



SINGAPORE

COSCO CORPORATION (SINGAPORE) LIMITED



ANNUAL REPORT

2015

CONTENTS

COSCO OVERVIEW

01	Corporate Profile
02	Corporate Structure
04	Financial Highlights
06	Significant Developments
10	Our Major Shipyards
11	Major Deliveries in 2015

KEY MESSAGES

14	Message from the Chairman
18	Interview with Vice Chairman and President

OPERATIONS AND FINANCIAL REVIEW

24	Ship Repair, Ship Building and Marine Engineering
27	Dry Bulk Shipping and Others
28	Group Financial Review

CORPORATE GOVERNANCE AND TRANSPARENCY

32	Corporate Governance
51	Corporate Information
52	Board of Directors
58	Key Management
60	Investor Relations
62	Risk Management

INSIDE COSCO AND CORPORATE CITIZENSHIP

68	Research and Development
70	Human Resource and Workplace Safety
72	Corporate Social Responsibility

FINANCIAL STATEMENTS

74	Directors' Statement
79	Independent Auditor's Report
80	Consolidated Profit or Loss
81	Consolidated Statement of Comprehensive Income
82	Balance Sheets
83	Consolidated Statement of Changes in Equity
84	Consolidated Statement of Cash Flows
85	Notes to the Financial Statements
155	Five-Year Summary
156	Shareholding Statistics
157	Notice of Annual General Meeting
	Proxy Form for Annual General Meeting
	Notes for Proxy Form

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CORPORATE PROFILE



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

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

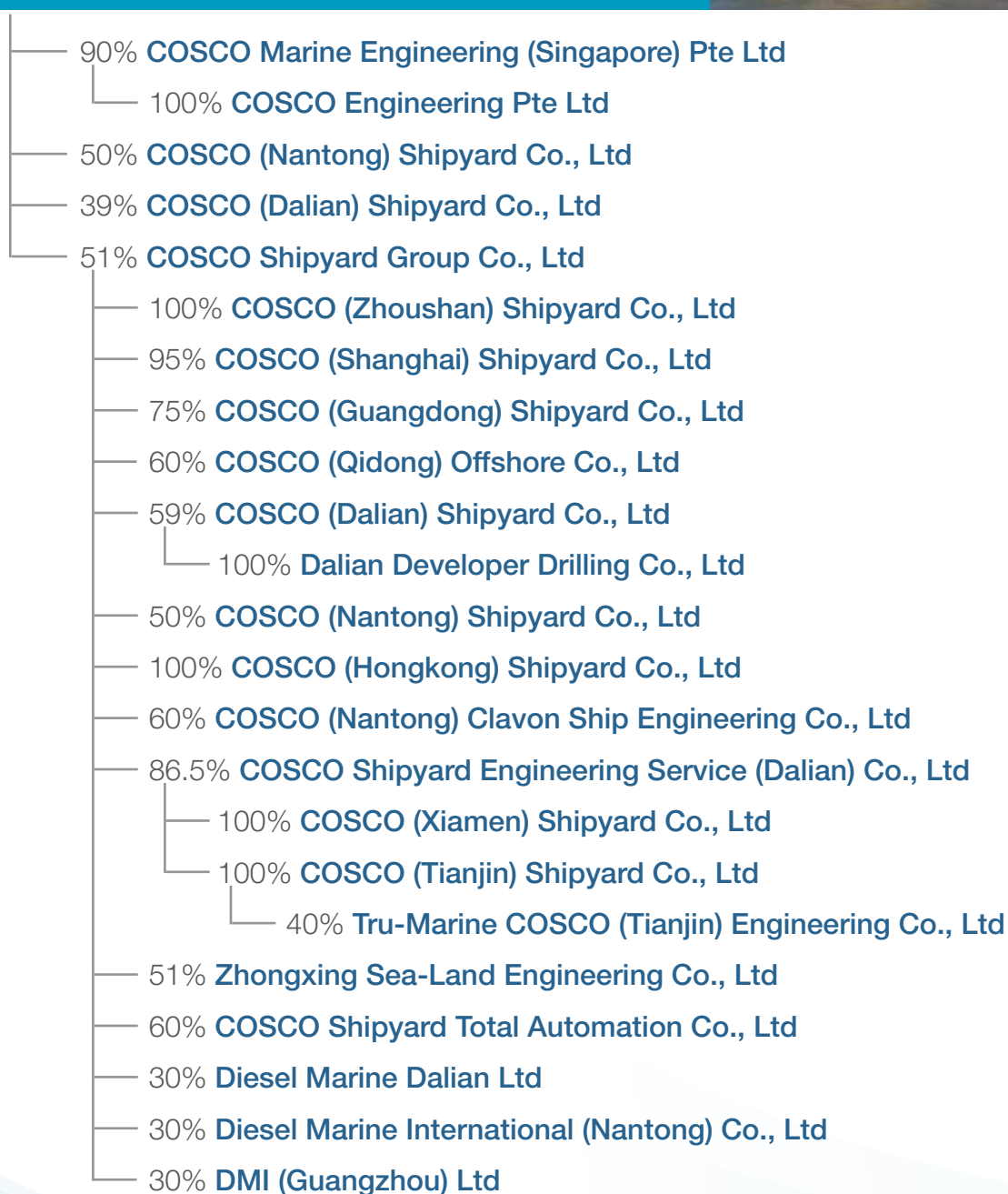
Through our 51% stake in COSCO Shipyard Group, one of the largest shipyard groups in China with yards strategically located along China’s coastline, we offer turnkey services in ship repair, ship building and marine engineering. Our portfolio includes deep-water oil rigs, FPSO (Floating Production Storage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

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

COSCO Corporation is constantly innovating to stay ahead of the competition. We aim to provide cost-effective solutions that meet the current and future needs of the marine industry. Since 2009, we have been part of the FTSE ST China Index and the FTSE ST China Top Index.

CORPORATE STRUCTURE

Ship Repair, Ship Building and Marine Engineering



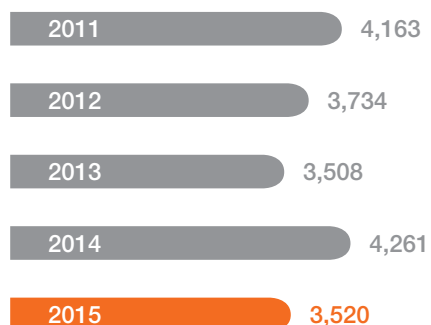
Dry Bulk Shipping and Others



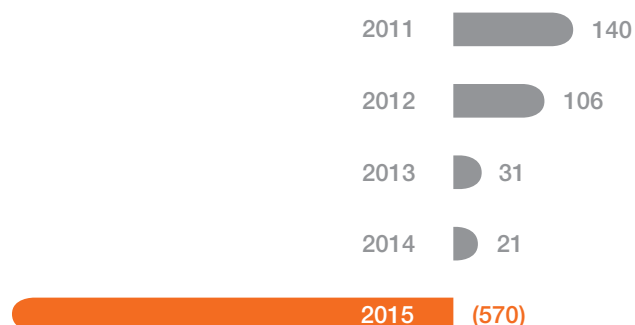
- 100% **COSCO (Singapore) Pte Ltd**
 - 100% **Cos Fair Shipping Pte Ltd**
 - 100% **Cos Glory Shipping Inc.**
 - 100% **Hanbo Shipping Limited**
 - 100% **Sanbo Shipping Limited**
 - 100% **Cos Knight Shipping Maritime Inc.**
 - 100% **Cos Lucky Shipping Maritime Inc.**
 - 100% **Cos Orchid Shipping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

FINANCIAL HIGHLIGHTS

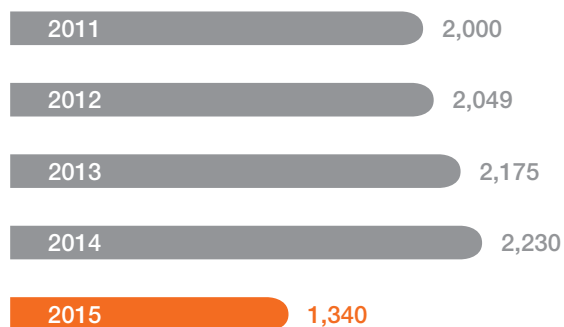
TURNOVER (S\$'M)



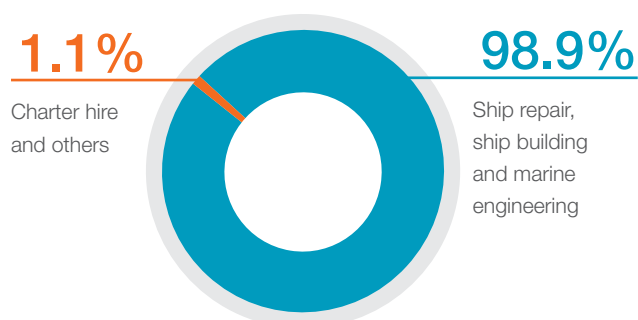
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (S\$'M)



NET ASSETS (S\$'M)



REVENUE BY ACTIVITIES (%)



5-YEAR PROFIT AND LOSS ACCOUNTS (S\$'M)	2011	2012	2013	2014	2015
Turnover	4,163	3,734	3,508	4,261	3,520
Profit/(Loss) Before Income Tax	287	230	61	17	(901)
Income Tax Expense/(Credit)	74	60	8	(9)	14
Net Profit/(Loss)	213	170	53	26	(915)
Non-Controlling Interests	73	64	22	5	(345)
Net Profit/(Loss) Attributable to Equity Holders of the Company	140	106	31	21	(570)

OTHER KEY STATISTICS	2011	2012	2013	2014	2015
Number of Shares (m)	2,239.2	2,239.2	2,239.2	2,239.2	2,239.2
Diluted Earnings per Share (cents)	6.2	4.7	1.4	0.9	(25.5)
Dividend per Share (cents)	3.0	2.0	1.0	0.5	Nil
Dividend Cover (times)	2.1	2.4	1.4	1.9	NA
Net Tangible Assets per Share (cents)	57.7	56.8	59.2	60.7	36.3
Net Asset Value per Share (cents)	58.1	57.2	59.7	61.1	36.7
Gearing Ratio (net of cash)(times)	0.4	1.0	1.3	2.5	6.0
Return on Equity (%)	11.2	8.2	2.3	1.5	(52.1)
Return on Assets (%)	2.1	1.5	0.4	0.2	(5.6)

SIGNIFICANT DEVELOPMENTS

Deliveries in 2015



1

Atlantis

Semi-submersible accommodation vessel

2

Neptuno

Semi-submersible accommodation vessel

3

Arendal Spirit

Floating accommodation unit

4

M.V. Hai Yang Shi You 660

Platform supply vessel

5

M.V. Chios Victory

35,500 DWT bulk carrier



6



7



8



9



10

6

M.V. Atalanta

22,000 DWT product oil tanker

7

M.V. Hai Yang Shi You 641

Anchor handling tug supply vessel

8

M.V. Hai Yang Shi You 642

Anchor handling tug supply vessel

9

M.V. Terry Tide

Platform supply vessel

10

M.V. Vos Pace

Platform supply vessel

SIGNIFICANT DEVELOPMENTS

Current Projects



1

De Bo 2

Salvage lifting vessel

2

Qi Yuan

28,000 m³ LNG carrier

3

Gloucester Express

Livestock carrier

4

Agios Makarios

82,000 DWT bulk carrier



5

N527

Jackup drilling rig

6

Safe Notos

Semi-submersible accommodation vessel

7

Front Ocelot

111,000 DWT tanker

8

Vos Partner

Platform supply vessel

OUR MAJOR SHIPYARDS

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



MAJOR DELIVERIES IN 2015

Name of Vessel	Project Details	Delivered In
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COSCO Dalian Shipyard

M.V. Atalanta	22,000 DWT product oil tanker	February 2015
M.V. Hai Yang Shi You 660	Platform supply vessel	July 2015
M.V. Hai Yang Shi You 661	Platform supply vessel	September 2015

COSCO Zhoushan Shipyard

M.V. Komi	64,000 DWT bulk carrier	January 2015
M.V. Darya Tiana	64,000 DWT bulk carrier	January 2015
M.V. Sunrise 1	Platform supply vessel	February 2015
M.V. Arabella	64,000 DWT bulk carrier	February 2015
M.V. Daryachand	64,000 DWT bulk carrier	March 2015
M.V. Queen Cuki	64,000 DWT bulk carrier	May 2015
M.V. Kambos	64,000 DWT bulk carrier	July 2015
M.V. Alexia	64,000 DWT bulk carrier	October 2015

COSCO Guangdong Shipyard

M.V. Chios Victory	35,500 DWT bulk carrier	February 2015
M.V. Vos Pace	Platform supply vessel	February 2015
M.V. Terry Tide	Platform supply vessel	February 2015
M.V. Chios Freedom	35,500 DWT bulk carrier	May 2015
M.V. Hai Yang Shi You 641	Anchor handling tug supply (AHTS) vessel	June 2015
M.V. VOS Paradise	Platform supply vessel	August 2015
M.V. Hai Yang Shi You 642	Anchor handling tug supply (AHTS) vessel	September 2015

COSCO Nantong Shipyard

Neptuno	Semi-submersible accommodation vessel	January 2015
Arendal Spirit	Floating accommodation unit	February 2015
Atlantis	Semi-submersible accommodation vessel	September 2015

As we continue to build greater resilience and flexibility to adapt in the face of changes and uncertainties in the global operating environment, we will further maintain a sharp focus in the development of our strengths and capabilities in ship building, ship repair, and offshore marine engineering.





MESSAGE FROM THE CHAIRMAN



“2015 saw continued turbulence in the global economy following the slowdown in the emerging economies, volatility in the financial markets, and the further slide in oil and other commodity prices that severely impacted our business.”

Wang Yu Hang
Chairman

Dear Shareholders

COSCO Corporation faced tremendous headwinds during the year under review as sliding oil prices coupled with slowing global economic growth strongly impacted many businesses.

Overcapacity and unceasing rising costs had made it even more challenging for shipyard operators to achieve the desired bottom line. Most of the players in the offshore marine and related industries have not been able to escape unscathed from the oil market debacle.

Increasingly severe market conditions have forced some of our customers to delay delivery or cancel orders, and strongly impacted our business operations. Global surplus of shipyard capacity vying for fewer projects and greater competition meant that new contracts were also secured with lower margins.

Group turnover for the year under review declined 17.4 per cent to \$3.5 billion from \$4.3 billion in the previous financial year. The Group suffered a gross loss of \$214.8 million in FY2015 from gross profit of \$291.0 million in FY2014. Higher administrative and finance costs also contributed to a net loss (attributable to equity holders of the Company) of \$570 million compared to net profit of \$20.9 million for the previous year.

The significant net loss is mainly attributable to the continuing depressed state of crude oil prices that has severely affected the global offshore marine industry, the slump in the shipbuilding market that has negatively impacted the Company's shipyards; and the languid dry bulk shipping market that has put great pressure on the Company's dry bulk fleet business.

In the light of the poor market conditions, substantial write-downs of inventory and provisions for impairment of trade receivables for contracts, which are deferred or may potentially be cancelled, have been made.

DELIVERIES AND NEW ORDERS DESPITE DOWNTURN

In the year under review, shipyard operations contributed to 98.9 per cent of revenue. 60.7 per cent of the shipyard revenues were derived from offshore marine projects.

Massive cost cutting measures from the oil majors had plagued the entire value chain in the oil industry, driving many operators and builders into severe difficulties. Against this challenging backdrop, we delivered a total of 21 projects, comprising nine bulk carriers, six platform supply vessels, two semi-submersible accommodation vessels, two anchor handling tug supply vessels, one floating accommodation unit and one oil tanker.

Global order book for newbuilds declined significantly in 2015. In spite of the declining operating environment, we managed to secure US\$820 million of new orders in 2015 compared to US\$1.6 billion a year ago.

DEPRESSED MARKETS, UNCERTAIN PROSPECTS

2015 saw continued turbulence in the global economy following the slowdown in the emerging economies, volatility in the financial markets, and the further slide in oil and other commodity prices that severely impacted our business.

MESSAGE FROM THE CHAIRMAN

“Going forward in such uncertain times, it is very important for us not to lose sight of managing risks more effectively. We are taking an even more cautious approach as we enter the new financial year and will continue to work harder for our customers to prepare ourselves for the market recovery.”

Looking ahead, we expect global economic activity to remain subdued. The International Monetary Fund (IMF) in its update report on World Economic Outlook released on 19 January 2016 estimated global economic growth to be at 3.1 per cent in 2015. It projected that the global economy would grow at 3.4 per cent in 2016 and 3.6 per cent in 2017. However, it also cautioned that recovery in global economies could be “frustrated by new economic and political shocks”.

Oil prices were weighed down heavily to scratch 12-year lows of below US\$30 per barrel in mid-January 2016, by poor economic outlook, high inventories and oversupply; forcing major oil producers to continue reducing exploration and production capital expenditure around the world.

In the offshore marine business, sentiments continued to be clouded by overcapacity of the rig fleet amidst a sharp decline in utilisation. The IHS Petrodata Weekly Rig Count on 19 February 2016 put global supply at 849 compared to 869 a year ago, with market utilisation at 75.7 per cent, down from 87.9 per cent.

During the year under review, the dry bulk shipping trade was badly hit by the slump in demand for commodities such as coal, iron ore and steel products resulting from the slower growth in the emerging economies. In September 2015, the World Trade Organisation had forecasted global trade to grow to 3.9 per cent in 2016, down slightly from its last estimate of 4.0 per cent, which is still below the average of 5 per cent over the last 20 years since 1995.

For 2016, Clarksons projected that demand for dry bulk trade tonnage would grow by 1.1 per cent and that dry bulk fleet would increase at an even higher pace of 3.6 per cent, contributing to the persistent overcapacity. The weak data will continue to threaten the viability of the shipping sector, and consequently the shipbuilding sector.

For our Group, the global economic turbulence caused by the anaemic demand and overcapacity in the oil exploration markets and dry bulk shipping are of great concern.

STREAMLINING INTERNAL EFFICIENCY, TIDING OVER TOUGH TIMES

We are continuously monitoring, addressing and adapting to the rapidly changing circumstances. Over the years, COSCO has built up a highly trained and experienced team that is well supported by a comprehensive range of facilities in our six modern shipyards in Guangdong, Zhoushan, Shanghai, Nantong, Qidong and Dalian. The Group's decade long transformation from ship repair to shipbuilding, and more recently to offshore exploration, production and support products has allowed us to market a wider range of offerings. We have further built on our strengths and made much progress in the offshore marine segment to construct higher specification products. We have also maintained our shipbuilding capability to cater to more wide ranging maritime needs. Recent additions of specialised vessels like containerships, research vessels and cargo transfer vessels to our portfolio have been a tremendous encouragement.

The prevailing winds of change are not in our favour. It has been an increasingly difficult journey. Until the storm abates and the market horizon becomes clearer, we are doing whatever we can to tighten monitoring and control to further improve our operations. We will press on with greater efforts to lift our productivity and strengthen cost management, while casting our nets wider for new business.

Going forward in such uncertain times, it is very important for us not to lose sight of managing risks more effectively. We are taking an even more cautious approach as we enter the new financial year and will continue to work harder for our customers to prepare ourselves for the market recovery.

From August to December 2015, the trading of the Company's shares was suspended on the stock exchange pending details on the reorganisation of our parent company. We deeply appreciate the patience that our shareholders have shown during this period. At the present stage, the reorganisation involves mainly the container shipping, ship leasing, tanker shipping, bulk shipping, financial businesses and other sectors carried out by certain other companies within the COSCO Group. It will not involve the Company's business segments for the time being. Looking ahead, our parent company will further optimise the allocation of resources according to future development strategies and will continue to support our business development.

Our Shipyard Group is currently exploring various options to support its business operations, including expansion of its sources of funding and optimising its assets structure.

Owing to severe difficulties and challenges facing the Group, no dividend has been recommended by the Board.

I would like to express my gratitude to our shareholders and valued customers for your continued support.

The Board would like to record its appreciation to Mr Li Yun Peng who resigned on 19 January 2016, for his contributions to and leadership of the Board during his tenure as Chairman.

Wang Yu Hang

Chairman

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT



“Without any clear signs of recovery in sight, we continue to tread with great caution, be more determined to improve cost control, streamline production efficiency, augment risk management and win orders.”

Captain Wu Zi Heng
Vice Chairman and President

1. What affected the performance in FY2015?

The continuing depressed state of crude oil prices, the slump in the shipbuilding market and the languid dry bulk shipping market have brought great pressures to the Company's core businesses.

Fragile economic conditions had severely weighed down oil prices and consequently, operations of many drillers, operators and offshore builders. Many yards in our industry faced the harsh realities of project rescheduling and contract cancellations. Our marine engineering segment had not been spared.

The Company's shipyards incurred higher costs for a few delayed projects as well as significant write-downs of certain inventory and provisions for impairments of trade receivables for contracts, which are deferred or may potentially be cancelled.

Our performance continues to suffer from the cut in deployment of equipment for offshore oil exploration and production, and the overhang of surplus tonnage of bulk carriers.

With capital expenditure in the global oil and gas industry being curtailed, it was inevitable that newbuild orders were limited.

2. With the market expected to remain depressed in 2016, what are the main downside risks for the year?

The International Monetary Fund (IMF) in its World Economic Outlook released on 19 January 2016 had aptly reported that "risks to the global outlook remain tilted to the downside and relate to ongoing adjustments in the global economy: a generalised slowdown in emerging market economies, China's rebalancing, lower commodity prices, and the gradual exit from extraordinarily accommodative monetary conditions in the United States. If these key challenges are not successfully managed, global growth could be derailed". Further, the World Bank had in January 2016 lowered forecasts for 37 out of 46 commodity prices, and said that "low prices for oil and commodities are likely to be with us for some time".

There is a multitude of downside risks facing the offshore marine, shipbuilding and shipping industries – the core markets where we operate.

According to industry estimates, the drastic drop in oil prices since 2014 had led to upstream capital expenditure of about US\$540 billion (public listed oil companies) in 2015, which represents an approximate 25 per cent drop from 2014. Capital expenditure deferrals, headcount paring and many drastic cost cutting measures have become increasingly ubiquitous among the oil majors. As oil companies struggle to stay afloat, we expect to see further budget cuts, project deferrals and order cancellations across the offshore marine industry.

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

The shipping and shipbuilding segments have been hit hard as well. The Baltic Dry Index (BDI), a benchmark of the dry bulk shipping industry and an indication of the price of moving major raw materials by sea, has continued to record historical lows as the shipping industry grapple with weak commodity prices, excess capacity and lower charter rates. The BDI had at one point fallen below 300 in January 2016. The bleak outlook for the shipping sector has forced many ship owners to reduce capital expenditure, resulting in the softening demand of newbuilds.

On the capital markets space, financing costs have also risen markedly. Lenders have also been increasingly cautious in extending loans to shipyards that have already been badly hit. Moody's had in a January 2016 report said "weak growth and commodity price declines will interact with foreign currency volatility to raise credit risk across the region". Volatility in the financial markets, especially with many currencies getting weaker against the US dollar is another cause for concern.

3. What is the Company doing to cope in this difficult time?

At our shipyards, we are working relentlessly to optimise our organisational resources and production processes, and also augment our quality control, productivity, and R&D capabilities.

On the cost aspect, we will further improve our cost-control measures without compromising the quality of our projects and longer term goals. We will do this by monitoring the entire chain of operation to further increase productivity and efficiency. At the same time, we will further maximise savings from bulk purchase of materials and resources.

More importantly, every business segment will continue to focus on meeting scheduled milestones and on-time delivery, so as to make sure no delayed delivery is caused by internal factors. That said, if our clients approach us for any discussions on rescheduling, we are prepared to co-operate and work together with them to reach an amicable solution, without sacrificing the commercial interests of our company. We will focus on strengthening the ties with our existing clients to tide through this time of adversity.

On the risk management front, we will further strengthen our risk control efforts in all business aspects, from client due diligence to accepting new orders; production, purchasing of materials; to managing client payments and minimise operational risk.

Without any clear signs of recovery in sight, we continue to tread with great caution, be more determined to improve cost control, streamline production efficiency, augment risk management and win orders.

4. How is the existing market condition affecting your perception of the future?

As one of the bigger players in China, our six shipyards in Dalian, Guangdong, Nantong, Qidong, Shanghai and Zhoushan have a combined dry dock capacity of 990,000 DWT and floating dock capacity of 1,135,000 DWT. Our shipyards have the capacity and synergy to build, convert, repair and service various types of cargo vessels and a wide variety of offshore engineering requirements.

Over the years, we have been continually sharpening the skills and capability of our workforce and improving the effectiveness of our facilities to cater to the increasingly sophisticated needs and demands of our customers.

In 2015, we successfully secured for the first time a contract to build seven containerships of 3,600 TEU (20-foot equivalent). This shipbuilding order from Maersk Line, the world's largest container shipping group, is an important contract for us. It is a significant follow-up to the previous year's success in securing a US\$470 million contract from Maersk Supply Service AS, another member of the Moller-Maersk Group, to construct four sub-sea supply vessels scheduled for delivery in fourth quarter 2016.

In addition to the Maersk deal, we received newbuild orders for two cargo transfer vessels, one research vessel, one module carrier, one tanker assist / emergency response / rescue / field support vessel, two oil tankers, one shuttle tanker, one product oil tanker and one FPSO conversion.

While the broad environment is challenging in the near term, we believe there will still be niche demand in the market for offshore construction vessels, floating production units and underwater construction units. We need to focus our marketing efforts and channel our resources to capture such opportunities and further diversify our portfolio for the future.

Pressing forward, we must keep our fingers firmly on the pulse of the market, remain agile and leverage on our strengths and competitive advantages to tide through this difficult time.



Through the years we have established a solid track record in building a comprehensive portfolio of integrated marine engineering and shipbuilding products, such as oil rigs, platform supply vessels, drilling tender barges, shuttle tankers, heavy lift vessels and bulk carriers. This strategy allows us to capitalise on the full potential of the marine services sector and cater to a wide range of customers.



SHIP REPAIR, SHIP BUILDING AND MARINE ENGINEERING

OVERVIEW

A leading marine conglomerate, COSCO Corporation (COSCO) offers capabilities in ship repair, ship building and marine engineering supported by six major shipyards strategically located along China's coastline. Owned by COSCO Shipyard Group, a subsidiary of COSCO Corporation, these six modern shipyards are located from Guangdong in the south to Zhoushan, Shanghai, Nantong, Qidong along the central coast, to Dalian in the north. Together, these assets and capabilities position COSCO to meet the evolving needs of the global offshore and marine industry.

2015 was a particularly trying year for the rig and ship building industry. Many builders were set back by numerous project rescheduling and contract cancellations. Our businesses were not invulnerable to the market mayhem. In the year under review, we received requests from our clients to reschedule deliveries of some projects.

Our yards delivered 21 projects to a global client base in 2015, comprising nine bulk carriers, six platform supply vessels, two semi-submersible accommodation vessels, two anchor handling tug supply vessels, one floating accommodation unit, and one oil tanker. The portfolio reflects our commitment to growing a diversified customer base and strengthening of our technical capabilities to capture the higher end of the value spectrum, particularly in the marine engineering sector. We were an early mover into this highly-competitive sector, delivering many newbuilds and securing numerous contracts over the years. Shipyard operations continued to be the main contributor to revenues, accounting for 98.9% of our total turnover.

Despite the tough operating environment, we continued to focus on producing quality projects and expanding our manufacturing knowledge base.

SHIP BUILDING

Slow economic growth and sluggish global trade that continued to buffet the dry bulk sector with surplus tonnage severely impacted the shipbuilding segment. On the back of our competency in shipbuilding, we delivered nine dry bulk carriers of various tonnages to the satisfaction of our clients. COSCO Zhoushan had successfully delivered seven units of 64,000 DWT bulk carriers while COSCO Guangdong had delivered two units of 35,500 DWT bulk carriers.

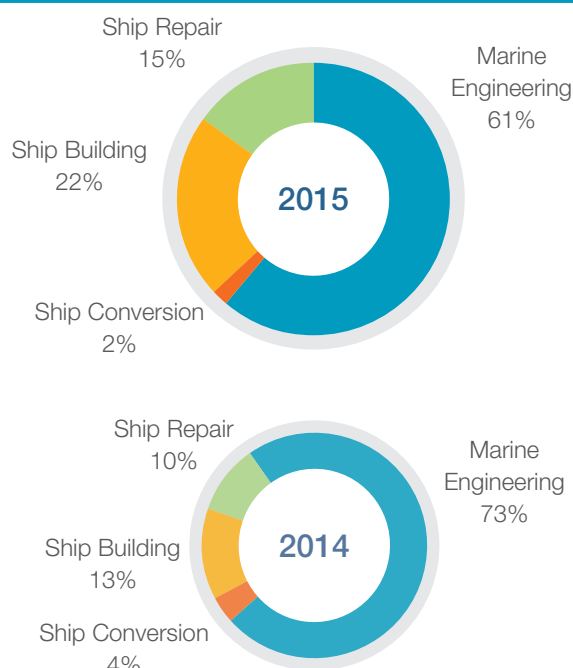
In February 2015, COSCO Dalian delivered a 22,000 DWT product oil tanker, 'Atalanta', to its Asian buyer. This is the first product oil tanker the yard has built. The vessel measures 155 metres LOA (length of all), 36 metres in breadth and 12.5 metres in depth, capable of serving as a product carrier and replenishment oiler.

MARINE ENGINEERING

Global oil prices have fallen drastically since the second half of 2014. Many oil majors have reduced their capital expenditures and scaled back exploration and drilling activities. As a result, orders from the offshore marine engineering segment slowed considerably. Against this backdrop, our shipyards managed to deliver six platform supply vessels, two semi-submersible accommodation vessels, two anchor handling tug supply vessels, and one floating accommodation unit, during the year under review.

COSCO Nantong delivered two semi-submersible accommodation vessels, the 'Neptuno' in January 2015 and the 'Atlantis' in September 2015, to Mexican oilfield services company Cotemar, S.A. de C.V. Each capable of accommodating up to 990 crew, the vessels are amongst the largest offshore accommodation units of their kind. COSCO Shipyard had independently carried out the detailed design, production design, procurement of all equipment and installation and debugging of equipment and systems. They each measure 91 metres LOA, 67 metres in breadth, 27.5 metres in depth, and an overall height of nearly 60 metres. The units based on GustoMSC's Ocean500 design are structurally suitable for operations in the UK North Sea, Gulf of Mexico and Brazilian waters.

SHIPYARD REVENUE IN FY2015 BY TYPE OF JOBS



In February 2015, COSCO Nantong delivered a floating accommodation unit (FAU), the 'Arendal Spirit', to its Singaporean buyer. This is the world's first FAU with the unique Sevan cylindrical design. The unit was delivered four months ahead of the contractual delivery date. COSCO Nantong has undertaken to build a total of three FAUs with the cylindrical design, which offers improved stability, reliability and comfort. Equipped with a DP3 dynamic positioning system, the unit is capable of working in water depths of 3,000 metres and is suitable for operation in harsh environments.

Facilities on board the 'Arendal Spirit' are designed to high international standards. The vessel has 248 cabins with 500 beds that are equipped with en-suite bathrooms, daylight windows, television, internet and telephone connections. The vessel also boasts lounge areas, coffee shop, television and game room, fitness room, dining room, office areas, conference room and a cinema, providing a level of modern comfort for offshore crew.

COSCO Guangdong delivered two units of anchor handling tug supply (AHTS) vessels, 'Hai Yang Shi You 641' in June 2015 and 'Hai Yang Shi You 624' in September 2015, to China Oilfield Services Limited (COSL). They are two of the four offshore supply vessels (OSVs) COSCO Guangdong has undertaken to build for COSL. The vessels measure 73.8 metres LOA, 16.0 metres in breadth and 7.40 metres in depth.

Following the successful delivery of our first platform supply vessel (PSV), 'Chauvin Tide' in 2014, our shipyards continued to deliver six more PSVs to their owners in 2015.

In February, two of the PSVs, the 'Sunrise 1' and 'Terry Tide' which are based on the Rolls Royce UT 771 CDL design were delivered by COSCO Zhoushan and COSCO Guangdong to their Asian and US-based buyers respectively. These vessels are the first two of the four PSVs the yards have undertaken to build for their respective owners. Classed by ABS, the vessels measure 83.75 metres LOA, 18 metres in breadth and 7 metres in depth.

Also in February, COSCO Guangdong delivered another PSV, the 'Vos Pace', to its European owner. The yard also delivered the 'Vos Paradise', built to the same ULSTEIN PX121 design to the same customer in August. The vessels measure 83.4 metres LOA, 18 metres in breadth, 8 metres in depth, have a design draft of 6.7 metres and a maximum cruising speed of 14.5 knots. They can accommodate 30 crew members, has a deck space of 830 square metres, deadweight of 4,200 tonnes (DWT), and is equipped with a DP2 dynamic positioning system. After delivery, they joined the owner's fleet in Europe.

SHIP REPAIR, SHIP BUILDING AND MARINE ENGINEERING

The two remaining PSVs were delivered by COSCO Dalian to China Oilfield Services Limited (COSL) – the ‘Hai Yang Shi You 660’ in July 2015 and the ‘Hai Yang Shi You 661’ – in September 2015. The vessels each measures 85.4 metres LOA, 20 metres in breadth, 8.6 metres in depth and has a deck space of 1,000 square metres. They are designed to transport supplies and crew, as well as provide rescue and fire-fighting services for offshore platforms.

NEW ORDERS

Reeling from the sharp decline in oil prices since the mid-2014, the oil industry has seen massive cuts in capital expenditure relating to exploration and production, taking the wind out of the offshore marine engineering market in 2015.

Difficulties in the global shipping industry continue to adversely affect demand for newbuilds.

During the year under review, we managed to secure US\$820 million of new orders, despite intensified competition for fewer orders and burgeoning tonnage surplus. As at 31 December 2015, our order book stood at US\$8 billion with progressive deliveries up to early 2018.

In February, COSCO Zhoushan secured an order for a 152,000 DWT shuttle tanker from a European company. This is the second 152,000 DWT shuttle tanker the yard has undertaken to build for the buyer. The vessel will measure 276 metres LOA, 46 metres in breadth and 24.3 metres in depth. It will be classed by DNV GL and is scheduled for delivery in the first quarter of 2017.

In March, we clinched a landmark deal to build seven units of 3,600 TEU ice-class container vessels for Maersk Line. They will be built by COSCO Zhoushan and are scheduled for progressive delivery from April to November 2017. Each vessel will measure 200 metres LOA, 35.2 metres in breadth and 18.1 metres in depth. Maersk Line had ordered the ice-class vessels for Seago Line, its fully-owned container shipping line dedicated to short-sea services in Europe and

throughout the Mediterranean region. The vessels are designed to achieve greater economies of scale and provide Seago Line short-sea and feeder customers with competitive services, even in the winter. They will run on marine gas oil (MGO), and are compliant with the SOx (Sulphur oxides) emission limits, which went into force 1 January 2015, creating the ECA (Emission Control Area) zone in Northern Europe. This is the first time we are building container vessels.

In May, COSCO Guangdong secured a contract from the UK offshore support vessel operator Sentinel Marine, to build one tanker assist / emergency response / rescue / field support vessel (TAERRV). The vessel is expected to be delivered in the first quarter of 2017. The vessel will provide emergency cover, firefighting, oil spill response preparedness and tanker assist capabilities for the Mariner field (UK sector of the North Sea). It will measure 65 metres LOA, 16.6 metres in breadth, 6.8 metres in depth, have a dead-weight of 1,450 tonnes and a cruising speed of 13.5 knots. Classed by ABS, it will meet the DP2 dynamic positioning requirements and be equipped with two 4,000-bhp propulsion motors and deck towing winches.

In June, COSCO Guangdong secured a contract to build a research vessel for an Asian buyer. As the first integrated marine geological research vessel to be built by our shipyard, it will adopt a brand new design. It will be equipped with 20 sets of highly advanced research equipment used for geological, geophysical and hydrographic survey and for information management.

In October, COSCO Nantong secured a contract to construct two cargo transfer vessels (CTVs) for an Asian buyer. First of its kind, the innovatively designed vessel will create a new system of transferring oil on-station at the oil field. COSCO Shipyard is responsible for the basic, detail and production designs for the vessel. The vessels, which will be classed by DNV, will accommodate a crew of 36. Four variable speed diesel engines and two sets of main propulsion, and additional rotary telescopic thrusters will provide a powerful dynamic positioning ability. Each vessel will be equipped with two 5-tonne cranes.

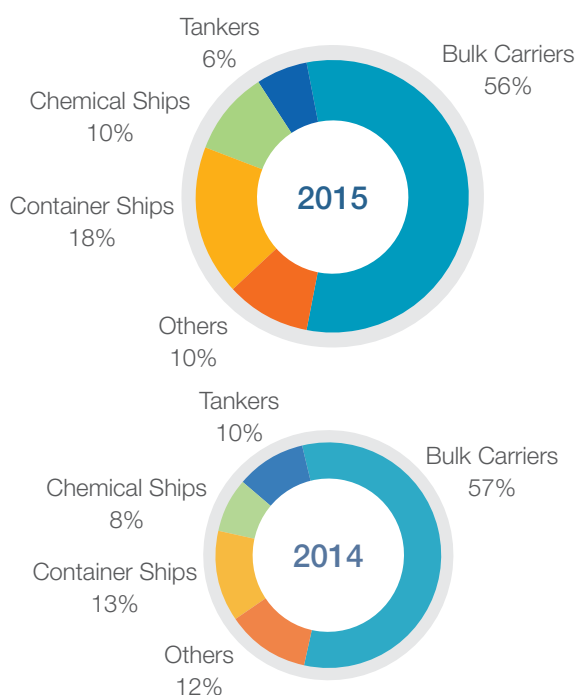
DRY BULK SHIPPING AND OTHERS

Also in October, COSCO Dalian won an order to construct a 22,000 DWT product oil tanker. This vessel will be the second 22,000 DWT tanker to be built by COSCO Dalian. The tanker will measure 155 metres LOA, 36 metres in breadth and 12.5 metres in depth. It will be equipped with dual engines, dual propellers and will be able to transfer crude oil and fill oil both in port and open sea.

SHIP REPAIR AND CONVERSION

Our shipyards started out doing traditional ship repair works. Over the years through constant technological improvements and upgrading of our capability, we are able to capitalise on opportunities in the higher-end repair and conversion market that calls for higher levels of sophistication and capabilities in servicing larger sized and other specialised vessels. In 2015, we completed over 700 ship repair projects across major vessel types. We also completed floating production, storage and offloading (FPSO) conversions, oil tanker-to-semi-submersible barge conversion, and container ship bulbous bow conversion among others.

TYPES OF VESSELS REPAIRED IN FY2015 BY NUMBER OF VESSELS



In April 2015, COSCO Dalian secured a contract from MODEC Offshore Production Systems (Singapore) to convert a very large crude carrier (VLCC) into a FPSO unit. The unit is due for delivery in the second half of 2016 and will be deployed for operations at Tartaruga Verde and Tartaruga Mestiça fields in Brazil. The ABS-classed unit will be equipped with a spread mooring system and will be capable of processing 160,000 barrels of crude oil per day.

DRY BULK SHIPPING AND OTHERS

COSCO has an entrenched presence in the dry bulk shipping business. Our fleet of 10 Panamax and Handymax vessels with a total capacity of 550,900 DWT plies global trade routes, transporting bulk cargoes such as iron ore, coal, steel, cement and fertiliser to major ports worldwide. Some of these dry bulk carriers are chartered out to other ship owners and operators, and serve our large client base of shipping companies from Germany, Norway, Denmark, Greece, Switzerland, UK, USA and others.

The Baltic Dry Index (BDI), a key measure of shipping costs for commodities, averaged 718 points in 2015, a decrease of 35.0%, year-on-year. The Baltic Exchange Handysize Index (BHSI) averaged 366 points, a decrease of 30.2% over the year. Meanwhile, the Baltic Exchange Supramax Index (BSI) averaged 666 points, which was a 29.1% decrease compared with 2014. In line with the languid global shipping market, the turnover from our dry bulk shipping and other businesses declined by 25.1% from \$52.5 million in 2014 to \$39.4 million in 2015 as a result of persistently weak global demand for commodities prices and tonnage surplus overhang in the global dry bulk fleet capacity.

Without a doubt, the core markets that we operate in were fraught with many difficulties in 2015. In 2016, improving cost control, streamlining production efficiency, augmenting risk management and winning orders will remain at the top of the agenda. The Group will continue to exercise prudence and vigilance in managing our resources, with close watch on the changing market demands.

GROUP FINANCIAL REVIEW

OVERVIEW

The Group recorded net loss attributable to equity holders of \$570.0 million on turnover of \$3.5 billion in 2015.

TURNOVER

Group turnover decreased by 17.4% to \$3.5 billion in 2015 from \$4.3 billion in 2014 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 17.3% to \$3.5 billion in 2015 from \$4.2 billion in 2014, mainly owing to lower revenue contribution from marine engineering, partially offset by an increase in revenue from ship building and ship repair.

The Group delivered 21 projects in 2015. COSCO Zhoushan shipyard delivered one platform supply vessel and seven bulk carriers; COSCO Guangdong shipyard delivered two bulk carriers, two anchor handling tug supply vessels and three platform supply vessels; COSCO Dalian shipyard delivered one oil tanker and two platform supply vessels and COSCO Nantong shipyard delivered one floating accommodation unit and two semi-submersible accommodation vessels.

Turnover from dry bulk shipping and other businesses decreased by 25.0% from \$52.5 million in 2014 to \$39.4 million in 2015.

The BDI started the year 2015 at 771 points and ended the year at 478 points. The BDI averaged 718 points for FY 2015, which was a 35.0% decrease from the average of 2014 of 1,105 points. Currently, the Group's dry bulk shipping fleet comprises Panamax and Handymax carriers.

Shipyard business remained the biggest revenue contributor, forming 98.9% of Group turnover in 2015.

PERFORMANCE

Gross loss for 2015 was \$214.8 million, compared to gross profit of \$291.0 million due to losses from shipyard operations which incurred higher inventory write-downs, and losses from shipping operations due to the lower charter rates. Write-down of inventories increased by \$184.8 million to \$309.3 million in 2015 mainly due to the impairment made for DP3 Deepwater Drillship (DDD), which is presently available for lease or sale.

Compared to 2014, other income decreased by 23.9% to \$81.4 million in 2015 mainly due to lower sales value of scrap materials and lower interest income.

Administrative expenses increased by \$348.8 million to \$522.5 million mainly due to the increase in allowance for impairment of trade and other receivables of \$354.5 million to \$380.3 million, and this relates mainly to construction contracts on modules of drillship and FPSO for certain Brazilian customers with uncertainties in their project status.

Interest expense increased by 30.7% to \$166.9 million in 2015 due to higher bank borrowings used to fund shipyard operations.

Overall, the Group recorded net loss attributable to equity holders of the Company of \$570.0 million in 2015 compared to net profit of \$20.9 million in 2014 due to losses in shipyard and shipping operations. The loss is mainly attributable to: (a) the continuing depressed state of crude oil prices which has had an adverse impact on the global offshore marine industry; (b) the slump in the shipbuilding market which has negatively impacted the Company's shipyards; (c) the languid dry bulk shipping market which has brought great pressures to the Company's dry bulk fleet operations. As a result of adverse market conditions in 2015, shipyard operations incurred higher costs for a few delayed projects as well as writedowns of certain inventory and provisions for impairments of trade receivables for contracts, which are deferred or may potentially be cancelled.

CASH FLOW

Net cash used in operating activities for the year was \$1.2 billion compared to \$1.4 billion last year. Please refer to Consolidated Statement of Cash Flows for more details.

Net cash used in investing activities for the year was \$98.7 million. This comprised principally the purchase of fixed assets, partly offset by proceeds from the sale of fixed assets, by shipyard operations during the year.

Net cash provided by financing activities was \$1.3 billion. This was due mainly to net proceeds of bank borrowings loans, partly offset by the payment of bank interests during the year.

BALANCE SHEET

(31 December 2015 vs 31 December 2014)

Cash and cash equivalents remained almost unchanged at \$1.6 billion.

Trade and other receivables increased \$634.0 million to \$5.2 billion mainly due to higher construction contracts due from customers in the marine engineering segment, partially offset by a decrease in advances paid to suppliers (from \$494.7 million to \$262.2 million).

Trade and other payables decreased \$214.7 million to \$2.4 billion mainly due to lower accruals for operating expenses and a decrease in advances received from customers (from \$364.9 million to \$241.9 million).

Total borrowings increased by \$1.6 billion to \$6.5 billion due to additional funding procured to finance shipyard operations.

SHARE CAPITAL

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

EQUITY

Shareholder's equity decreased by \$545.7 million mainly due to the transfer of 2015 loss to retained earnings and payment of dividends in May 2015, partially offset by increase in currency translation reserve.

GEARING

Total bank borrowings increased from \$5.0 billion to \$6.5 billion due to additional funding procured for business operations. The Group had a gearing ratio (net of cash) of 6.0 at the end of 2015.

EARNINGS PER SHARE

On a fully diluted basis, net earnings per share decreased from 0.9 cents in 2014 to (25.5) cents in 2015.

DIVIDENDS PER SHARE

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

NET ASSET VALUE PER SHARE

The net asset value per share of COSCO Corporation decreased by 39.9% from 61.1 cents per share at 31 December 2014 to 36.7 cents per share at 31 December 2015.



Going forward, we will remain steadfast in effectively managing the business by focusing on increasing productivity, enhancing operational efficiencies, and tightening cost management. We will also step up our efforts to maintain an edge in the industry by continually delivering value-added services and up-to-date marine equipment construction solutions, with an emphasis on innovation and prudent management.



CORPORATE GOVERNANCE

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

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

A. BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1

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

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

- a) to provide entrepreneurial leadership; approve the strategic objectives, corporate policies and authorisation matrix of the Company; and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- b) to approve the nominations to the Board and appointment of key management, as may be recommended by the Nominating Committee;
- c) to oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls; approve annual budget, key operational matters, major acquisition and divestment proposals, major funding proposals of the Company;
- d) to assume responsibility for corporate governance framework of the Company and establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the 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.

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

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

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

CORPORATE GOVERNANCE

The attendance of the Directors at meetings of the Board and Board Committees for financial year ended 31 December 2015 is set out in the table below:

Name	Type of Meetings					
	Board	Committee				
		Audit	Nominating	Remuneration	Enterprise Risk Management	Strategic Development
	No. of Meetings held: 5	No. of Meetings held: 7	No. of Meeting held: 1	No. of Meeting held: 1	No. of Meetings held: 4	No. of Meeting held: 1
No. of Meetings Attended	No. of Meetings Attended	No. of Meeting Attended	No. of Meeting Attended	No. of Meetings Attended	No. of Meeting Attended	
Li Yun Peng ¹	2	NA	NA	NA	NA	1
Wang Yu Hang ²	NA	NA	NA	NA	NA	NA
Wu Zi Heng	5	NA	1	1	4	1
Liu Lian An	4	NA	NA	NA	3	NA
Liang Yan Feng	3	NA	NA	NA	3	NA
Ma Zhi Hong	4	NA	NA	NA	NA	NA
Tom Yee Lat Shing	5	7	1	1	4	1
Wang Kai Yuen	5	7	1	1	4	1
Er Kwong Wah	4	6	1	1	4	1
Ang Swee Tian	5	7	1	1	4	1
Ma Hong Han (Alternate to Ma Zhi Hong)	5	NA	NA	NA	4	NA
Li Man ³ (Alternate to Li Yun Peng)	5	NA	NA	NA	NA	NA
Li Man ⁴ (Alternate to Wang Yu Hang)	NA	NA	NA	NA	NA	NA
Ouyang Chao Mei (Alternate to Liang Yan Feng)	2	NA	NA	NA	4	NA

Notes:

- ¹ Mr Li Yun Peng resigned as Chairman and Non-Independent and Non-Executive Director and a member of the Strategic Development Committee on 19 January 2016.
- ² Mr Wang Yu Hang was appointed as Chairman and Non-Independent and Non-Executive Director and a member of the Strategic Development Committee on 19 January 2016.
- ³ Mr Li Man ceased to be Alternate Director to Mr Li Yun Peng on 19 January 2016.
- ⁴ Mr Li Man was appointed as Alternate Director to Mr Wang Yu Hang on 19 January 2016.

NA - Not Applicable

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

BOARD COMPOSITION AND GUIDANCE

Principle 2

The Board has nine (9) members: two (2) Executive Directors, three (3) 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 assess 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 independent directors must make up at least half of the Board where the Chairman is not an independent director pursuant to Guideline 2.2 of the CG Code 2012. However, this requirement is not applicable to the Company until its financial year commencing 1 January 2017.

The Board of COSCO Corporation comprises the following members:

Wang Yu Hang	Chairman and Non-Independent and Non-Executive Director
Wu Zi Heng	Vice Chairman, President and Non-Independent Executive Director
Liu Lian An	Non-Independent Executive Director
Liang Yan Feng	Non-Independent and Non-Executive Director
Ma Zhi Hong	Non-Independent and Non-Executive Director
Tom Yee Lat Shing	Non-Executive Lead Independent Director
Wang Kai Yuen	Non-Executive Independent Director
Er Kwong Wah	Non-Executive Independent Director
Ang Swee Tian	Non-Executive Independent Director

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

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

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

CORPORATE GOVERNANCE

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

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

Directors are provided with regular updates on relevant new laws and regulations, and evolving commercial risks and business conditions from the Company's relevant advisors. Newly appointed directors would receive a formal letter setting out the director's duties and obligations and receive comprehensive and tailored induction and training in areas such as accounting, legal and industry-specific knowledge on joining the Board. Annual 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 are independent directors:

Wu Zi Heng (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. The SDC held one meeting during the financial year.

The SDC has the following authority and responsibilities:

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

Mr Wang Yu Hang and Capt Wu Zi Heng, 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.

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	NA
Wu Zi Heng	Vice Chairman, President and Non-Independent Executive	5.11.2011	23.4.2014
Liu Lian An	Non-Independent Executive	20.2.2012	24.4.2015
Liang Yan Feng	Non-Independent and Non-Executive	8.7.2014	24.4.2015
Ma Zhi Hong	Non-Independent and Non-Executive	2.8.2010	22.4.2013
Tom Yee Lat Shing	Non-Executive Lead Independent	16.11.1993	24.4.2015
Wang Kai Yuen	Non-Executive Independent	2.5.2001	23.4.2014
Er Kwong Wah	Non-Executive Independent	20.12.2002	24.4.2015
Ang Swee Tian	Non-Executive Independent	13.11.2007	22.4.2013
Ma Hong Han	Alternate to Ma Zhi Hong	2.10.2012	NA
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
Wu Zi Heng	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:

- 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;
- assess the qualifications of the proposed alternate directors to the Board;
- evaluate the effectiveness of the Board as a whole and assess the contribution by each Director, to the effectiveness of the Board;
- determine annually whether or not a Director is independent;
- make recommendations to the Board on re-appointment of Board and Board committee members; and
- the review of training and professional development programs for the Board.

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

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

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

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

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

Ma Hong Han	Alternate to Ma Zhi Hong
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 104;
- b) Capt Wu Zi Heng pursuant to Article 98;
- c) Mr Ma Zhi Hong pursuant to Article 98;
- d) Mr Ang Swee Tian pursuant to Article 98; and
- e) Mr Tom Yee Lat Shing.

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

BOARD PERFORMANCE

Principle 5

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

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

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

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

CORPORATE GOVERNANCE

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.

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
Wu Zi Heng	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:

- 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;
- 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;
- review, on annual basis, the compensation package of the Company's Directors and senior management personnel and determine appropriate adjustments; and
- 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;
- administer the COSCO Group Employees' Share Option Scheme 2002.

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

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

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

LEVEL AND MIX OF REMUNERATION

Principle 8

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

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 2015 is as follows:

	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Non-Independent Executive Directors in the Band of below S\$500,000					
Wu Zi Heng	-	51	26	23	100
Liu Lian An	-	55	27	18	100
Non-Independent and Non-Executive Directors in the Band of below S\$500,000					
Liang Yan Feng *	-	39	47	14	100
Ma Zhi Hong *	-	39	47	14	100
Ouyang Chao Mei *	-	30	55	15	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

Note:

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

	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Executives in the Band of below S\$500,000					
Ma Hong Han	-	51	26	23	100
Li Man	-	51	25	24	100
Wong Meng Yun	-	61	29	10	100

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

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 2015.

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.

C. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10

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

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11

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

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

CORPORATE GOVERNANCE

The Group's key internal controls include:

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

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

Details of the Group's financial risk management measures are outlined on pages 138 to 146 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 2015 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

Based on the work performed by the internal and external auditors, the Group's framework of management control, the review procedures established and maintained by the Company to monitor the key controls and procedures and to ensure their effectiveness, the annual reviews performed by the management, Board committees and the Board, the Board, with the concurrence of the AC and Enterprise Risk Management Committee, is of the view that the Group's framework of internal controls in relation to the financial, operational, compliance and information technology controls and risk management system is adequate as at 31 December 2015 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
Wu Zi Heng	Non-Independent Executive
Liu Lian An	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
Ma Hong Han	Chief Financial Officer
Ouyang Chao Mei	Managing Director of COSCO (Singapore) Pte Ltd

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

- reviews the overall risk management systems and process and makes recommendations on changes as and when considered appropriate;
- reviews the Group's risk policies, guidelines and limits; and
- 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.

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

AUDIT COMMITTEE

Principle 12

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

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

CORPORATE GOVERNANCE

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

The AC performs the following functions:

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

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 seven (7) 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 2015 are S\$1,270,000 and S\$158,000 respectively.

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

WHISTLE-BLOWING POLICY

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

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

INTERNAL AUDIT

Principle 13

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

CORPORATE GOVERNANCE

COMMUNICATION WITH SHAREHOLDERS

Principle 15

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

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

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

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

DIVIDEND POLICY

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

The Board has resolved not to recommend payment of dividend for the financial year ended 31 December 2015 as the company was not profitable.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16

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

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

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

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

E. INTERESTED PERSON TRANSACTIONS (“IPTs”) POLICY

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions with the China Ocean Shipping (Group) Company 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:		
Bright Sea Management Limited	-	1,045
Chimbusco Guangzhou Branch	-	3,073
Chimbusco Zhoushan Branch	-	8,261
China Marine Bunker (Dalian) Co., Ltd	-	9,769
China Ocean Shipping (Group) Company	-	774
Cosco (Cayman) Mercury Co., Ltd	-	1,004
Cosco (HK) Insurance Brokers Ltd	-	155
Cosco (HK) Investment & Development Co., Ltd	-	1,455
Cosco (HK) Shipping Co., Ltd	-	14,667
Cosco (JM) Aluminium Co., Ltd	-	416
COSCO (Weihai) Shipbuilding Marine Technology Co., Ltd	-	720
Cosco Air Service Shanghai Ltd	-	286
Cosco Bulk Carrier Co., Ltd	-	2,610
Cosco Bulk Carrier Holdings (Cayman) Limited	-	568
Cosco Bulk Tianjin Forwarding Company Limited	-	163
Cosco Container Lines Co., Ltd	-	5,899
Cosco Far-Reaching Shipping Co., Ltd	-	1,156
Cosco Finance Co., Ltd	-	4,276,378
Cosco Guangzhou Marine Electronics Engineering Co.	-	124
Cosco Information Tech Co., Ltd	-	164
COSCO Kansai Paint & Chemicals Co., Ltd	-	121
Cosco Logistics Nantong Co., Ltd	-	2,405
Cosco Logistics Dalian Co., Ltd	-	13,051
Cosco Petroleum Pte Ltd	-	3,623
Cosco Shipping Co., Ltd	-	2,942

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
Cosco Shipyard Qingdao Company Ltd	-	361
Cosmarine Consultants Pte Ltd	-	208
Dalian Ocean Shipping Company	-	3,867
Guangdong Ocean Shipping Company	-	112
Lianyungang Ocean Shipping Company	-	522
Nantong Chimbusco Marine Bunker Co., Ltd	-	4,141
Nantong Cosco Heavy Industry Co., Ltd	-	1,402
Nantong Cosco Ship Equipment Company	-	488
Qingdao Manning Co-operation Ltd	-	3,580
Qingdao Ocean Shipping Company	-	2,927
Shanghai Ocean Crew Co., Ltd	-	5,273
Shanghai Pan-Asia Shipping Company	-	3,977
Shenzhen Ocean Shipping Company	-	1,245
Tosco Keymax International Ship Management Co., Ltd	-	130
Total	-	4,379,062

	As at 31/12/2015 S\$'000	As at 31/12/2014 S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	381,066	375,266
- Short-term bank deposits	144,959	217,215
	526,025	592,481
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	228,030	-

F. DEALING IN SECURITIES

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

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

CORPORATE INFORMATION

Board of Directors

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

Wu Zi Heng
*Vice Chairman, President
and Non-Independent
Executive Director*

Liu Lian An
*Non-Independent
Executive Director*

Liang Yan Feng
*Non-Independent
and Non-Executive Director*

Ma Zhi Hong
*Non-Independent
and Non-Executive Director*

Tom Yee Lat Shing
*Non-Executive Lead
Independent Director*

Wang Kai Yuen
*Non-Executive
Independent Director*

Er Kwong Wah
*Non-Executive
Independent Director*

Ang Swee Tian
*Non-Executive
Independent Director*

Alternate Directors

Ma Hong Han
Alternate to Ma Zhi Hong

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

Wu Zi Heng

Tom Yee Lat Shing

Wang Kai Yuen

Ang Swee Tian

Nominating Committee

Wang Kai Yuen
Chairman

Wu Zi Heng

Tom Yee Lat Shing

Er Kwong Wah

Ang Swee Tian

Enterprise Risk Management Committee

Ang Swee Tian
Chairman

Wu Zi Heng

Liu Lian An

Tom Yee Lat Shing

Wang Kai Yuen

Er Kwong Wah

Liang Yan Feng

Ma Hong Han

Ouyang Chao Mei

Strategic Development Committee

Wu Zi Heng
Chairman

Wang Yu Hang

Tom Yee Lat Shing

Wang Kai Yuen

Er Kwong Wah

Ang Swee Tian

Registered Office and Business Contact Information

9 Temasek Boulevard

#07-00 Suntec Tower Two

Singapore 038989

Telephone: 6885 0888

Facsimile: 6336 9006

Website: www.cosco.com.sg

Company Registration Number

196100159G

Auditors

PricewaterhouseCoopers LLP

8 Cross Street

#17-00 PWC Buiding

Singapore 048424

Partner-in-charge:

Tham Tuck Seng (since FY2015)

Company Secretaries

Teo Meng Keong

Cheo Meng Ching

Share Registrar and Share Transfer Office

Tricor Barbinder Share Registration
Services

(A division of Tricor Singapore
Pte Ltd)

80 Robinson Road

#02-00

Singapore 068898

Telephone: 6236 3333

Facsimile: 6236 4399

BOARD OF DIRECTORS



MR WANG YU HANG

Chairman and Non-Independent
and Non-Executive Director



CAPTAIN WU ZI HENG

Vice Chairman, President
and Non-Independent Executive Director



MR LIU LIAN AN

Non-Independent Executive Director



MR LIANG YAN FENG

Non-Independent
and Non-Executive Director



MR MA ZHI HONG

Non-Independent and
Non-Executive Director



MR TOM YEE LAT SHING

Non-Executive Lead Independent Director



DR WANG KAI YUEN

Non-Executive Independent Director



MR ER KWONG WAH

Non-Executive Independent Director



MR ANG SWEETIAN

Non-Executive Independent Director

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

Mr Wang Yu Hang was appointed as the Chairman and Non-Independent and Non-Executive Director of the Company with effect from 19 January 2016.

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.

CAPTAIN WU ZI HENG**Vice Chairman, President
and Non-Independent Executive Director**

Captain Wu Zi Heng was appointed Vice Chairman, President and Non-Independent Executive Director of the Company in November 2011.

Captain Wu brings to his current role almost two decades of directorship experience in various functions within the COSCO Group as well as from other organisations. Prior to his current appointment, from July 2008 to November 2011, Captain Wu was Deputy Managing Director of China Ocean Shipping Tally Company. From December 2002 to March 2008, Captain Wu was Chairman of the National Committee of Chinese Seamen and Construction Workers Union. He was Director of COSCO Research and Development Center from September 1999 to December 2002 and Deputy Managing Director of COSCO Xiamen from December 1995 to September 1999.

Prior to that, from November 1993 to December 1995, Captain Wu helped lead COSCO Xiamen as Assistant Managing Director and as Deputy Director of the executive office and passenger shipping department. Captain Wu started his career in COSCO Guangzhou as a deck officer and was a ship's master until November 1993.

Born in October 1956, Captain Wu started his professional career in July 1975. He graduated from Dalian Maritime University with a master's degree and is a senior engineer. From September 1978 to August 1982, Captain Wu studied marine navigation in Dalian Maritime University. He is an expert on work safety, as accredited by China's State Administration of Work Safety.

BOARD OF DIRECTORS

MR LIU LIAN AN

Non-Independent Executive Director

Mr Liu Lian An was appointed Executive Director on 20 February 2012. Currently, he is also Chairman of COSCO Holdings (Singapore) Pte. Ltd.

Born in 1956, Mr Liu graduated from Dalian Maritime University with a Bachelor's degree in 1982.

Mr Liu joined COSCO Tianjin in 1982. Over the past years, he has worked as Manager of Shipping Department and Vice General Manager of COSCO Corporation (Singapore) Ltd., Vice General Manager, General Manager of Shipping Department, Vice General Manager of COSCO BULK and General Manager of China COSCO Bulk Division.

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.

MR LIANG YAN FENG

Non-Independent and Non-Executive Director

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

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

MR MA ZHI HONG

Non-Independent and Non-Executive Director

Mr Ma Zhi Hong has been appointed as a Non-Independent and Non-Executive Director of the Company with effect from 2 August 2010.

Mr Ma Zhi Hong, born in March 1957, graduated from the Dalian Maritime University with a doctorate degree. He joined COSCO in July 1979. For more than 30 years, Mr Ma has worked as an engineer on-board ships, chief engineering superintendent of COSCO Container Lines Co., Ltd, vice president of COSCO Bulk Carrier Co., Ltd, assistant president of COSCO Group head office, vice president of COSCO (Hong Kong) Group Ltd and deputy managing director of COSCO Shipyard Group Co., Ltd.

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 24 April 2015. 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 as a 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 as a 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.

Currently, he is an Executive Director of the East Asia Institute of Management, as well as an Independent Director on 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.

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 COSCO Holdings Co. Ltd. (Director) • China International Marine Containers (Group) Ltd. (Vice Chairman)
Wu Zi Heng	Nil
Liu Lian An	Nil
Liang Yan Feng	Nil
Ma Zhi Hong	Nil
Tom Yee Lat Shing	• Bonvest Holdings Ltd (Director) • Pacific Century Regional Development Limited (Director) • Powermatic Data Systems Ltd (Director)
Wang Kai Yuen	• A-Sonic Aerospace Ltd (Director) • China Aviation Oil (Singapore) Corporation Ltd (Deputy Chairman) • ComfortDelGro Corporation Limited (Director) • EMAS Offshore Ltd (Director) • Ezion Holdings Ltd (Director) • HLH Group Ltd (Chairman) • Matex International Ltd (Director)
Er Kwong Wah	• CFM Holding Ltd (Director) • China Essence Group Ltd (Director) • China Sky Chemical Fiber Co., Ltd (Director) • Eucon Holding Ltd (Director) • GKE Corporation Ltd (Director) • C Y Foundation Group Ltd (Director) • China Environment Ltd.
Ang Swee Tian	• China Aviation Oil (Singapore) Corporation Ltd (Director)

KEY MANAGEMENT



MR LI MAN
Vice President

CAPTAIN WU ZI HENG
Vice Chairman and President

MR MA HONG HAN
Chief Financial Officer

MR WONG MENG YUN
Financial Controller

CAPTAIN WU ZI HENG

Vice Chairman and President

Captain Wu Zi Heng was appointed Vice Chairman, President and Non-Independent Executive Director of the Company in November 2011.

Captain Wu brings to his current role almost two decades of directorship experience in various functions within the COSCO Group as well as from other organisations. Prior to his current appointment, from July 2008 to November 2011, Captain Wu was Deputy Managing Director of China Ocean Shipping Tally Company. From December 2002 to March 2008, Captain Wu was Chairman of the National Committee of Chinese Seamen and Construction Workers Union. He was Director of COSCO Research and Development Center from September 1999 to December 2002 and Deputy Managing Director of COSCO Xiamen from December 1995 to September 1999.

Prior to that, from November 1993 to December 1995, Captain Wu helped lead COSCO Xiamen as Assistant Managing Director and as Deputy Director of the executive office and passenger shipping department.

Captain Wu started his career in COSCO Guangzhou as a deck officer and was a ship's master until November 1993.

Born in October 1956, Captain Wu started his professional career in July 1975. He graduated from Dalian Maritime University with a master's degree and is a senior engineer. From September 1978 to August 1982, Captain Wu studied marine navigation in Dalian Maritime University. He is also an expert on work safety, as accredited by China's State Administration of Work Safety.

MR MA HONG HAN

Chief Financial Officer

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

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

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

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

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

MR LI MAN

Vice President

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

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

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

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

MR WONG MENG YUN

Financial Controller

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

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

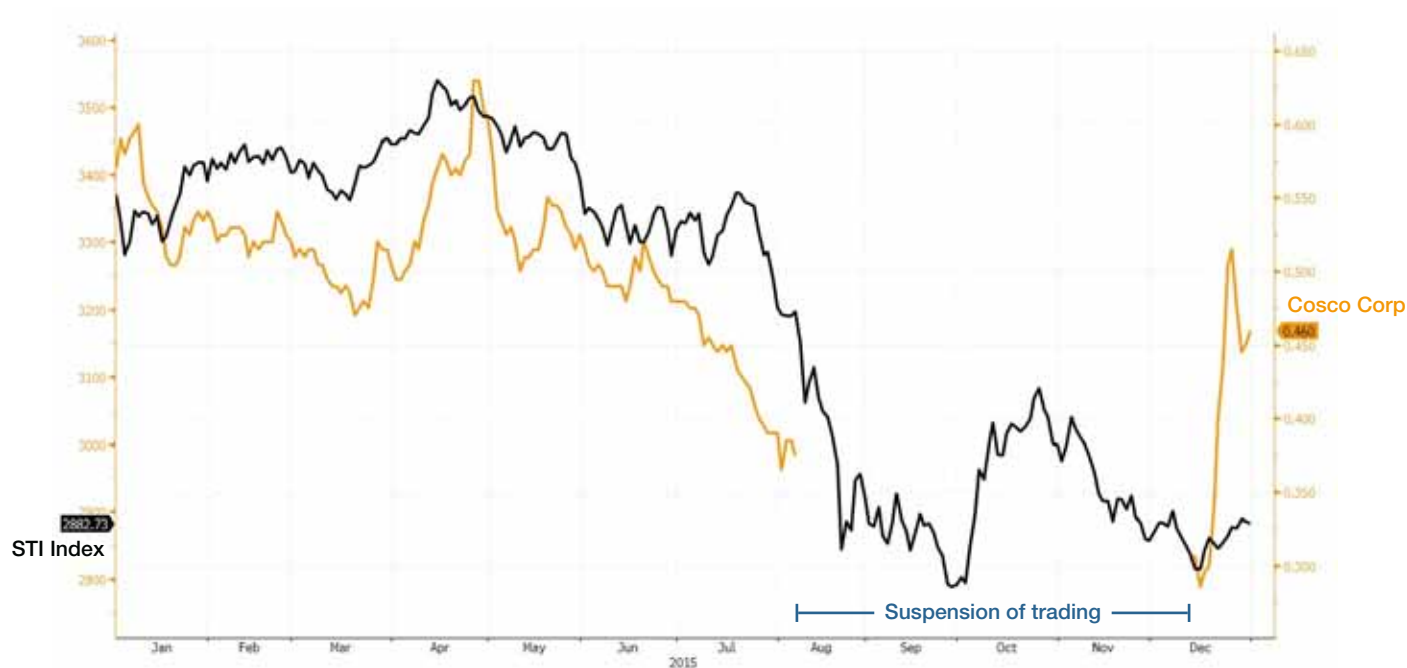
He speaks regularly in public seminars organised by the Institute of Internal Auditors, Singapore and the Institute of Singapore Chartered Accountants on topics related to risk management and internal controls. In May 2015, he participated in the inaugural Asia Internal Audit Leadership programme, jointly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

INVESTOR RELATIONS



COSCO Corporation is committed to maintaining open and transparent communications with its shareholders and the investment community. Our investor relations programmes are always guided by the principle of providing clear, consistent and timely disclosure on all material information concerning COSCO Corporation. All news releases and company announcements are available on the SGX-ST portal and updated on COSCO Corporation's website.

COSCO Corporation has been a component on the FTSE ST China Index since January 2009, and in the FTSE China Top Index since July 2009. These indices were created to reflect the benchmarks for monitoring the relative performance of China-based companies on the Singapore Exchange.



Major Investor Relations Events in 2015

Date	Organiser	Event
28 January 2015	Credit Suisse	Oil and Gas Conference
16 February 2015	COSCO Corporation	FY2014 Full Year Results Briefing
4 March 2015	Bank of America Merrill Lynch	2015 ASEAN Conference
24 April 2015	COSCO Corporation	Annual General Meeting
30 April 2015	COSCO Corporation	FY2015 1st Quarter Results Briefing
31 July 2015	COSCO Corporation	FY2015 2nd Quarter Results Briefing
24 August 2015	Macquarie	ASEAN Conference 2015
12 November 2015	COSCO Corporation	FY2015 3rd Quarter Results Briefing

In 2015, COSCO Corporation's senior management and the investor relations team continued to actively reach out to the shareholders, analysts, investment community and media to engage and keep all related parties informed of key developments, such as newly secured contracts, project completion and deliveries, quarterly and full year results, growth strategies and business outlook. We use multiple communication channels such as shareholder meetings, analyst briefings and investor conferences to actively engage our stakeholders. Our senior management and investor relations team have participated in various analyst meetings and investor conferences throughout 2015. Through these events, we were able to interact closely with bankers, research analysts, fund managers and stockbrokers.

The Annual General Meeting (AGM) remains an important platform for shareholders to provide feedback about the Company to the Board and the senior management directly. For the convenience of shareholders, we will continue to host our AGMs at a central and accessible location. Our latest AGM, held on 24 April 2015 at the Suntec Singapore International Convention & Exhibition Centre, was well attended with meaningful and useful input from all participants.

Analyst Coverage

Company	Name of Analyst
Citi	Goh Si Xian
Credit Suisse	Gerald Wong
Daiwa Securities	Royston Tan
DBS Vickers	Pei Hwa Ho
Deutsche Bank	Kevin Chong
Goldman Sachs	Koh Miang Chuen
HSBC	Tarun Bhatnagar
Macquarie	Somesh Agarwal
Maybank Kim Eng	Chee Keong Yeak
OCBC Investment Research	Low Pei Han
UOB Kay Hian	Nancy Wei

RISK MANAGEMENT

INTRODUCTION

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

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

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

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

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

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

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

RISK MANAGEMENT PROCESS

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

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

The Board currently 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 ERM, 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 ERM, Audit Committee and the Board.

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

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

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

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

1. EXTERNAL RISKS

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

RISK MANAGEMENT

GLOBAL ECONOMIC DOWNTURN AND UNCERTAINTIES

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

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

LEGAL, REGULATORY, POLITICAL AND SOCIETAL RISKS

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

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

COMPETITION

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

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

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

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

CUSTOMER DEMAND

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

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

MARKET DOWNTURN RISK

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

FLUCTUATIONS IN THE BALTIC DRY INDEX (“BDI”)

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

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

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

2. INTERNAL RISKS

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

INFORMATION TECHNOLOGY INFRASTRUCTURE

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

OPERATIONAL PERFORMANCE AND PROJECT DELIVERY

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

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

RISK MANAGEMENT

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

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

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

EMPLOYEES

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

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

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

MANAGING COST OF WAGES THROUGH OUTSOURCING

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

RAW MATERIALS

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

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

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

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 also draw down USD denominated borrowings as a form of "economic hedge" over its USD denominated financial assets.

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

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

A detailed disclosure of the Group's financial risks can be found on pages 138 to 146 in the Notes to the Financial Statements.

RESEARCH AND DEVELOPMENT



COSCO has long considered innovation to be a major driving force towards greater efficiency, enhanced productivity, and higher quality standards. We position ourselves to be more competitive in the ever-changing maritime industry through constant renewal and refinement of our technological capabilities. Our goal of continuously enhancing our tried-and-tested competencies in modern shipbuilding and marine engineering requires groundbreaking solutions garnered from our rigorous research and development efforts.

Leading our research and development initiative is COSCO Shipyard Technology Centre, comprising over 1,600 designated staff deployed across satellite offices at COSCO Shipyard headquarters and various shipyards. The Group is engaged in research and development of oil and gas related products and technologies, as well as undertaking design of specialised vessels and marine engineering products.

Our R&D Centres in Nantong and Qidong principally conduct design of offshore marine engineering projects such as cylindrical rigs, semi-submersible rigs, FPSOs, and wind turbine installation vessels. COSCO's team at the Dalian Shipyard Technology Centre primarily conducts design work for FPSO conversion, jack-up rigs, LNG carriers, module carriers, product tankers, and PSV, among other major product types.

Technology centres in Zhoushan and Guangdong also carry out production design for various engineering projects. Our enterprise supporting teams work in tandem with all shipyards to carry out product design of complementary products such as jack-up drilling platform's lift system and single-point mooring systems.

R&D ENDEAVOURS

2015 saw COSCO's R&D team refine its capabilities. Collaborations with reputable institutions were initiated to fast-track design and technological developments. These partnerships are an important part of COSCO's R&D efforts.

Despite volatile global market conditions and challenging business situations, COSCO was able to successfully deliver projects and secure contracts for new vessel types.

COSCO Nantong delivered in January, a semi-submersible offshore accommodation vessel to its Mexican buyer, Cotemar. Capable of accommodating a crew of 990, it is one of the biggest offshore accommodation units. COSCO Shipyard had independently carried out the detailed design, production design, procurement of all equipment and installation and debugging of equipment and systems. Based on

GustoMSC's Ocean500 design, the structural design of the unit makes it suitable for work in the UK North Sea, Gulf of Mexico and Brazilian seas. The unit is built to meet the IMO (International Maritime Organisation) noise level rules and Resolution A468(XII), as well as the relevant standards and stringent specifications of IMO, ILO (International Labour Organisation), DNV (Det Norske Veritas), MPA (Maritime and Port Authority of Singapore) and USCG (U.S. Coast Guard).

In March 2015, COSCO and Maersk Line signed a newbuilding order for seven units of 3,600 TEU containerships. The order is the first step in a five-year investment programme that will see Maersk Line commit into vessel newbuilding, retrofits, containers and other equipment. The programme will enable Maersk Line to add growth and capacity in global container shipping demand as well as replace less efficient chartered tonnage.

The ships, which have a 200 metres LOA and a breadth of 35.2 metres, will be built according to Lloyd Register's Rules and Regulations and will have Ice Class 1A (Finnish-Swedish ice class). Delivery is between April to November 2017. Though COSCO has worked with Maersk Line in the past, this is the first time that the Group has signed a newbuilding order for container vessels. We consider this new collaboration as another milestone in our transformation into a multi-functional builder.

COSCO Guangdong entered into a contract in June with an Asian geological survey firm to build an integrated marine geological research vessel. A first for COSCO Shipyard, the vessel will be equipped with 20 sets of highly advanced research equipment used for geological, geophysical and hydrographic survey and for information management. The vessel is expected to be delivered in the fourth quarter of 2017.



Our infrastructure, high level of technical expertise and production quality are widely recognised and attested by our industry partners. In August, COSCO Qidong passed Total S.A.'s strict audit and was awarded with Total's Pre-Qualification Certificate to become one of their authorised offshore equipment suppliers.

NAVIGATING AHEAD

Going forward, COSCO hopes to strengthen its R&D capabilities through strategic and mutually beneficial partnerships and collaborations. We will continuously invest in human capital, and facilitate innovation and technology. Our consistent expansion and improvements in our operational areas anchor us as a major player in the marine engineering industry.

HUMAN RESOURCE AND WORKPLACE SAFETY

HUMAN RESOURCE

PUTTING OUR PEOPLE FIRST

At COSCO, our employees are the critical foundation for the Company. We consider our human capital as indispensable towards sustainability and progress. This is why we have in place a comprehensive human resource (HR) strategy. We seek to achieve organisation growth by enriching, enabling and empowering our staff to reach their full potential.

Our approach in recruitment, training, incentives, compensation and benefits ensure that talented staff are given the opportunities for upgrading.

RECRUITMENT AND TRAINING

We consider human capital an essential component in our enterprise. We recruit new talents with a competitive remuneration and reward scheme. Our proactive recruitment and training programme involves finding top graduates from China's renowned universities. They then undergo management trainee courses in preparation for their future management roles. In line with this, we constantly monitor their progress and support their professional and personal goals within the company.

We place great emphasis on education to increase our workforce's capabilities, which is why we provide employees with specialised training courses relating to international best practices and safety measures, as well as technical, engineering and management skills.

Another part of our HR programme is the annual assessment of technical staff to ensure that their skills meet the necessary standards. COSCO also organises training courses for senior technical management staff to strengthen their knowledge and expertise.

REWARD AND RETENTION

The efforts and achievements of our employees are reflective of their sense of belonging within the company. To foster staff loyalty and bring out their full potential, COSCO applies a performance and achievement appraisal system, which aims to link work goals with personal career development aspirations and remuneration.

We also seek to inculcate a culture of mutual respect and flexibility with our employees through open communication channels, fair management, sharing of responsibilities and decision-making.

OUTLOOK

For 2016, COSCO will continuously pursue effective management of our workforce of contract and in-house staff, providing them priorities and benefits. We will also enhance our appraisal and career development system, as well as training programmes for middle level management to achieve optimal performance.

WORKPLACE SAFETY

WORKPLACE SAFETY AWARENESS

At COSCO, we believe in the importance of an uncompromising safety ethos within the workplace. The core of COSCO's established workplace safety philosophy will always be our employees' welfare and well-being. It has always been our commitment to apply an actionable, practical and effective approach towards safety conduct.

Our shipyard staff are provided with the necessary training courses to identify potential workplace dangers and the precautionary measures to take. These programmes ensure that our staff are equipped with vital skills and fundamental levels of proficiency.

COSCO has placed a high emphasis on safety awareness for new intakes at all levels. New staff are required to attend all-round training courses and examinations that stress proficiency of the technical aspects of workplace safety and its compliance.

To improve on overall risk management levels and minimise incident rates, COSCO implements training plans and matrixes such as Behaviour-Based Safety (BBS) and Job Safety Analysis (JSA). These programmes highlight key risk management techniques and safety awareness among staff.

UPHOLDING SAFETY STANDARDS

Part of our established foundation on safety is the Annual Safety Month in June, which is intended to strengthen safety standards, promote safety awareness, refine operation standards and enhance staff skill base.

In 2015, COSCO Nantong, COSCO Dalian, and COSCO Zhoushan conducted a comprehensive series of safety briefing and onsite supervision specifically designed to educate staff about potential workplace hazards and preventive safety precautions. Debrief sessions targeting specific safety measures were also conducted to address the needs of various departments.

To further strengthen our safety capacities, COSCO Nantong invited emergency rescue experts to conduct “Emergency Platinum Ten Minutes” programme courses which boost evaluation and assessment of safety standards among various departments.

Drills on emergency firefighting were also conducted to train workers about coordination and proper response during fire incidents, such as extinguishing flames and treatment of injuries. Specialised training on disease outbreak and heatstroke prevention were given to employees to help monitor their health conditions during the course of outdoor work.

To ensure that all units are prepared to handle any health hazards, we adopted a temperature monitoring system, wherein coordinated SMS are sent to all supervisors to confirm that prevention measures are in place, and halt operations in vulnerable environments expeditiously.

The threat of terrorism was also recognised when we conducted a counter terrorism emergency exercise at COSCO Qidong, which helped further enhance security measures against external threats.

ENVIRONMENTAL SAFETY

As part of our focus on environmental protection, we implement action plans that minimise detrimental effects on the environment and reduce our carbon footprint. Since the formation of our Safety Committee in 2009, COSCO has regularly conducted site visits to all shipyards to ensure that safety requirements are adhered to. Regular inspection and maintenance are carried out for facilities, equipment and tools to ensure compliance.

We continue to focus on reducing pollution, employing sustainable technologies and ensuring proper and safe discharge of waste gases, waters, and other effluents to the environment.

MEDICAL BENEFITS

Placing great importance on the health and well-being of our employees, COSCO provides various medical welfare benefits to its staff, such as annual health check-ups, medical insurance and immunisation. Each of our shipyards and vessels are also equipped with an on-site medical facility, which provides first aid and emergency medical services to staff.

THE YEAR AHEAD

In 2016, we will continue to sustain our operational efficiencies by underlining a “safety first” culture for our employees.

Moving forward, we will strive to improve the overall safety standards at our shipyards and on our ships. We will ensure our shipyard workforce adhere to safety rules and regulations, enable and empower our employees to reduce the risks of accidents in the workplace, and encourage a holistic understanding of their responsibilities. In our shipping operations, we will continue to focus on ship tracking, monitoring and inspection operations, as well as information exchange among onshore and offshore crew and departments.

CORPORATE SOCIAL RESPONSIBILITY



Captain Wu receiving a token of appreciation from Prime Minister Lee Hsien Loong at the 2015 SCO Fundraising Gala Dinner and Concert.

OVERVIEW

Since our inception, we view it as our responsibility to address a range of social, environmental, and ethical concerns. We believe that this not only helps us in reaching our long-term goal of creating a brand identity and enhancing our corporate value, but also benefits our communities, the environment and stakeholders.

SOCIAL CONTRIBUTIONS

We aim to fulfill our responsibility in the surroundings we operate in not only by creating a sustainable environment but also by addressing the needs of the communities. To make a substantive difference, we aid communities through charitable events and activities and supporting worthy causes. We also make it a point to encourage our employees to share their knowledge and support for the communities through contribution in kind and deeds. Through these actions, we believe we are able to create a significant impact by giving back to society.

Singapore

COSCO has been a long-time patron of the Singapore Chinese Orchestra. 2015 marks our fourth year of sponsorship to the organisation. This year, we donated towards the annual SCO Fundraising event held on 9 October 2015.

China

At COSCO, we try to maintain our efforts of creating a sustainable environment. We are able to do this through our group of companies located in China, which have been actively involved in various programmes including youth social welfare and educational advocacies.

COSCO Guangdong has also initiated a clean production process through advancements made in green technology such as energy conservation and waste treatment. This process has been recognised and commended by the provincial utility board.

We believe that education is not a privilege, but a right. We are committed to fostering a community where children, irrespective of socioeconomic status or background, have full and complete access to education. In the absence of comprehensive learning aids at the Wulan Heshuo Town, Liaoning Province, COSCO Shipyard Group contributed 60 sets of computers to four primary schools. We believe that through these, the access to education aids productivity and will better position children for the future.

CONCLUSION

Despite the challenging year brought about by unfavorable circumstances, we continued our Corporate Social Responsibility efforts by staying involved with community projects, environmental protection and charities, and supporting worthy causes.

FINANCIAL STATEMENTS

74	Directors' Statement
79	Independent Auditor's Report
80	Consolidated Profit or Loss
81	Consolidated Statement of Comprehensive Income
82	Balance Sheets
83	Consolidated Statement of Changes in Equity
84	Consolidated Statement of Cash Flows
85	Notes to the Financial Statements
155	Five-Year Summary
156	Shareholding Statistics
157	Notice of Annual General Meeting
	Proxy Form for Annual General Meeting
	Notes for Proxy Form

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

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 80 to 154 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 2015 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 (appointed on 19 January 2016)

Wu Zi Heng

Liu Lian An

Liang Yan Feng

Ma Zhi Hong

Tom Yee Lat Shing

Wang Kai Yuen

Er Kwong Wah

Ang Swee Tian

Ma Hong Han (alternate director to Ma Zhi Hong)

Li Man (alternate director to Wang Yu Hang, appointed on 19 January 2016)

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 2015

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 31.12.2015	At 1.1.2015	At 31.12.2015	At 1.1.2015
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 31.12.2015	At 1.1.2015

Related corporation

China COSCO Holdings Company Limited

- Share Appreciation Rights

Li Yun Peng (resigned as director of the Company on 19 January 2016)	1,630,000	1,630,000
Li Man	200,000	200,000
Ma Hong Han	60,000	60,000

- (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 2016 were the same as those as at 31 December 2015.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this statement, and except that certain directors have employment relationships with the ultimate holding corporation or related corporations, and have received remuneration in those capacities.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

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)
Wu Zi Heng
Tom Yee Lat Shing
Wang Kai Yuen
Ang Swee Tian

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

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 31.12.2015	Aggregate exercised since commencement of Scheme 2002 to 31.12.2015	Aggregate lapsed since commencement of Scheme 2002 to 31.12.2015	Aggregate outstanding as at 31.12.2015
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 1.1.2015 '000	Number of unissued ordinary shares lapsed during the financial year '000	Number of unissued ordinary shares at 31.12.2015 '000	Exercise price \$	Exercise period
2006 Options	550	—	550	1.23	21.2.2007 - 20.2.2016
2007 Options	3,450	(400)	3,050	2.48	5.2.2008 - 4.2.2017
2008 Options	8,410	(1,230)	7,180	2.95	24.3.2009 - 23.3.2018
	12,410	(1,630)	10,780		

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

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 2015 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

WU ZI HENG

Director

TOM YEE LAT SHING

Director

4 March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF COSCO CORPORATION (SINGAPORE) LIMITED

For the financial year ended 31 December 2015

Report on the Financial Statements

We have audited the accompanying financial statements of COSCO Corporation (Singapore) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 154, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated profit or loss, consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 4 March 2016

CONSOLIDATED PROFIT OR LOSS

For the financial year ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Sales	4	3,519,773	4,260,705
Cost of sales	5	(3,734,558)	(3,969,664)
Gross (loss)/profit		(214,785)	291,041
Other income	7(a)	81,398	106,946
Other gains and losses	7(b)	(5,167)	5,036
Expenses			
- Distribution	5	(73,176)	(84,182)
- Administrative	5	(522,541)	(173,696)
- Finance	8	(166,925)	(127,697)
Share of profit/(loss) of associated companies	19	30	(197)
(Loss)/profit before income tax		(901,166)	17,251
Income tax (expense)/credit	9(a)	(13,669)	9,026
Net (loss)/profit		(914,835)	26,277
(Loss)/profit attributable to:			
Equity holders of the Company		(569,958)	20,893
Non-controlling interests		(344,877)	5,384
		(914,835)	26,277
Earnings per share attributable to equity holders of the Company (expressed in cents per share)			
- Basic earnings per share	10(a)	(25.45)	0.93
- Diluted earnings per share	10(b)	(25.45)	0.93

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Net (loss)/profit		(914,835)	26,277
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value (loss)/gain	30(b)(v)	(32)	249
Currency translation differences arising from consolidation	30(b)(iii)	53,302	53,105
Other comprehensive income, net of tax		53,270	53,354
Total comprehensive (loss)/income		(861,565)	79,631
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(534,777)	54,373
Non-controlling interests		(326,788)	25,258
		(861,565)	79,631

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

BALANCE SHEETS

As at 31 December 2015

	Note	The Group		The Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	1,570,852	1,560,803	36,301	46,434
Trade and other receivables	12	5,202,201	4,563,805	45,422	31,141
Inventories	13	780,251	1,041,695	–	–
Construction contract work-in-progress	14	199,122	177,515	–	–
Income tax receivables		9,278	7,252	–	–
Other current assets	15	15,537	21,429	115	164
		7,777,241	7,372,499	81,838	77,739
Non-current assets					
Trade and other receivables	16	–	4,377	–	–
Available-for-sale financial assets	17	4,890	4,841	–	–
Club memberships	18	311	303	82	82
Investments in associated companies	19	4,854	4,736	–	–
Investments in subsidiaries	20	–	–	372,298	371,644
Investment properties	21	10,579	10,990	–	–
Property, plant and equipment	22	2,307,323	2,267,057	530	647
Intangible assets	23	9,583	9,564	–	–
Deferred expenditure	24	2,980	3,029	–	–
Deferred income tax assets	28	236,932	267,901	–	–
		2,577,452	2,572,798	372,910	372,373
Total assets		10,354,693	9,945,297	454,748	450,112
LIABILITIES					
Current liabilities					
Trade and other payables	25	2,417,472	2,632,163	17,497	17,378
Current income tax liabilities		7,645	53,932	2,279	1,569
Borrowings	26	3,985,918	2,430,304	–	–
Provisions	27	56,500	56,166	–	–
		6,467,535	5,172,565	19,776	18,947
Non-current liabilities					
Borrowings	26	2,546,887	2,542,390	–	–
Deferred income tax liabilities	28	288	837	–	704
		2,547,175	2,543,227	–	704
Total liabilities		9,014,710	7,715,792	19,776	19,651
NET ASSETS		1,339,983	2,229,505	434,972	430,461
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	29	270,608	270,608	270,608	270,608
Statutory and other reserves	30	328,838	284,328	45,105	45,105
Retained earnings		222,586	812,819	119,259	114,748
		822,032	1,367,755	434,972	430,461
Non-controlling interests		517,951	861,750	–	–
Total equity		1,339,983	2,229,505	434,972	430,461

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Statutory and other reserves	Retained earnings	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2015						
Beginning of financial year	270,608	284,328	812,819	1,367,755	861,750	2,229,505
Total comprehensive income for the year	–	35,181	(569,958)	(534,777)	(326,788)	(861,565)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	–	–	–	–	(16,114)	(16,114)
Dividend for 2014	31	–	(11,196)	(11,196)	–	(11,196)
Transfer from retained earnings to statutory reserves	30(b)(ii)	–	9,079	(9,079)	–	–
Changes in ownership interests in subsidiaries - acquisition of additional interests in subsidiaries	30(b)(vi)	–	250	250	(897)	(647)
End of financial year	270,608	328,838	222,586	822,032	517,951	1,339,983
2014						
Beginning of financial year	270,608	245,139	820,027	1,335,774	839,307	2,175,081
Total comprehensive income for the year	–	33,480	20,893	54,373	25,258	79,631
Non-controlling interests share of increase in registered capital of a subsidiary	–	–	–	–	10,679	10,679
Dissolution of a subsidiary	–	–	–	–	(2,001)	(2,001)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	–	–	–	–	(11,493)	(11,493)
Dividend for 2013	31	–	(22,392)	(22,392)	–	(22,392)
Transfer from asset revaluation reserve to retained earnings	30(b)(iv)	–	(2,900)	2,900	–	–
Transfer from retained earnings to statutory reserves	30(b)(ii)	–	8,609	(8,609)	–	–
End of financial year	270,608	284,328	812,819	1,367,755	861,750	2,229,505

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Net (loss)/profit		(914,835)	26,277
Adjustments for:			
- Allowance for impairment of property, plant and equipment		-	163
- Allowance for impairment of transferable club memberships		-	6
- Amortisation of deferred expenditure		90	86
- Depreciation of property, plant and equipment and investment properties		150,005	153,488
- Dividend income		(2,015)	(725)
- Fair value loss on forward currency contracts		-	759
- Income tax expense/(credit)		13,669	(9,026)
- Interest expense		166,925	127,697
- Interest income		(34,320)	(45,807)
- Allowance for expected losses recognised on construction contracts		61,782	61,742
- Provision for an onerous contract		-	25
- Write-down of inventories		309,304	124,504
- Net allowance for impairment of trade and other receivables		380,306	25,787
- (Gain)/loss on disposal of property, plant and equipment		(90)	456
- Share of (profit)/loss of associated companies		(30)	197
- Write-off of property, plant and equipment		239	217
		131,030	465,846
Changes in working capital:			
- Inventories and construction contract work-in-progress		(69,467)	(134,427)
- Trade and other receivables		(1,022,479)	(1,649,297)
- Trade and other payables		(283,831)	(132,908)
- Other current assets		5,892	(6,194)
- Provisions for other liabilities		334	770
- Exchange differences		33,672	34,846
Cash used in operations		(1,204,849)	(1,421,364)
Income tax paid		(26,579)	(6,307)
Net cash used in operating activities		(1,231,428)	(1,427,671)
Cash flows from investing activities			
Cash outflow to non-controlling interests on dissolution of a subsidiary		-	(2,001)
Purchase of property, plant and equipment		(151,457)	(100,632)
Proceeds from disposal of property, plant and equipment		8,788	3,228
Cash outflow to non-controlling interests on acquisition of additional interests in subsidiaries		(647)	-
Dividends received		2,212	967
Interest received		42,332	49,669
Net cash used in investing activities		(98,772)	(48,769)
Cash flows from financing activities			
Proceeds from borrowings		4,200,628	3,281,016
Repayments of borrowings		(2,724,152)	(2,181,337)
Proceeds from non-controlling interests for increase in registered capital of a subsidiary		-	10,679
Decrease in bank deposits pledged		1,471	38
Interest paid		(173,641)	(120,822)
Dividends paid to equity holders of the Company		(11,196)	(22,392)
Dividends paid to non-controlling interests of subsidiaries		(1,942)	(11,521)
Net cash provided by financing activities		1,291,168	955,661
Net decrease in cash and cash equivalents		(39,032)	(520,779)
Cash and cash equivalents at beginning of financial year		1,557,484	2,025,040
Effects of currency translation on cash and cash equivalents		50,552	53,223
Cash and cash equivalents at end of financial year	11	1,569,004	1,557,484

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

1. General information

COSCO Corporation (Singapore) Limited (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 9 Temasek Boulevard, #07-00 Suntec Tower Two, Singapore 038989.

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

2. Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, 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 108 Operating segments

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity’s assets when segment assets are reported.

The Group has included the additional required disclosures in Note 36 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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, when 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) *Shipping*

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 2015

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 but are considered an impairment indicator of the asset transferred. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

Acquisition-related costs are expensed as incurred.

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

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

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

(iii) Disposals

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

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

Please refer to Note 2.9 "Investments in subsidiaries and associated companies" 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 2015

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*

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against 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 measured 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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 the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.

(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:

	<u>Useful lives</u>
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	20 years
Docks and quays	40 - 50 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation (continued)

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 on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on 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, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

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.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as 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.

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 excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as "construction contract work-in-progress" on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

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

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

2.8 Investment properties

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.8 Investment properties (continued)

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 and associated companies

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

2.10 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

(b) Property, plant and equipment

Investment properties

Investments in subsidiaries and associated companies

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

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

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: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date.

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(a) Classification (continued)

(ii) Loans and receivables

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

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group’s management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets. The Group currently does not have any held-to-maturity financial assets.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(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.

(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/Held-to-maturity financial assets*

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(e) Impairment (continued)

(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 any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss 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 previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

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 Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as fair value hedge.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

The Group has not designated any derivatives as hedging instruments during the current and previous financial year.

2.17 Fair value estimation of financial assets and liabilities

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.18 Leases

(a) *When the Group is the lessee:*

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

(i) *Lessee - Finance leases*

Leases of property, plant and equipment where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) *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.

(i) *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 (net of any incentives given to the lessees) 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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.20 Income taxes

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

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

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

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

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

2.21 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.21 Provisions (continued)

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

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

2.22 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.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.23 Currency translation (continued)

(b) Transactions and balances

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

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

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

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

(c) Translation of Group entities’ financial statements

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Significant accounting policies (continued)

2.24 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.

2.25 Cash and cash equivalents

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

2.26 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.

2.27 Dividends to Company's shareholders

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

2.28 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.

3. Critical accounting estimates, assumptions and judgements

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

(a) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

(a) Construction contracts (continued)

Significant assumptions are used to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and industry practices.

If the stage of completion increases/decreases by 10% (2014:10%) from management's estimates, the Group's revenue will increase/decrease by \$878,917,000 (2014: \$808,005,000) and the Group's cost of sales will increase/decrease by \$827,310,000 (2014: \$740,208,000).

If the total contract costs to be incurred increase/decrease by 10% (2014:10%) from management's estimates, the Group's cost of sales will increase/decrease by \$621,048,000 (2014: \$470,038,000).

(b) Useful life of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation expense for the property, plant and equipment. The management of the Group estimates useful lives of the property, plant and equipment by reference to expected usage of the property, plant and equipment, expected repair and maintenance, and technical or commercial obsolescence arising from the changes or improvements in the market. The useful lives and related depreciation expense could change significantly as a result of the changes in these factors.

(c) Impairment of trade receivables (including amount due from customer on construction contracts)

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

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded in profit or loss. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

During the current financial year, management has recognised allowance for impairment of trade and other receivables, as disclosed in Note 5, amounting to S\$380,306,000 (2014: S\$25,787,000). Management believed that the allowance for impairment of trade and other receivables recognised is adequate for the current and previous financial years based on their best estimates of the difference between the recoverable amount and carrying amount of trade receivables individually determined to be impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

(d) Warranty claims

The provision for warranty is based on estimates from known and expected warranty work and contractual obligation for further work to be performed after completion. The warranty provision could differ from future claims. Movements in provision for warranty are detailed in Note 27(b).

(e) Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. In determining the tax liabilities, management applies the statutory tax rate of the tax jurisdictions in which the subsidiaries operate in and is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

There are certain transactions and calculations for which the ultimate tax determination has to be estimated during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amount that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions.

4. Revenue

	The Group	
	2015	2014
	\$'000	\$'000
Rendering of services		
- Ship repair, ship building and marine engineering	3,480,369	4,208,197
- Charter hire	38,507	51,611
Others	897	897
Total sales	3,519,773	4,260,705

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

5. Expenses by nature

	The Group	
	2015	2014
	\$'000	\$'000
Allowance for impairment of property, plant and equipment (Note 22)	–	163
Allowance for impairment of transferable club memberships	–	6
Amortisation of deferred expenditure	90	86
Raw materials, finished goods, consumables and other overheads	2,294,998	2,714,530
Changes in inventories and construction contract work-in-progress	(45,386)	(61,057)
Commission	49,582	54,029
Crew overheads	12,207	12,185
Depreciation of property, plant and equipment and investment properties (Notes 21 and 22)	150,005	153,488
Director and employee compensation (Note 6)	382,059	382,662
Net allowance for impairment of trade and other receivables	380,306	25,787
Write-down of inventories	309,304	124,504
Allowance for expected losses recognised on construction contracts	61,782	61,742
Non-audit service fees paid/payable to auditor of the Company	158	49
Provision for an onerous contract	–	25
Rental expense on operating leases	42,112	43,313
Repairs and maintenance	21,625	19,331
Sub-contractor expenses	626,654	619,380
Vessel overheads	11,162	9,957
Write-off of property, plant and equipment	239	217
Other expenses	33,378	67,145
Total cost of sales, distribution and administrative expenses	4,330,275	4,227,542

6. Director and employee compensation

	The Group	
	2015	2014
	\$'000	\$'000
Wages, salaries and staff benefits	339,896	340,264
Employer's contribution to defined contribution plans	41,919	42,093
Directors' fees of the Company	244	305
	382,059	382,662

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7. Other income and other gains and losses

(a) Other income

	The Group	
	2015	2014
	\$'000	\$'000
Compensation received from customers	3,544	374
Dividend income	2,015	725
Government grants	5,663	5,999
Interest income	34,320	45,807
Rental income	3,938	2,960
Sale of scrap materials	23,561	43,543
Sundry income	8,357	7,538
	81,398	106,946

(b) Other gains and losses

	The Group	
	2015	2014
	\$'000	\$'000
Currency exchange (loss)/gain – net	(2,655)	6,737
Fair value loss on forward currency contracts	–	(759)
Gain/(loss) on disposal of property, plant and equipment	90	(456)
Loss on sale of bunker stock	(2,602)	(486)
	(5,167)	5,036
Other income and other gains and losses	76,231	111,982

8. Finance expenses

	The Group	
	2015	2014
	\$'000	\$'000
Interest expense		
- Bank borrowings and bills payable	159,675	128,028
- Loan from a fellow subsidiary	7,701	52
Total interest expense	167,376	128,080
Less: Amount capitalised in construction of property, plant and equipment (Note 22)	(451)	(383)
Finance expenses recognised in profit or loss	166,925	127,697

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. Income taxes

(a) Income tax expense/(credit)

Tax expense/(credit) attributable to profit or loss is made up of:

Profit or loss for the financial year:

Current income tax

- Singapore

- Foreign

Deferred income tax (Note 28)

- Singapore

- Foreign

(Over)/under provision in prior financial years:

Current income tax

- Singapore

- Foreign

Deferred income tax (Note 28)

- Foreign

The Group
2015 **2014**
\$'000 **\$'000**

879	851
8,199	34,090
9,078	34,941
(1)	–
11,935	(39,494)
21,012	(4,553)
2	(228)
(30,995)	(8,070)
(30,993)	(8,298)
23,650	3,825
13,669	(9,026)

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

The Group
2015 **2014**
\$'000 **\$'000**

(Loss)/profit before tax and share of profit of associated companies

Tax calculated at a tax rate of 17% (2014: 17%)

Effects of:

- change in tax rate in other countries

- different tax rates in other countries

- tax incentives

- income not subject to tax

- expenses not deductible for tax purposes

- utilisation of previously unrecognised tax losses

- deferred tax assets not recognised

- derecognition of deferred tax assets recognised previously

- recognition of previously unrecognised deferred tax assets

- over provision of current income tax in prior years

- under provision of deferred income tax in prior years

- others

Tax charge/(credit)

(901,196)	17,448
(153,203)	2,966
19,515	–
(8,347)	(4,650)
(9,886)	(4,001)
260	(128)
10,250	4,686
(2,974)	(1,899)
115,066	554
50,361	–
–	(2,110)
(30,993)	(8,298)
23,650	3,825
(30)	29
13,669	(9,026)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

9. Income taxes (continued)

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

	Before tax \$'000	2015 Tax credit \$'000	After tax \$'000	Before tax \$'000	2014 Tax charge \$'000	After Tax \$'000
Fair value (loss)/gain on available-for-sale financial assets	(43)	11	(32)	332	(83)	249
Currency translation differences arising from consolidation	53,302	–	53,302	53,105	–	53,105
Other comprehensive income	53,259	11	53,270	53,437	(83)	53,354

10. 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.

	2015	2014
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(569,958)	20,893
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,239,245	2,239,245
Basic earnings per share (cents per share)	(25.45)	0.93

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, (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 2015

10. 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:

	2015	2014
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(569,958)	20,893
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,239,245	2,239,245
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	2,239,245	2,239,245
Diluted earnings per share (cents per share)	(25.45)	0.93

11. Cash and cash equivalents

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

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	732,438	647,639	4,918	998
Short-term bank deposits	838,414	913,164	31,383	45,436
	1,570,852	1,560,803	36,301	46,434

Cash at bank and short-term bank deposits include an amount of \$526,025,000 (2014: \$592,481,000) 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	
	2015	2014
	\$'000	\$'000
Cash and bank balances (as above)	1,570,852	1,560,803
Less: Bank deposits pledged	(1,848)	(3,319)
Cash and cash equivalents per consolidated statement of cash flows	1,569,004	1,557,484

In 2015, cash and bank balances and short-term bank deposits of the Group amounting to \$1,848,000 (2014: \$3,319,000) are pledged as security for trade finance facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

12. Trade and other receivables - current

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Trade receivables:				
- Non-related parties (i)	452,909	456,633	-	-
- Fellow subsidiaries	15,664	23,006	-	-
- Associated companies	91	313	-	-
	468,664	479,952	-	-
Less: Allowance for impairment of receivables				
- Non-related parties	(177,778)	(37,581)	-	-
Trade receivables - net	290,886	442,371	-	-
Construction contracts due from customers (Note 14):				
- Non-related parties (i)	4,845,295	3,561,426	-	-
Less: Allowance for Impairment of receivables				
- Non-related parties	(224,726)	-	-	-
	4,620,569	3,561,426	-	-
Other receivables:				
- Non-related parties	46,592	67,681	6	8
- Fellow subsidiaries (ii)	664	5,792	-	-
- Associated companies (ii)	-	113	-	-
- A subsidiary (iii)	-	-	39	48
	47,256	73,586	45	56
Less: Allowance for impairment of other receivables				
- non-related parties	(22,463)	(12,234)	-	-
Other receivables - net	24,793	61,352	45	56
Advances paid to suppliers	262,243	494,654	-	-
Staff advances	913	1,063	-	-
Dividend receivable from				
- Subsidiaries	-	-	45,377	31,085
- Associated companies	2,797	2,939	-	-
Total	5,202,201	4,563,805	45,422	31,141

(i) Certain subsidiaries of the Group have factored trade receivables and construction contracts due from customers with carrying amounts of \$1,695,832,000 (2014: \$1,779,895,000) to banks in exchange for cash during the financial year ended 31 December 2015. The transactions have been accounted for as collateralised borrowings as the banks have full recourse to the subsidiaries in the event of default by the debtors (Note 26).

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13. Inventories

	The Group	
	2015	2014
	\$'000	\$'000
Raw materials	287,577	298,576
Work-in-progress	492,653	743,056
Finished goods	21	63
	780,251	1,041,695

The cost of inventories recognised as an expense and included in “cost of sales” amounted to \$3,418,109,000 (2014: \$3,797,632,000).

14. Construction contract work-in-progress

	The Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	177,515	208,366
Contract costs incurred during the financial year	2,817,546	3,226,590
Contract expenses recognised in profit or loss	(2,799,120)	(3,261,063)
Currency translation differences	3,181	3,622
End of financial year	199,122	177,515
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	6,238,717	4,929,113
Less: Progress billings	(1,477,694)	(1,657,781)
Currency translation differences	(27,157)	129,333
	4,733,866	3,400,665
Presented as:		
Due from customers on construction contracts (Note 12)	4,845,295	3,561,426
Due to customers on construction contracts (Note 25)	(111,429)	(160,761)
	4,733,866	3,400,665
Advances received on construction contracts (Note 25)	219,391	344,271

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15. Other current assets

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Deposits	2,952	2,974	14	—
Prepayments	12,585	18,455	101	164
	15,537	21,429	115	164

16. Trade and other receivables - non-current

	The Group	
	2015	2014
	\$'000	\$'000
Trade receivables from non-related parties (i)	12,642	27,402
Less: Current portion	(12,642)	(23,025)
	—	4,377

- (i) Trade receivables amounting to \$4,731,000 (2014: \$19,038,000) are unsecured, bear interest of 7% per annum (2014: 4% to 8% per annum), and with quarterly instalment payments that are repayable in full by 2016.

The remaining trade receivables amounting to \$7,911,000 (2014: \$8,364,000) are secured, bear interest at 5.5% per annum (2014: 4.5% per annum), and are repayable in full by 2016. The pledge was secured under a second preferred mortgage issued by the debtor to the subsidiary.

As these receivables are repayable in full by 2016, they have been classified within current trade and other receivables (Note 12). As at 31 December 2015, the fair values of these receivables approximate its carrying amount given that they are due within one reporting period.

As at 31 December 2014, the fair values of the non-current trade receivables approximate its carrying amounts, determined from cash flow analyses discounted at market borrowing rates of 2.97% per annum which the directors expect to be available to the Group.

17. Available-for-sale financial assets

	The Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	4,841	4,391
Currency translation differences	92	118
Fair value (loss)/gain recognised in other comprehensive income (Note 30(b)(v))	(43)	332
End of financial year	4,890	4,841

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

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

	The Group	
	2015	2014
	\$'000	\$'000
Quoted equity shares in a corporation, at fair value	768	795
Unquoted equity shares in corporations, at cost		
- A fellow subsidiary	3,045	2,989
- A non-related party	1,077	1,057
	4,122	4,046
	4,890	4,841

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

18. Club memberships

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Transferable club memberships, at cost	676	669	428	428
Currency translation differences	10	6	—	—
Allowance for impairment in value of club memberships	(375)	(372)	(346)	(346)
	311	303	82	82

19. Investments in associated companies

	The Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	4,736	4,826
Currency translation differences	88	107
Share of profit/(loss) after tax	30	(197)
End of financial year	4,854	4,736

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

19. Investments in associated companies (continued)

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

	2015 \$'000	2014 \$'000
Carrying amount of interests in immaterial associates	4,854	4,736
Group's share of:		
- Profit/(loss) from continuing operations	30	(197)
- Other comprehensive income	88	107
- Total comprehensive income/(loss)	118	(90)

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

Name of associated companies	Principal activities	Country of incorporation/ business	% of paid-up capital held by subsidiaries of the Company	
			2015 %	2014 %
DMI (Guangzhou) Ltd (i)	Overhaul and spare- parts replacement and repair	People's Republic of China ("PRC")	30	30
Tru-Marine Cosco (Tianjin) Engineering Co., Ltd (i)	Overhaul and spare- parts replacement and repair	PRC	40	40
Diesel Marine International (Nantong) Co., Ltd (i)	Overhaul and spare- parts replacement and repair	PRC	30	30
Diesel Marine Dalian Ltd (i)	Overhaul and spare- parts replacement and repair	PRC	30	30

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. Investments in subsidiaries

	The Company	
	2015	2014
	\$'000	\$'000
<i>Unquoted equity shares</i>		
Beginning of financial year	388,746	388,746
Accumulated impairment losses	(16,448)	(17,102)
End of financial year	372,298	371,644

Movement in accumulated impairment losses are as follows:

	2015	2014
	\$'000	\$'000
Beginning of financial year	17,102	17,758
Reversal of impairment charge	(654)	(656)
End of financial year	16,448	17,102

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

The Group had the following subsidiaries as at 31 December 2015 and 2014:

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	
			2015	2014	2015	2014	2015	2014	2015	2014
			\$'000	\$'000	%	%	%	%	%	%
COSCO (Singapore) Pte Ltd (i)	Ship owning, ship chartering and investment holding	Singapore	87,664	87,664	100	100	100	100	–	–
COSCO Marine Engineering (Singapore) Pte Ltd (i)	Ship repairing, marine engineering, container repairs and services, fabrication works services and production of marine outfitting components	Singapore	2,242	2,242	90	90	90	90	10	10

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment		Proportion of ordinary shares directly held by the Company		Effective shareholding held by the Company		Effective shareholding held by non-controlling interests	
			2015	2014	2015	2014	2015	2014	2015	2014
			\$'000	\$'000	%	%	%	%	%	%
Harington Property Pte Ltd (i)	Trading and investing in properties, provide property management services and investment holding	Singapore	52,701	52,701	100	100	100	100	–	–
COSCO Shipyard Group Co., Ltd (iii) and (iv)	Investment holding, ship repair and marine engineering	People's Republic of China ("PRC")	191,173	191,173	51	51	51	51	49	49
COSCO (Nantong) Shipyard Co., Ltd (iii) and (iv)	Ship repair and marine engineering	PRC	24,670	24,670	50	50	75	75	25	25
COSCO (Dalian) Shipyard Co., Ltd (iii) and (iv)	Ship repair, ship building and marine engineering	PRC	30,296	30,296	39	39	69	69	31	31
COSCO (Guangdong) Shipyard Co., Ltd (iii) and (iv)	Ship repair, ship building and marine engineering	PRC	–	–	–	–	38	38	62	62
COSCO (Zhoushan) Shipyard Co., Ltd (iii) and (iv)	Ship repair, ship building and marine engineering	PRC	–	–	–	–	51	51	49	49
COSCO (Xiamen) Shipyard Co., Ltd (iii)	Ship repair	PRC	–	–	–	–	44	26	56	74
COSCO (Shanghai) Shipyard Co., Ltd (iii) and (iv)	Ship repair and marine engineering	PRC	–	–	–	–	48	48	52	52
COSCO (Tianjin) Shipyard Co., Ltd (iii)	Ship repair	PRC	–	–	–	–	44	46	56	54

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment		Proportion of ordinary shares directly held by the Company		Effective shareholding held by the Company		Effective shareholding held by non-controlling interests	
			2015 \$'000	2014 \$'000	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
COSCO (Qidong) Offshore Co., Ltd (iii) and (iv)	Marine engineering	PRC	–	–	–	–	31	31	69	69
COSCO Shipyard Engineering Service (Dalian) Co., Ltd (formerly known as COSCO Dalian Rikky Ocean Engineering Co., Ltd) (iii)	Overhaul, repair, commissioning and spare-parts replacement of governor, turbocharger and engine fuel system	PRC	–	–	–	–	44	38	56	62
COSCO (Nantong) Clavon Ship Engineering Co.,Ltd (iii)	Ship repair and corrosion control	PRC	–	–	–	–	31	31	69	69
Zhongxing Sea-Land Engineering Co., Ltd (iii)	Ship repair	PRC	–	–	–	–	26	26	74	74
COSCO Shipyard Total Automation Co., Ltd (iii)	Design, manufacture, sale and technical service relating to vessels and industrial instruments	PRC	–	–	–	–	31	31	69	69
COSCO (Hongkong) Shipyard Co., Ltd (iii)	Provision of shipyard financing, marketing and sales of shipbuilding and offshore projects	Hong Kong	–	–	–	–	51	51	49	49
Dalian Developer Drilling Co., Limited (iii), (v)	Leasing, Management and sales of offshore projects	Hong Kong	–	–	–	–	69	–	31	–
Cos Fair Shipping Pte Ltd (i)	Ship owning and ship chartering	Singapore/ Worldwide	–	–	–	–	100	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment		Proportion of ordinary shares directly held by the Company		Effective shareholding held by the Company		Effective shareholding held by non-controlling interests	
			2015 \$'000	2014 \$'000	2015 %	2014 %	2015 %	2014 %	2015 %	2014 %
Cos Glory Shipping Inc. (i)	Ship owning and ship chartering	Panama/ Worldwide	–	–	–	–	100	100	–	–
Hanbo Shipping Limited (ii)	Ship owning and ship chartering	Hong Kong/ Worldwide	–	–	–	–	100	100	–	–
Sanbo Shipping Limited (ii)	Ship owning and ship chartering	Hong Kong/ Worldwide	–	–	–	–	100	100	–	–
Cos Orchid Shipping Pte Ltd (i)	Ship owning and ship chartering	Singapore/ Worldwide	–	–	–	–	100	100	–	–
Cos Prosperity Shipping Pte Ltd (i)	Ship owning and ship chartering	Singapore/ Worldwide	–	–	–	–	100	100	–	–
Cos Knight Shipping Maritime Inc. (i)	Ship owning and ship chartering	Panama/ Worldwide	–	–	–	–	100	100	–	–
Cos Lucky Shipping Maritime Inc. (i)	Ship owning and ship chartering	Panama/ Worldwide	–	–	–	–	100	100	–	–
COSCO Engineering Pte Ltd (i)	Ship repairing, marine engineering, container repairs and services, fabrication works services and production of marine outfitting components	Singapore	–	–	–	–	90	90	10	10
			388,746	388,746						

(i) Audited by PricewaterhouseCoopers LLP, Singapore.

(ii) Audited by PricewaterhouseCoopers firms outside Singapore.

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

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

(v) Incorporated on 24 July 2015 through COSCO (Dalian) Shipyard Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. Investments in subsidiaries (continued)

Significant restrictions

Cash and short-term deposits of \$1,446,168,000 (2014: \$1,430,289,000) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Carrying value of non-controlling interests

	2015 \$'000	2014 \$'000
COSCO Shipyard Group Co., Ltd and its subsidiaries	516,758	860,230
Other subsidiaries with immaterial non-controlling interests	1,193	1,520
	517,951	861,750

Summarised financial information of subsidiaries with material non-controlling interests

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

Summarised balance sheet

	2015 \$'000	2014 \$'000
Current		
Assets	7,638,742	7,230,336
Liabilities	(6,486,050)	(5,175,436)
Total current net assets	1,152,692	2,054,900
Non-current		
Assets	2,439,304	2,430,179
Liabilities	(2,547,042)	(2,542,389)
Total non-current net liabilities	(107,738)	(112,210)
Net assets	1,044,954	1,942,690

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

20. Investments in subsidiaries (continued)

Summarised income statement

	2015 \$'000	2014 \$'000
Revenue	3,466,711	4,192,177
(Loss)/profit before income tax	(896,490)	18,546
Income tax (expense)/credit	(12,810)	9,832
Total (loss)/profit	(909,300)	28,378
Other comprehensive income	41,529	45,603
Total comprehensive (loss)/income	(867,771)	73,981
Dividends declared to non-controlling interests	(15,414)	(11,393)

Summarised cash flows

	2015 \$'000	2014 \$'000
Net cash used in operating activities	(1,232,649)	(1,442,873)
Net cash used in investing activities	(97,136)	(45,344)
Net cash provided by financing activities	1,303,064	977,358
Net decrease in cash and cash equivalents	(26,721)	(510,859)
Cash and cash equivalents at beginning of year	1,426,970	1,890,364
Effects of currency translation on cash and cash equivalents	44,071	47,465
Cash and cash equivalents at end of year	1,444,320	1,426,970

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

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

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

There were no transactions with non-controlling interests for the financial year ended 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

21. Investment properties

	The Group	
	2015	2014
	\$'000	\$'000
<i>Cost</i>		
Beginning of financial year	16,033	15,916
Currency translation differences	83	105
Reclassification (to)/from property, plant and equipment (Note 22)	(174)	12
End of financial year	15,942	16,033
<i>Accumulated depreciation</i>		
Beginning of financial year	5,043	4,623
Currency translation differences	23	31
Depreciation charge	390	389
Reclassification to property, plant and equipment (Note 22)	(93)	–
End of financial year	5,363	5,043
Net book value	10,579	10,990
Fair values	21,552	21,715

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 2015 and 2014, the fair values of the properties have been determined by CBRE Private Limited.

The following amounts are recognised in profit or loss:

	The Group	
	2015	2014
	\$'000	\$'000
Rental income	1,061	1,088
Direct operating expenses arising from investment properties that generate rental income	539	515

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. Property, plant and equipment

The Group

	Leasehold land and buildings \$'000	Office renovations, furniture, fixtures and equipment \$'000	Plant, machinery and equipment \$'000	Motor vehicles \$'000	Motor vessels \$'000	Docks and quays \$'000	Construction- in-progress \$'000	Total \$'000
2015								
<i>Cost</i>								
Beginning of financial year	1,130,589	54,602	1,008,732	47,857	303,971	1,061,125	84,390	3,691,266
Currency translation differences	20,005	978	18,442	890	20,696	19,625	1,875	82,511
Additions	17,887	2,195	2,140	728	1,994	–	126,513	151,457
Disposals	(6,229)	(1,176)	(16,533)	(3,151)	(1,816)	–	–	(28,905)
Reclassification from investment properties (Note 21)	174	–	–	–	–	–	–	174
Reclassification	115,645	2,606	47,239	1,476	11,513	3,765	(182,244)	–
End of financial year	1,278,071	59,205	1,060,020	47,800	336,358	1,084,515	30,534	3,896,503
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	258,091	47,651	583,733	42,548	181,443	310,743	–	1,424,209
Currency translation differences	4,493	855	10,444	790	13,039	5,610	–	35,231
Depreciation charge	34,402	3,478	70,709	2,089	14,273	24,664	–	149,615
Disposals	(2,137)	(1,070)	(12,068)	(3,116)	(1,577)	–	–	(19,968)
Reclassification	93	(10)	(863)	10	863	–	–	93
End of financial year	294,942	50,904	651,955	42,321	208,041	341,017	–	1,589,180
<i>Net book value</i>								
End of financial year	983,129	8,301	408,065	5,479	128,317	743,498	30,534	2,307,323

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. 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
2014								
<i>Cost</i>								
Beginning of financial year	1,089,365	59,174	976,638	47,191	288,814	987,203	35,588	3,483,973
Currency translation differences	25,684	1,399	23,313	1,102	13,959	23,616	851	89,924
Additions	3,130	1,846	10,160	1,154	3,558	–	80,784	100,632
Disposals	(3,730)	(8,991)	(11,379)	(2,141)	(2,670)	(172)	(11)	(29,094)
Reclassification to investment properties (Note 21)	(12)	–	–	–	–	–	–	(12)
Reclassification from inventories	–	–	–	–	–	45,843	–	45,843
Reclassification	16,152	1,174	10,000	551	310	4,635	(32,822)	–
End of financial year	1,130,589	54,602	1,008,732	47,857	303,971	1,061,125	84,390	3,691,266
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	219,023	48,946	506,629	40,917	162,138	278,452	–	1,256,105
Currency translation differences	6,360	1,402	14,971	1,068	8,596	7,638	–	40,035
Depreciation charge	33,157	6,272	73,136	2,682	13,151	24,701	–	153,099
Impairment charge	–	–	163	–	–	–	–	163
Disposals	(442)	(8,976)	(11,166)	(2,119)	(2,442)	(48)	–	(25,193)
Reclassification	(7)	7	–	–	–	–	–	–
End of financial year	258,091	47,651	583,733	42,548	181,443	310,743	–	1,424,209
Net book value								
End of financial year	872,498	6,951	424,999	5,309	122,528	750,382	84,390	2,267,057

Borrowing costs of \$451,000 (2014: \$383,000) which arise due to financing for the construction of docks and quays are capitalised during the financial year (Note 8) at an effective interest rate of 5.21% (2014: 5.88%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. Property, plant and equipment (continued)

The Company

	Office renovations, furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Total \$'000
2015			
<i>Cost</i>			
Beginning of financial year	572	1,122	1,694
Additions	22	–	22
Disposals	(66)	–	(66)
End of financial year	528	1,122	1,650
<i>Accumulated depreciation</i>			
Beginning of financial year	555	492	1,047
Depreciation charge	11	128	139
Disposals	(66)	–	(66)
End of financial year	500	620	1,120
Net book value			
End of financial year	28	502	530
2014			
<i>Cost</i>			
Beginning of financial year	566	1,122	1,688
Additions	18	–	18
Disposals	(12)	–	(12)
End of financial year	572	1,122	1,694
<i>Accumulated depreciation</i>			
Beginning of financial year	556	364	920
Depreciation charge	11	128	139
Disposals	(12)	–	(12)
End of financial year	555	492	1,047
Net book value			
End of financial year	17	630	647

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

23. Intangible assets

	The Group	
	2015	2014
	\$'000	\$'000
Goodwill arising on consolidation	9,583	9,564
<i>Cost</i>		
Beginning of financial year	9,564	9,539
Currency translation differences	19	25
End of financial year	9,583	9,564
Net book value	9,583	9,564

Impairment tests for goodwill

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

The recoverable amount of a CGU is determined based on value-in-use calculations. 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 (2014: nil). The growth rate did not exceed the long-term average growth rate for ship repair, ship building and marine engineering business in the PRC in which the CGU operates.

Key assumptions used for value-in-use calculations:

	2015	2014
<i>Growth rate¹</i>	nil	nil
<i>Discount rate²</i>	11%	11%

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

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

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

The impairment test has revealed that the recoverable amount of the CGU is higher than its carrying amount. Hence, there is no impairment charge recognised for the financial years ended 31 December 2015 and 31 December 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

24. Deferred expenditure

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

25. Trade and other payables

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Trade payables:				
- Non-related parties	598,845	574,927	—	—
- Associated companies	4,342	5,154	—	—
- Fellow subsidiaries	13,052	13,031	—	—
	616,239	593,112	—	—
Construction contracts:				
Advances received (Note 14):				
- Non-related parties	214,482	339,451	—	—
- Fellow subsidiaries	4,909	4,820	—	—
	219,391	344,271	—	—
Due to customers (Note 14):				
- Non-related parties	111,429	160,761	—	—
	330,820	505,032	—	—
Advances from non-related parties	22,491	20,667	—	—
Non-trade payables:				
- Ultimate holding corporation	15	—	—	—
- A subsidiary	—	—	15,000	15,000
	15	—	15,000	15,000
Deposits received	9,326	9,191	—	—
Deferred income	6,455	6,272	—	—
Other accruals for operating expenses	1,413,486	1,493,322	2,497	2,378
Dividend payable to non-controlling interests of subsidiaries	18,640	4,567	—	—
Total	2,417,472	2,632,163	17,497	17,378

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26. Borrowings

	The Group	
	2015	2014
	\$'000	\$'000
<i>Current</i>		
Bank borrowings (unsecured)	2,959,353	1,215,510
Bank borrowings (secured)	788,233	1,034,950
Loan from a fellow subsidiary (unsecured)	142,348	–
Bills payable	95,984	179,844
	3,985,918	2,430,304
<i>Non-current</i>		
Bank borrowings (unsecured)	1,553,606	1,797,445
Bank borrowings (secured)	907,599	744,945
Loan from a fellow subsidiary (unsecured)	85,682	–
	2,546,887	2,542,390
Total borrowings	6,532,805	4,972,694

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

	The Group	
	2015	2014
	\$'000	\$'000
Less than 1 year	3,985,918	2,430,304
1 – 5 years	2,546,887	2,542,390
	6,532,805	4,972,694

(a) Security granted

At the balance sheet date, total borrowings include secured liabilities of \$1,695,832,000 (2014: \$1,779,895,000) for the Group. Bank borrowings of the Group are secured over certain trade receivables (Note 12) and certain construction contracts due from customers (Note 12).

(b) Loan from a fellow subsidiary

The loans from a fellow subsidiary of \$228,030,000 (2014: Nil) are unsecured, interest-bearing at an average interest rate of 3.19% (2014: Nil). \$142,348,000 of the total loan is due in 2016 and the remaining amount of \$85,682,000 is due by 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

26. Borrowings (continued)

(c) Fair values of non-current borrowings

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

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

	USD	2015 RMB	EUR	USD	2014 RMB
Bank borrowings	2.83%	3.53%	2.05%	2.97%	4.36%

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

(d) Breach of loan covenants

Certain subsidiaries of the Company have loan agreements that are subjected to covenant clauses, where certain key financial ratios need to be met. As at 31 December 2015, some of the loan covenant clauses have been breached and the banks are contractually entitled to request for repayment of the outstanding loan amount of \$819,975,000 (2014: \$nil). The outstanding balance is presented as a current liability as at 31 December 2015.

27. Provisions

	The Group	
	2015	2014
	\$'000	\$'000
Provision for off hire claim (Note (a))	1,584	1,514
Provision for warranties (Note (b))	54,916	53,811
Provision for legal claims (Note (c))	–	841
Provision for an onerous contract (Note (d))	–	–
	56,500	56,166

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

	The Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	1,514	2,321
Provision made during the financial year	480	540
Provision utilised during the financial year	(533)	(1,485)
Currency translation differences	123	138
End of financial year	1,584	1,514

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

27. Provisions (continued)

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

	The Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	53,811	43,449
Provision made during the financial year	2,966	11,621
Provision utilised during the financial year	(2,856)	(2,758)
Currency translation differences	995	1,499
End of financial year	54,916	53,811

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

- (c) Movements in provision for legal claims are as follows:

	The Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	841	9,482
Currency translation differences	21	(110)
Provision made during the financial year	–	642
Provision written back during the financial year	–	(9,131)
Provision utilised during the financial year	(862)	(42)
End of financial year	–	841

The provision for legal claims was in respect of certain legal claims brought against the Group by lessors and sub-contractors. In 2014, a portion of such legal claims were written back as the outcome of a litigation case was favourable to a subsidiary within the Group.

The provision for the remaining legal claims was utilised in 2015 as the litigation cases for these claims have been resolved during the current financial year.

- (d) Movements in provision for an onerous contract are as follows:

	The Group	
	2015	2014
	\$'000	\$'000
Beginning of financial year	–	144
Provision made during the financial year	–	25
Provision utilised during the financial year	–	(179)
Currency translation differences	–	10
End of financial year	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

27. Provisions (continued)

(d) Movements in provision for an onerous contract are as follows: (continued)

The provision for an onerous contract is in respect of a charter hire contract where the costs of meeting the obligation under the contract exceed the expected revenue for the remaining contractual period.

28. Deferred income taxes

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

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets:				
- To be recovered within one year	181,886	260,924	–	–
- To be recovered after one year	55,046	6,977	–	–
	236,932	267,901	–	–
Deferred income tax liabilities:				
- To be settled after one year	288	837	–	704
	288	837	–	704

Movement in the deferred income tax account is as follows:

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	(267,064)	(224,684)	704	398
Change in tax rate	19,515	–	–	–
Currency translation differences	(5,153)	(6,794)	12	12
Deferred tax charged/(credited) to profit or loss	16,069	(35,669)	(716)	294
Deferred tax (credited)/charged to other comprehensive income (Note 30(b)(v))	(11)	83	–	–
End of financial year	(236,644)	(267,064)	–	704

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 \$17,972,000 (2014: \$32,091,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The unrecognised tax losses will mainly expire in 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

28. Deferred income taxes (continued)

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

	The Group	
	2015 \$'000	2014 \$'000
<i>Deferred income tax liabilities</i>		
<i>Accelerated tax depreciation</i>		
Beginning of financial year	134	130
(Credited)/charged to profit or loss	(1)	4
End of financial year	133	134
<i>Fair value gain</i>		
Beginning of financial year	167	82
Currency translation differences	5	2
(Credited)/charged to other comprehensive income (Note 30(b)(v))	(11)	83
End of financial year	161	167
<i>Undistributed profits of foreign subsidiaries</i>		
Beginning of financial year	704	398
Currency translation differences	12	12
(Credited)/charged to profit or loss	(716)	294
End of financial year	—	704
<i>Total</i>		
Beginning of financial year	1,005	610
Currency translation differences	17	14
(Credited)/charged to profit or loss	(717)	298
(Credited)/charged to other comprehensive income	(11)	83
End of financial year	294	1,005

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

	The Group	
	2015 \$'000	2014 \$'000
Total deferred income tax liabilities	294	1,005
Offsetting of deferred income tax assets from the same tax jurisdiction	(6)	(168)
Total deferred income tax liabilities after appropriate offsetting from the same tax jurisdiction	288	837

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

28. Deferred income taxes (continued)

	The Group	
	2015	2014
	\$'000	\$'000
<i>Deferred income tax assets</i>		
<u><i>Tax losses</i></u>		
Beginning of financial year	(14,854)	–
Effect of change in deferred tax rate	931	–
Currency translation differences	(59)	(565)
Credited to profit or loss	(38,816)	(14,289)
End of financial year	(52,798)	(14,854)
<u><i>Provisions and accruals</i></u>		
Beginning of financial year	(253,215)	(225,294)
Effect of change in deferred tax rate	18,584	–
Currency translation differences	(5,111)	(6,243)
Charged/(credited) to profit or loss	55,602	(21,678)
End of financial year	(184,140)	(253,215)
<u><i>Total</i></u>		
Beginning of financial year	(268,069)	(225,294)
Effect of change in deferred tax rate	19,515	–
Currency translation differences	(5,170)	(6,808)
Charged/(credited) to profit or loss	16,786	(35,967)
End of financial year	(236,938)	(268,069)

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

	The Group	
	2015	2014
	\$'000	\$'000
Total deferred income tax assets	(236,938)	(268,069)
Offsetting of deferred income tax liabilities from the same tax jurisdiction	6	168
Total deferred income tax assets after appropriate offsetting from the same tax jurisdiction	(236,932)	(267,901)

	The Company	
	2015	2014
	\$'000	\$'000
<i>Deferred income tax liabilities</i>		
<u><i>Undistributed profits of foreign subsidiaries</i></u>		
Beginning of financial year	704	398
Currency translation differences	12	12
(Credited)/charged to profit or loss	(716)	294
End of financial year	–	704

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Share capital

	Issued share capital	
	No. of ordinary shares '000	Amount \$'000
2015		
Beginning and end of financial year	<u>2,239,245</u>	<u>270,608</u>
2014		
Beginning and end of financial year	<u>2,239,245</u>	<u>270,608</u>

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

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

Share options

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. Share capital (continued)

Share options (continued)

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

Movements in the number of unissued ordinary shares under option at the end of the financial year and their exercise prices are as follows:

The Group and the Company

Financial year ended 31 December 2015

	Number of ordinary shares under option outstanding				
	Beginning of financial year '000	Lapsed during financial year '000	End of financial year '000	Exercise price \$	Exercise period
2006 Options	550	—	550	1.23	21.2.2007 – 20.2.2016
2007 Options	3,450	(400)	3,050	2.48	5.2.2008 – 4.2.2017
2008 Options	8,410	(1,230)	7,180	2.95	24.3.2009 – 23.3.2018
	12,410	(1,630)	10,780		

Financial year ended 31 December 2014

	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	3,750	(300)	3,450	2.48	5.2.2008 – 4.2.2017
2008 Options	8,910	(500)	8,410	2.95	24.3.2009 – 23.3.2018
	13,210	(800)	12,410		

As at 31 December 2015 and 2014, all outstanding options are exercisable. There was no share option issued in 2015 and 2014. 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 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. Statutory and other reserves

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
(a) Composition:				
Share option reserve	44,578	44,578	44,578	44,578
Statutory reserve	243,185	234,106	–	–
Currency translation reserve	40,519	5,322	–	–
Asset revaluation reserve	–	–	–	–
Fair value reserve	237	253	–	–
Other reserve	319	69	527	527
	328,838	284,328	45,105	45,105
(b) Movements:				
(i) Share option reserve				
Beginning and end of financial year	44,578	44,578	44,578	44,578
(ii) Statutory reserve				
Beginning of financial year			234,106	225,497
Transfer from retained earnings			9,079	8,609
End of financial year			243,185	234,106
(iii) Currency translation reserve				
Beginning of financial year			5,322	(28,031)
Net currency translation differences of financial statements of foreign subsidiaries and associated companies			53,302	53,105
Non-controlling interests			(18,105)	(19,752)
End of financial year			40,519	5,322
(iv) Asset revaluation reserve				
Beginning of financial year			–	2,900
Revaluation reserve transferred to retained earnings			–	(2,900)
End of financial year			–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

30. Statutory and other reserves (continued)

		The Group	
		2015	2014
		\$'000	\$'000
(b)	Movements: (continued)		
(v)	Fair value reserve		
	Beginning of financial year	253	126
	Fair value (loss)/gain for available-for-sale financial asset (Note 17)	(43)	332
	Deferred tax credited/(charged) to other comprehensive income (Note 28)	11	(83)
		(32)	249
	Non-controlling interests	16	(122)
	End of financial year	237	253
(vi)	Other reserve		
	Beginning of financial year	69	69
	Changes in ownership interests in subsidiaries - acquisition of additional interests in subsidiaries	250	–
	End of financial year	319	69

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

Statutory and other reserves are non-distributable.

31. Dividends

		The Group and Company	
		2015	2014
		\$'000	\$'000
<i>Ordinary dividends paid</i>			
Final tax-exempt one-tier dividend paid in respect of the previous financial year of 0.5 cents (2014: 1.0 cents) per ordinary share		11,196	22,392

No dividend will be recommended at the Annual General Meeting scheduled on 22 April 2016. In the previous financial year, a first and final tax-exempt one-tier dividend of 0.5 cents per ordinary share amounting to \$11,196,000 was declared.

32. Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

		The Group	
		2015	2014
		\$'000	\$'000
Property, plant and equipment		42,715	53,960

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32. Commitments (continued)

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

The Group leases various office premises, docks and quays from non-related parties and related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate 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	
	2015	2014
	\$'000	\$'000
Not later than 1 year	11,159	10,304
Later than 1 year but not later than 5 years	35,945	35,876
Later than 5 years	60,368	68,018
	107,472	114,198

- (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	
	2015	2014
	\$'000	\$'000
Not later than 1 year	3,157	6,865
Later than 1 year but not later than 5 years	–	25
	3,157	6,890

33. Financial risk management

Financial risk factors

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. Financial risk management (continued)

(a) Market risk

(i) Currency risk

Currency risk arises from transactions denominated in currencies other than the respective functional currencies of the entities in the Group.

The Group monitors its foreign currency exchange risk closely and where appropriate, enters into forward currency contracts to manage the currency exposure. The Group also draw down USD denominated borrowings as a form of “economic hedge” over its USD denominated financial assets.

In addition, the Group has certain investments in foreign operations, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the Group’s foreign operations in the People’s Republic of China is managed primarily through borrowings denominated in RMB and USD.

The Group’s currency exposure based on the information available to key management is as follows:

	SGD \$'000	USD \$'000	RMB \$'000	Others* \$'000	Total \$'000
<u>At 31 December 2015</u>					
Financial assets					
Cash and cash equivalents and available-for-sale financial assets	25,165	746,515	802,432	1,630	1,575,742
Trade and other receivables, excluding advances paid to suppliers	8,201	4,611,888	294,033	25,836	4,939,958
Receivables from subsidiaries	–	–	45,377	–	45,377
Other financial assets	119	–	2,833	–	2,952
	33,485	5,358,403	1,144,675	27,466	6,564,029
Financial liabilities					
Borrowings	–	5,903,514	595,206	34,085	6,532,805
Payables by subsidiaries	–	–	45,377	–	45,377
Other financial liabilities	5,995	108,057	1,916,012	29,226	2,059,290
	5,995	6,011,571	2,556,595	63,311	8,637,472
Net financial assets/(liabilities)	27,490	(653,168)	(1,411,920)	(35,845)	(2,073,443)
Less: Net financial assets/(liabilities) denominated in the respective entities’ functional currencies	(27,008)	(63,456)	1,411,891	–	
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	3,210,604	–	12,671	
Currency exposure	482	2,493,980	(29)	(23,174)	

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD \$'000	USD \$'000	RMB \$'000	Others*	Total \$'000
<u>At 31 December 2014</u>					
Financial assets					
Cash and cash equivalents and available-for-sale financial assets	38,581	375,448	1,149,875	1,740	1,565,644
Trade and other receivables, excluding amount due from construction contracts	6,454	3,783,324	282,190	1,560	4,073,528
Receivables from subsidiaries	–	–	31,085	–	31,085
Other financial assets	100	–	2,874	–	2,974
	45,135	4,158,772	1,466,024	3,300	5,673,231
Financial liabilities					
Borrowings	–	4,290,927	681,767	–	4,972,694
Payables by subsidiaries	–	–	31,085	–	31,085
Other financial liabilities	10,434	106,107	1,972,479	13,527	2,102,547
	10,434	4,397,034	2,685,331	13,527	7,106,326
Net financial assets/(liabilities)	34,701	(238,262)	(1,219,307)	(10,227)	<u>(1,433,095)</u>
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(34,980)	(53,712)	1,219,307	–	
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	2,976,770	–	(15,193)	
Currency exposure	(279)	2,684,796	–	(25,420)	

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information available to key management is as follows:

	2015				2014			
	SGD \$'000	USD \$'000	RMB \$'000	Total \$'000	SGD \$'000	USD \$'000	RMB \$'000	Total \$'000
Financial assets								
Cash and cash equivalents	14,386	21,914	1	36,301	19,667	26,766	1	46,434
Trade and other receivables	19	1	45,416	45,436	56	–	31,085	31,141
	14,405	21,915	45,417	81,737	19,723	26,766	31,086	77,575
Financial liabilities								
Other financial liabilities	17,497	–	–	17,497	17,378	–	–	17,378
Net financial (liabilities)/ assets	(3,092)	21,915	45,417	64,240	2,345	26,766	31,086	60,197
Less: Net financial assets denominated in the entity's functional currency	3,092	–	–		(2,345)	–	–	
Currency exposure	–	21,915	45,417		–	26,766	31,086	

If the USD changes against the SGD and RMB by 500 basis points (2014: 500 basis points) with all other variables including tax rate being held constant, the effects arising from the net financial asset position will be as follows:

	2015 ← Increase/(decrease) → Loss after tax \$'000	2014 Profit after tax \$'000
<u>The Group</u>		
USD against SGD		
- Strengthened	(628)	810
- Weakened	628	(810)
USD against RMB		
- Strengthened	4,403	(2,040)
- Weakened	(4,403)	2,040
	Profit after tax \$'000	Profit after tax \$'000
<u>The Company</u>		
USD against SGD		
- Strengthened	641	838
- Weakened	(641)	(838)
RMB against SGD		
- Strengthened	8,657	6,040
- Weakened	(8,657)	(6,040)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is not exposed to any significant equity securities price risk.

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group's interest rate risk mainly arises from non-current borrowings at variable rates. The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates and will use derivative financial instruments to hedge their exposures when the exposure is significant.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated in USD. If the USD interest rates increase/decrease by 0.5% (2014: 0.5%) with all other variables including tax rate being held constant, the loss after tax will be higher/lower by \$19,050,000 (2014: \$15,577,000) respectively as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Group.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are internationally dispersed. Due to these factors, management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's and Company's trade receivables.

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

A subsidiary in the Group obtained a pledge of 4 vessels (2014: 4 vessels) valued at \$43,000,000 (2014: \$103,000,000) to secure its outstanding trade receivables of \$7,900,000 (2014: \$8,500,000) as at 31 December 2015. The pledge was secured under a second preferred mortgage issued by the debtor to the subsidiary.

Other than the above-mentioned, the Group and Company do not hold any other collateral. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. Financial risk management (continued)

(b) Credit risk (continued)

The Group's and Company's major classes of financial assets are bank deposits, trade receivables (including amount due from customer on construction contracts) and other receivables (including loan to an associated company, staff advances, and dividend receivable from associated companies).

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	The Group	
	2015	2014
	\$'000	\$'000
<u>By business segments</u>		
Ship repair, ship building and marine engineering	4,935,841	4,068,673
Shipping	4,111	4,846
Others	6	9
	4,939,958	4,073,528

(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.

(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	
	2015	2014
	\$'000	\$'000
Past due 0 to 3 months	2,883	5,666
Past due 3 to 6 months	10,588	146,488
Past due over 6 months	151,342	153,529
	164,813	305,683

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group	
	2015 \$'000	2014 \$'000
Gross amount	424,967	49,815
Less: Allowance for impairment	(424,967)	(49,815)
	<u>–</u>	<u>–</u>
Beginning of financial year	49,815	23,301
Currency translation differences	(1,225)	1,560
Allowance made	380,306	25,787
Allowance utilised	(3,929)	(833)
End of financial year	<u>424,967</u>	<u>49,815</u>

(c) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and having an adequate amount of committed credit facilities and the ability to close out market positions. 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
<u>The Group</u>			
At 31 December 2015			
Other financial liabilities	(2,059,290)	–	–
Borrowings	<u>(4,130,858)</u>	<u>(2,630,972)</u>	<u>–</u>
At 31 December 2014			
Other financial liabilities	(2,102,547)	–	–
Borrowings	<u>(2,538,874)</u>	<u>(2,602,556)</u>	<u>–</u>
<u>The Company</u>			
At 31 December 2015			
Other financial liabilities	<u>(17,497)</u>	<u>–</u>	<u>–</u>
At 31 December 2014			
Other financial liabilities	<u>(17,378)</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. Financial risk management (continued)

(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 -52.1% per annum for the current financial year ended 31 December 2015 (2014: 1.5% per annum).

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

Except as disclosed in Note 26 (d), the Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 31 December 2014.

(e) Fair value measurements

The following table presents assets and liabilities measured 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
<u>The Group</u>				
2015				
Assets				
Available-for-sale financial assets				
- Quoted equity shares	768	—	—	768
Total assets	768	—	—	768
2014				
Assets				
Available-for-sale financial assets				
- Quoted equity shares	795	—	—	795
Total assets	795	—	—	795

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

33. Financial risk management (continued)

(e) Fair value measurements (continued)

There were no transfers between levels 1 and 2 during the year.

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the balance sheet date. These investments are classified as Level 2. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

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.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 17 to the financial statements, except for the following:

	The Group		The Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Loans and receivables	6,513,762	5,637,305	81,737	77,575
Financial liabilities at amortised cost	8,592,095	7,075,241	17,497	17,378

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

34. Immediate and ultimate holding corporation

The Company's immediate and ultimate holding corporation is China Ocean Shipping (Group) Company, registered in the People's Republic of China.

35. Related party transactions

- (a) The Company is controlled by China Ocean Shipping (Group) Company ("COSCO"), the parent company and a state-owned enterprise established in the PRC.

COSCO 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 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 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 as well as their close family members.

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.

	The Group	
	2015	2014
	\$'000	\$'000
<u>Revenue</u>		
Sales to ultimate holding corporation	19	123
Sales to fellow subsidiaries	49,175	52,177
Sales to associated companies	44	221
Rental income received/receivable from fellow subsidiaries	929	931
Rental income received/receivable from associated companies	8	11
Rental income received/receivable from related parties	62	62
Time charter revenue received/receivable from a fellow subsidiary	612	–
Service income received from ultimate holding corporation	958	81
Service income received from fellow subsidiaries	1,282	1,719
Service income receivable from associated companies	5	556
Interest received/receivable from a fellow subsidiary	5,367	13,210
Interest received/receivable from an associated company	–	18

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. Related party transactions (continued)

(a) (continued)

	The Group	
	2015	2014
	\$'000	\$'000
<u>Expenditure</u>		
Purchases from fellow subsidiaries	42,641	44,768
Purchases from associated companies	881	680
Purchases of plant and equipment from fellow subsidiaries	180	22
Rental paid/payable to fellow subsidiaries	1,343	844
Vessel rental paid/payable to a fellow subsidiary	–	813
Crew wages paid/payable to fellow subsidiaries	8,853	8,118
Sub-contractor costs paid/payable to fellow subsidiaries	15,719	10,372
Sub-contractor costs paid/payable to associated companies	4,723	12,748
Service expenses paid/payable to fellow subsidiaries	911	467
Service expenses paid/payable to an associated company	16	5
Service expenses paid/payable to related parties	92	84
Insurance premium paid/payable to a fellow subsidiary	155	243
Interest paid/payable to a fellow subsidiary	7,701	53
<u>Commitments</u>		
Operating lease commitments with fellow subsidiaries where the Group is a lessor	37	37
Operating lease commitments with an associated company where the Group is a lessor	5	7
Operating lease commitments with a fellow subsidiary where the Group is a lessee	998	–

Related parties refer to corporations related by common shareholders.

Outstanding balances as at 31 December 2015, arising from sales or purchases of goods and services and loans from a fellow subsidiary, are set out in Notes 12, 25 and 26 respectively.

(b) Share options granted to key management and non-executive directors

There were no share options granted to key management and non-executive directors of the Group during 2015 and 2014. The share options granted previously were given on the same terms and conditions as those offered to other employees of the Company (Note 29). There were no outstanding number of share options granted to key management of the Group at the end of the financial year 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

35. Related party transactions (continued)

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2015	2014
	\$'000	\$'000
Salaries and other short-term employee benefits	2,663	2,806
Directors' fees of the Company	244	305
Employer's contribution to defined contribution plans including Central Provident Fund	10	9
	2,917	3,120

Included in the above was total compensation to directors of the Company amounting to \$2,609,000 (2014: \$2,808,000).

36. Segment information

Management has determined the operating segments based on the reports reviewed by the key management that are used to make strategic decisions.

The key management considers the business from the business segment perspective. The segment in the People's Republic of China derives revenue from ship repair, ship building and marine engineering activities. On the other hand, the segments in Singapore derive revenue from shipping, ship repair and marine engineering.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

36. Segment information (continued)

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

	Shipping \$'000	Ship repair, ship building and marine engineering activities \$'000	All other segments \$'000	Total for continuing operations \$'000
Financial year ended 31 December 2015				
<u>The Group</u>				
Sales				
- External sales	38,507	3,480,369	897	3,519,773
- Inter-segment sales	—	93	21,049	21,142
	38,507	3,480,462	21,946	3,540,915
Elimination				(21,142)
				3,519,773
Segment results	(5,114)	(758,905)	(4,572)	(768,591)
Interest income				34,320
Finance expense				(166,925)
Share of profit of associated companies				30
Loss before income tax				(901,166)
Income tax expense				(13,669)
Net loss				(914,835)
Other segment items				
Capital expenditure				
- Property, plant and equipment	1,998	149,433	26	151,457
Amortisation of deferred expenditure	—	90	—	90
Depreciation of property, plant and equipment and investment properties	13,063	136,283	659	150,005
Net allowance for impairment of trade and other receivables	—	380,306	—	380,306
Write-down of inventories	—	309,304	—	309,304
Allowance for expected losses recognised on construction contracts	—	61,782	—	61,782
Segment assets	194,108	9,855,330	58,579	10,108,017
Associated companies				4,854
Available-for-sale financial assets				4,890
Deferred income tax assets				236,932
Consolidated total assets				10,354,693
Segment liabilities	18,086	2,453,089	2,797	2,473,972
Borrowings				6,532,805
Current income tax liabilities				7,645
Deferred income tax liabilities				288
Consolidated total liabilities				9,014,710
Consolidated net assets				1,339,983

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

36. Segment information (continued)

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

	Shipping \$'000	Ship repair, ship building and marine engineering activities \$'000	All other segments \$'000	Total for continuing operations \$'000
Financial year ended 31 December 2014				
<u>The Group</u>				
Sales				
- External sales	51,611	4,208,197	897	4,260,705
- Inter-segment sales	—	1,885	20,550	22,435
	51,611	4,210,082	21,447	4,283,140
Elimination				(22,435)
				4,260,705
Segment results	5,510	98,536	(4,708)	99,338
Interest income				45,807
Finance expense				(127,697)
Share of loss of associated companies				(197)
Profit before income tax				17,251
Income tax credit				9,026
Net profit				26,277
Other segment items				
Capital expenditure				
- Property, plant and equipment	3,785	96,827	20	100,632
Amortisation of deferred expenditure	—	86	—	86
Depreciation of property, plant and equipment and investment properties	12,003	140,826	659	153,488
Net (reversal)/allowance for impairment of trade and other receivables	(850)	26,637	—	25,787
Write-down of inventories	—	124,504	—	124,504
Allowance for expected losses recognised on construction contracts	—	61,742	—	61,742
Provision for an onerous contract	25	—	—	25
Allowance for impairment of property, plant and equipment	—	163	—	163
Segment assets	185,274	9,414,321	68,224	9,667,819
Associated companies				4,736
Available-for-sale financial assets				4,841
Deferred income tax assets				267,901
Consolidated total assets				9,945,297
Segment liabilities	16,263	2,669,430	2,636	2,688,329
Borrowings				4,972,694
Current income tax liabilities				53,932
Deferred income tax liabilities				837
Consolidated total liabilities				7,715,792
Consolidated net assets				2,229,505

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

36. Segment information (continued)

Geographical information

The Group's business segments operate in two main geographical areas:

- People's Republic of China - the operations in this area are principally in ship repair, ship building and marine engineering; and
- Singapore - the operations in this area are principally in shipping, ship repair and marine related activities and rental of property.

Sales are based on the country in which the services are rendered to the customer. Non-current assets are shown by the geographical area where the assets are located.

	Sales		Non-current assets	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
People's Republic of China	3,466,635	4,189,859	2,447,808	2,438,684
Singapore *	53,138	70,846	129,644	134,114
	3,519,773	4,260,705	2,577,452	2,572,798

* 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 the financial years ended 31 December 2015 and 31 December 2014.

37. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted:

- FRS 16 *Property plant and equipment* and FRS 38 *Intangible assets* (effective for annual periods beginning on or after 1 January 2016)

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

This amendment is not expected to have any significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

37. New or revised accounting standards and interpretations (continued)

- FRS 111 *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2016)

This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 110 *Consolidated financial statements* and FRS 28 *Investments in associates and joint ventures* (effective for annual periods beginning on or after 1 January 2016)

These amendments address an inconsistency between FRS 110 and FRS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 1 *Presentation of financial statements* (effective for annual periods beginning on or after 1 January 2016)

The amendment clarifies guidance in FRS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2017)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1 : Identify the contract(s) with a customer
- Step 2 : Identify the performance obligations in the contract
- Step 3 : Determine the transaction price
- Step 4 : Allocate the transaction price to the performance obligations in the contract
- Step 5 : Recognise revenue when (or as) the entity satisfies a performance obligation

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

37. New or revised accounting standards and interpretations (continued)

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2017) (continued)

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is assessing the impact of the standard on the financial statements.

- FRS 109 *Financial instruments* (effective for annual periods beginning on or after 1 January 2018)

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under FRS 39.

The Group is assessing the impact of the standard on the financial statements.

38. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of COSCO Corporation (Singapore) Limited on 4 March 2016.

FIVE-YEAR SUMMARY

	Note	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
PROFIT OR LOSS						
Sales		4,162,921	3,734,261	3,508,134	4,260,705	3,519,773
Operating profit/(loss) before taxation		286,842	229,041	60,535	17,448	(901,196)
Share of profit/(loss) of associated companies	1	717	580	407	(197)	30
Profit/(loss) before income tax		287,559	229,621	60,942	17,251	(901,166)
Income tax (expense)/credit		(74,195)	(59,842)	(8,157)	9,026	(13,669)
Net profit/(loss)		213,364	169,779	52,785	26,277	(914,835)
Attributable to:						
Equity holders of the company		139,671	105,685	30,615	20,893	(569,958)
Non-controlling interests		73,693	64,094	22,170	5,384	(344,877)
Net profit/(loss)		213,364	169,779	52,785	26,277	(914,835)
Dividend	2	67,177	44,785	22,392	11,196	–
BALANCE SHEET						
Share capital		270,608	270,608	270,608	270,608	270,608
Statutory and other reserves		181,320	152,927	245,139	284,328	328,838
Retained earnings		849,305	857,971	820,027	812,819	222,586
Non-controlling interests		699,241	767,699	839,307	861,750	517,951
Total equity		2,000,474	2,049,205	2,175,081	2,229,505	1,339,983
Trade and other receivables		63,867	44,344	36,874	4,377	–
Available-for-sale financial assets		4,407	4,244	4,391	4,841	4,890
Club memberships		390	310	303	303	311
Investments in associated companies		4,102	4,235	4,826	4,736	4,854
Investment properties		14,405	11,730	11,293	10,990	10,579
Property, plant and equipment		2,412,126	2,225,689	2,227,868	2,267,057	2,307,323
Intangible assets		9,526	9,477	9,539	9,564	9,583
Deferred expenditure		3,211	3,020	3,066	3,029	2,980
Deferred income tax assets		241,513	201,914	225,212	267,901	236,932
Current assets		4,246,963	4,888,594	6,211,360	7,372,499	7,777,241
Current liabilities		(4,496,234)	(3,778,379)	(4,702,660)	(5,172,565)	(6,467,535)
Non-current liabilities		(503,802)	(1,565,973)	(1,856,991)	(2,543,227)	(2,547,175)
Net Assets		2,000,474	2,049,205	2,175,081	2,229,505	1,339,983
RATIOS						
Basic earnings per share (cents)	3	6.2	4.7	1.4	0.9	(25.5)
Dividend per share (cents)		3.0	2.0	1.0	0.5	–
Dividend cover (times)	4	2.1	2.4	1.4	1.9	–
Net tangible assets per share (cents)		57.7	56.8	59.2	60.7	36.3
Gearing ratio (Net of Cash)	5	0.4	1.0	1.3	2.5	6.0

Notes

- The share of profit/(loss) of associated companies is net of tax.
- No dividend has been declared/recommended for the financial year ended 31 December 2015.
- Basic earnings per share is calculated as net profit attributable to equity holders of the company divided by the weighted average number of ordinary shares issued in the financial year.
- The dividend cover is calculated as net profit attributable to equity holders of the Company divided by the amount of equity dividend.
- Gearing ratio is derived by taking total borrowings (net of cash) over the shareholders' funds.

SHAREHOLDING STATISTICS

As at 7 March 2016

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 7 MARCH 2016

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	23	0.07	646	0.00
100 - 1,000	2,526	7.60	2,472,151	0.11
1,001 - 10,000	19,096	57.48	107,587,537	4.81
10,001 - 1,000,000	11,532	34.71	539,256,272	24.08
1,000,001 and above	46	0.14	1,589,928,348	71.00
	33,223	100.00	2,239,244,954	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2016

Name of substantial shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of shares	%
CHINA OCEAN SHIPPING (GROUP) COMPANY	1,194,565,488	53.35	—	—

TOP TWENTY HOLDERS OF SHARES AS AT 7 MARCH 2016

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CHINA OCEAN SHIPPING (GROUP) COMPANY	1,194,565,488	53.35
2	SEMBCORP MARINE LTD	70,000,000	3.13
3	CITIBANK NOMINEES SINGAPORE PTE LTD	47,175,278	2.11
4	DBS NOMINEES PTE LTD	42,514,639	1.90
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	26,654,046	1.19
6	RAFFLES NOMINEES (PTE) LTD	21,655,261	0.97
7	SCM INVESTMENT HOLDINGS PTE LTD	21,000,000	0.94
8	SEMBMARINE INVESTMENT PTE LTD	20,400,000	0.91
9	BANK OF SINGAPORE NOMINEES PTE LTD	14,815,127	0.66
10	UOB KAY HIAN PTE LTD	11,707,900	0.52
11	OCBC NOMINEES SINGAPORE PTE LTD	11,667,669	0.52
12	OCBC SECURITIES PRIVATE LTD	11,215,024	0.50
13	PHILLIP SECURITIES PTE LTD	9,453,731	0.42
14	HUI SHUNE MING @ HUI SHUN MENG	7,962,000	0.36
15	HSBC (SINGAPORE) NOMINEES PTE LTD	7,497,270	0.33
16	MAYBANK KIM ENG SECURITIES PTE LTD	6,703,165	0.30
17	CITIBANK CONSUMER NOMINEES PTE LTD	5,705,012	0.25
18	CIMB SECURITIES (SINGAPORE) PTE LTD	5,580,254	0.25
19	MORGAN STANLEY ASIA (S) SECURITIES PTE LTD	5,235,414	0.23
20	DBSN SERVICES PTE LTD	4,740,658	0.21
	TOTAL:	1,546,247,936	69.05

Note: The percentages are computed based on 2,239,244,954 ordinary shares as at 7 March 2016.

SHARES HELD BY PUBLIC

Based on the information available and to the best knowledge of the Company as at 7 March 2016, approximately 46.51% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, Meeting Room 324 – 326, Level 3 on Friday, 22 April 2016 at 3:00 p.m. for the purpose of transacting the following businesses:

ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2015 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 2015. (last year: S\$305,000) **(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. Capt Wu Zi Heng (*See Explanatory Note 1*) **(Resolution 3)**
 - b. Mr Ma Zhi Hong (*See Explanatory Note 2*) **(Resolution 4)**
 - c. Mr Ang Swee Tian (*See Explanatory Note 3*) **(Resolution 5)**
4. To re-elect, on recommendation of the Nominating Committee and endorsement of the Board of Directors, Mr Wang Yu Hang, a Director who is retiring in accordance with Article 104 of the Constitution of the Company and who, being eligible, offers himself for re-election.
(*See Explanatory Note 4*) **(Resolution 6)**
5. To re-elect, on recommendation of the Nominating Committee and endorsement of the Board of Directors, Mr Tom Yee Lat Shing, a Director who will retire and who, being eligible, offers himself for re-election.
(*See Explanatory Note 5*) **(Resolution 7)**
6. To re-appoint Messrs. PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

SPECIAL BUSINESS:

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

7. General Mandate to authorise the Directors to issue shares or convertible securities: **(Resolution 9)**

"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

NOTICE OF ANNUAL GENERAL MEETING

- (b) make or grant offers, agreements or options that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, options, debentures or other instruments convertible into Shares;

at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:

- (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued shares in the capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the issued shares in the capital of the Company (calculated in accordance with (ii) below); and
- (ii) for the purpose of determining the aggregate number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued share capital shall be calculated based on the issued shares in the capital of the Company at the time of the passing of this resolution after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution and (c) any subsequent consolidation or subdivision of shares; and
- (iii) unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this resolution shall remain in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.” (See Explanatory Note 6)

8. Proposed Renewal of Shareholders’ Mandate for Recurrent Interested Person Transactions

(Resolution 10)

- (i) “That approval be and is hereby given for the renewal of the mandate for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in the Appendix A (“Appendix”) to the Annual Report of the Company for the financial year ended 31 December 2015 with any party who is of the class of Interested Persons described in the Appendix provided that such transactions are made on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders and in accordance with the review procedures set out in the Appendix;
- (ii) That the Audit Committee of the Company be and is hereby authorised to take such actions as it deems proper in respect of such procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendment to Chapter 9 of the Listing Manual of the SGX-ST which may be prescribed by the SGX-ST from time to time;

NOTICE OF ANNUAL GENERAL MEETING

- (iii) That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to this Resolution; and
- (iv) That the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of 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 7)

BY ORDER OF THE BOARD

Cheo Meng Ching
Company Secretary

Singapore, 31 March 2016

Explanatory Notes on Business to be transacted

1. Capt Wu Zi Heng will, upon re-election as a Director, remains as the Chairman of the Strategic Development Committee and a member of Nominating Committee, Remuneration Committee and Enterprise Risk Management Committee of the Company.
2. Mr Ma Zhi Hong will, upon re-election remains as Non-Independent and Non-Executive Director.
3. Mr Ang Swee Tian will, upon re-election as a Director, remains as the Chairman of the Enterprise Risk Management Committee and a member of the Audit Committee, Nominating Committee, Remuneration Committee and Strategic Development Committee of the Company; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
4. Mr Wang Yu Hang will, upon re-election as a Director, remain as a member of the Strategic Development Committee of the Company.
5. Mr Tom Yee Lat Shing will, upon re-election as a Director, remains as the Chairman of the Audit Committee and a member of the Nominating Committee, Remuneration Committee, Enterprise Risk Management Committee and Strategic Development Committee of the Company; and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST.
6. Ordinary Resolution 9 is to empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the capital of the Company up to an amount not exceeding in aggregate 50% of the issued shares in the capital of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the issued shares in the capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.
7. Ordinary Resolution 10 is to renew the General Mandate to allow the Company, its subsidiaries and associated companies or any of them to enter into certain Recurrent Interested Person Transactions with person who are considered “Interested Persons” (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

The Company’s Audit Committee has confirmed that the methods and procedures for determining the transaction process have not changed since the last renewal of the Shareholders’ Mandate on 24 April 2015 in respect of transactions described in Section 2.1 of Schedule II of the Appendix; and since the approval of the additional Shareholders’ Mandate on 17 July 2007 in respect of transactions described in Section 2.2 of Schedule II of the Appendix; and that the said methods and procedures are sufficient to ensure that the Recurrent Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

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 specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- iii. The instrument appointing a proxy or proxies must be deposited at the 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 set for holding the Annual General Meeting.
- iv. This instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any attorney duly authorised.
- v. A corporation which is a member may also authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting in accordance with Section 179 of the Companies Act (Cap 50).

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

COSCO CORPORATION (SINGAPORE) LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 196100159G)

ANNUAL GENERAL MEETING PROXY FORM

Important:

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

I/We _____ NRIC/Passport No. _____

of _____

being a member of Cosco Corporation (Singapore) Limited (the "**Company**"), hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
And/or (delete as appropriate)			
Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, Meeting Room 324 – 326, Level 3 on Friday, 22 April 2016 at 3:00 p.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against the item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To receive and adopt the Audited Financial Statements for the year ended 31 December 2015 and the Reports of the Directors and the Auditors thereon.		
2.	To approve payment of Directors' Fees.		
3.	To re-elect Capt Wu Zi Heng, who is retiring under Article 98 of the Constitution of the Company.		
4.	To re-elect Mr Ma Zhi Hong, who is retiring under Article 98 of the Constitution of the Company.		
5.	To re-elect Mr Ang Swee Tian, who is retiring under Article 98 of the Constitution of the Company.		
6.	To re-elect Mr Wang Yu Hang, who is retiring under Article 104 of the Constitution of the Company.		
7.	To re-elect Mr Tom Yee Lat Shing.		
8.	To re-appoint Messrs. PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
9.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap 50.		
10.	To approve the renewal of Shareholders' Mandate for Recurrent Interested Person Transactions.		

Dated this _____ day of _____ 2016

Total No. of Shares in	No. of Shares
CDP Register	
Register of Members	

Signature of Member(s) or Common Seal

IMPORTANT: Please Read Notes for This Proxy Form.



NOTES:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Shareholder (other than a Relevant Intermediary) of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a Member of the Company. Where a Shareholder appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the AGM of the Company is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

"Relevant Intermediary" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not less than 48 hours before the time set for holding the annual general meeting. The sending of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the annual general meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

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COSCO CORPORATION (SINGAPORE) LIMITED

Tricor Barbinder Share Registration Services

80 Robinson Road #11-02

Singapore 068898

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5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the annual general meeting, in accordance with section 179 of the Companies Act, Chapter 50 of Singapore.
8. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of a Shareholder whose Shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Shareholder, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the annual general meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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