.

5. To re-appoint Messrs. PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modifications:

6. General Mandate to authorise the Directors to issue shares or convertible securities: **(Resolution 6)**

   "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 (excluding treasury shares and subsidiary holdings, if any) 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 (excluding treasury shares and subsidiary holdings, if any) shall be calculated based on the issued shares in the capital (excluding treasury shares and subsidiary holdings, if any) 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 4)*

7. To transact any other business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Tan Wee Sin
Company Secretary

Singapore, 5 April 2018

Explanatory Notes on Business to be transacted

1. Mr Wang Yu Hang will, upon re-election as a Director, remain as a member of the Strategic Development Committee of the Company.

2. Mr Er Kwong Wah will, upon re-election as a Director, remain as the Chairman of the Remuneration Committee and a member of the Enterprise Risk Management, Audit, Nominating and Strategic Development Committees of the Company; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

3. Mr Tom Yee has indicated that he will not be seeking re-election as a Director of the Company and will retire at the conclusion of the AGM. Upon Mr Tom Yee's retirement, he will cease as Chairman of the Audit Committee and a member of the Enterprise Risk Management, Nominating, Remuneration and Strategy Development Committees.

4. Ordinary Resolution 6 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 (excluding treasury shares and subsidiary holdings, if any) 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 (excluding treasury shares and subsidiary holdings, if any) 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.

NOTICE OF ANNUAL GENERAL MEETING

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/she specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

iii. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

*__Relevant Intermediary__ is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) 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; or

(b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) 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.

iv. 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).

v. 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.

vi. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney 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.

vii. 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.

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 SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 196100159G)

ANNUAL GENERAL MEETING PROXY FORM

Important:
1. For investors who have used their CPF/SRS monies to buy the Company's shares, this Annual Report is sent to them at the request of their CPF/SRS Approved Nominees solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS investors who wish to vote should contact their CPF/SRS Approved Nominees.

I/We ______________________________ NRIC/Passport No. ____________________

of ____

being a member of COSCO SHIPPING International (Singapore) Co., Ltd. (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 Marina Bay Sands (MBS) Sands Expo & Convention Centre, Level 3 Cassia Ballroom 3201A-3 & 3301A-3 on Friday, 27 April 2018 at 2:00 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 2017 and the Reports of the Directors and the Auditors thereon.		
2.	To approve payment of Directors' Fees.		
3.	To re-elect Mr Wang Yu Hang, who is retiring under Article 98 of the Constitution of the Company.		
4.	To re-elect Mr Er Kwong Wah, who is retiring under Article 98 of the Constitution of the Company.		
5.	To re-appoint Messrs. PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap 50.		

Dated this ____________ day of ____________________ 2018

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 member (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 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.

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 member 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 member 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.

GENERAL:

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 appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (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 an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 5 April 2018.

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