COSCO CORPORATION (SINGAPORE) LIMITED
(Company Registration no:- 196100159G)

Unaudited Second Quarter Financial Statement Announcement for the Financial Period Ended 30 June 2016

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

(i) Consolidated Income Statement

	Group					
	Q2 2016 S$'000	**Q2 2015 S$'000**	**Change %**	**1H 2016 S$'000**	**1H 2015 S$'000**	**Change %**
Sales	762,916	853,526	(11)	1,485,210	1,844,698	(19)
Cost of sales	(751,395)	(794,476)	(5)	(1,384,399)	(1,712,643)	(19)
Gross profit	11,521	59,050	(80)	100,811	132,055	(24)
Other income [1]	14,733	19,895	(26)	28,528	40,005	(29)
Other gains and losses [1]	(9,655)	(818)	1,080	(10,491)	5,777	NM
Expenses						
- Distribution	(12,820)	(17,030)	(25)	(32,360)	(34,681)	(7)
- Administrative	(13,025)	(32,835)	(60)	(48,112)	(68,755)	(30)
- Finance	(52,599)	(40,180)	31	(112,281)	(78,959)	42
Share of profit/(loss) of associated companies [2]	39	28	39	57	(8)	NM
Loss before income tax [3]	(61,806)	(11,890)	420	(73,848)	(4,566)	1,517
Income tax credit /(expense) [4]	8,962	1,595	462	9,258	(1,477)	NM
Loss for the period	(52,844)	(10,295)	413	(64,590)	(6,043)	969
Loss attributable to:						
Equity holders of the Company	**(36,806)**	**(4,762)**	**673**	**(51,200)**	**(3,996)**	**1,181**
Non-controlling interests	(16,038)	(5,533)	190	(13,390)	(2,047)	554
Loss for the period	(52,844)	(10,295)	413	(64,590)	(6,043)	969
Earnings per share for loss attributable to the equity holders of the Company (expressed in cents per share)						
- basic	(1.64)	(0.21)	681	(2.29)	(0.18)	1,172
- diluted	(1.64)	(0.21)	681	(2.29)	(0.18)	1,172

NM denotes not meaningful.

(ii) Consolidated Statement of Comprehensive Income

	Group					
	Q2 2016 S$'000	Q2 2015 S$'000	Change %	1H 2016 S$'000	1H 2015 S$'000	Change %
Loss for the period	(52,844)	(10,295)	413	(64,590)	(6,043)	969
Other comprehensive (loss)/income: Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets - Fair value gain/(loss)	6	164	(96)	(71)	128	NM
Currency translation differences arising from consolidation	(26,141)	(40,297)	(35)	(78,069)	36,455	NM
Total comprehensive (loss)/income for the period	(78,979)	(50,428)	57	(142,730)	30,540	NM
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	**(49,762)**	**(28,493)**	75	**(94,473)**	**17,633**	NM
Non-controlling interests	(29,217)	(21,935)	33	(48,257)	12,907	NM
	(78,979)	(50,428)	57	(142,730)	30,540	NM

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

[1] Other income and Other gains and losses comprises the following:

	Q2 2016 S$'000	Q2 2015 S$'000	Change %	1H 2016 S$'000	1H 2015 S$'000	Change %
Government grants	1,197	474	153	2,012	1,402	44
Interest income	5,541	7,841	(29)	11,987	19,654	(39)
Rental income	995	844	18	1,665	1,430	16
Sale of scrap materials	5,547	7,626	(27)	9,994	13,279	(25)
Sundry income	1,453	3,110	(53)	2,870	4,240	(32)
Other income	14,733	19,895	(26)	28,528	40,005	(29)
Foreign exchange (loss)/gain	(10,072)	(481)	1,994	(10,216)	7,322	NM
Gain/(loss) on disposal of property, plant and equipment	22	(2)	NM	31	(39)	(179)
Gain/(loss) on sale of bunker stock	395	(335)	NM	(306)	(1,506)	(80)
Other gains and losses	(9,655)	(818)	1,080	(10,491)	5,777	NM

[2] Share of profit/(loss) of associated companies is after tax.

[3] Loss before income tax is arrived at after (charging)/crediting:

	Q2 2016 S$'000	Q2 2015 S$'000	Change %	1H 2016 S$'000	1H 2015 S$'000	Change %
Interest on borrowings	(52,599)	(40,180)	31	(112,281)	(78,959)	42
Amortisation of deferred expenditure	(22)	(22)	-	(44)	(44)	-
Depreciation of property, plant and equipment and investment properties	(36,403)	(37,426)	(3)	(74,336)	(73,525)	1
Net reversal of impairment of trade and other receivables	15,256	218	6,898	15,976	255	6,165
Write-down of inventories	(7,709)	(5,014)	54	(6,472)	(5,694)	14
Write-off of property, plant and equipment	6	-	NM	(290)	-	NM
Allowance for expected losses recognised on construction contracts	(14,774)	(34,051)	(57)	(18,081)	(35,777)	(49)

[4] Adjustment for (under)/over provision of tax in respect of prior years:

	Q2 2016 S$'000	Q2 2015 S$'000	Change %	1H 2016 S$'000	1H 2015 S$'000	Change %
Adjustment for (under)/over provision of tax in respect of prior years:						
Current income tax	(415)	30,708	NM	(415)	30,693	NM
Deferred income tax	213	(27,249)	NM	213	(27,249)	NM

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30/06/2016 S$'000	**31/12/2015 S$'000**	**30/06/2016 S$'000**	**31/12/2015 S$'000**
Current assets				
Cash and cash equivalents	2,108,601	1,570,852	31,805	36,301
Trade and other receivables	5,414,749	5,202,201	42,266	45,422
Inventories	691,765	780,251	-	-
Construction contract work-in-progress	128,787	199,122	-	-
Income tax receivables	6,428	9,278	-	-
Other current assets	17,154	15,537	64	115
	8,367,484	7,777,241	74,135	81,838
Non-current assets				
Available-for-sale financial assets	4,464	4,890	-	-
Club memberships	305	311	82	82
Investments in associated companies	4,575	4,854	-	-
Investments in subsidiaries	-	-	372,633	372,298
Investment properties	10,170	10,579	-	-
Property, plant and equipment	2,096,493	2,307,323	461	530
Intangible assets	9,509	9,583	-	-
Deferred expenditure	2,790	2,980	-	-
Deferred income tax assets	234,770	236,932	-	-
	2,363,076	2,577,452	373,176	372,910
Total assets	10,730,560	10,354,693	447,311	454,748
Current liabilities				
Trade and other payables	2,253,466	2,417,472	17,033	17,497
Current income tax liabilities	6,218	7,645	2,116	2,279
Borrowings	3,921,208	3,985,918	-	-
Provision for other liabilities	57,386	56,500	-	-
	6,238,278	6,467,535	19,149	19,776
Non-current liabilities				
Borrowings	3,294,774	2,546,887	-	-
Deferred income tax liabilities	255	288	-	-
	3,295,029	2,547,175	-	-
Total liabilities	9,533,307	9,014,710	19,149	19,776
Net assets	1,197,253	1,339,983	428,162	434,972
Equity				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	285,585	328,838	45,105	45,105
Retained earnings	171,366	222,586	112,449	119,259
Shareholders' equity	727,559	822,032	428,162	434,972
Non-controlling interests	469,694	517,951	-	-
Total equity	1,197,253	1,339,983	428,162	434,972

1(b)(ii) **Aggregate amount of group's borrowings and debt securities.**

Amount repayable in one year or less, or on demand

As at 30/06/2016		As at 31/12/2015	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
1,528,375	2,392,833	788,233	3,197,685

Amount repayable after one year

As at 30/06/2016		As at 31/12/2015	
Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
408,053	2,886,721	907,599	1,639,288

Details of any collateral

The collaterals for secured borrowings comprise the Group's trade receivables and property, plant and equipment with net book value totalling $1,957,592,000 (2015: $1,695,832,000).

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group	
	Q2 2016 S$'000	**Q2 2015 S$'000**
Cash flows from operating activities		
Loss for the period	(52,844)	(10,295)
Adjustments for:		
Income tax credit	(8,962)	(1,595)
Amortisation of deferred expenditure	22	22
Depreciation of property, plant and equipment and investment properties	36,403	37,426
Net reversal of impairment of trade and other receivables	(15,256)	(218)
Write-down of inventories	7,709	5,014
(Gain)/loss on disposal of property, plant and equipment	(22)	2
Allowance for expected losses recognised on construction contracts	14,774	34,051
Write-off of property, plant and equipment	(6)	-
Share of profit of associated companies	(39)	(28)
Interest expense	52,599	40,180
Interest income	(5,541)	(7,841)
	28,837	96,718
Changes in working capital:		
Inventories and construction contract work-in-progress	51,900	39,858
Trade and other receivables	(278,507)	(330,311)
Trade and other payables	52,209	(161,502)
Other current assets	2,091	4,220
Provision for other liabilities	3,772	1,565
Exchange differences	37,052	(57,154)
Cash used in operations	(102,646)	(406,606)
Income tax paid	(874)	(23,225)
Net cash used in operating activities	(103,520)	(429,831)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,209)	(32,698)
Proceeds from disposal of property, plant and equipment	37	2,010
Interest received	3,529	18,160
Net cash used in investing activities	(2,643)	(12,528)
Cash flows from financing activities		
Proceeds from borrowings	1,899,537	1,253,287
Repayments of borrowings	(1,833,250)	(841,867)
(Increase)/Decrease in bank deposits pledged	(99)	10
Interest paid	(47,659)	(36,483)
Dividends paid to shareholders of the Company	-	(11,196)
Dividends paid to minority shareholders of subsidiaries	(84)	-
Net cash provided by financing activities	18,445	363,751
Net decrease in cash and cash equivalents	(87,718)	(78,608)
Cash and cash equivalents at beginning of financial period	2,208,791	1,569,665
Effects of currency translation on cash and cash equivalents	(14,534)	(30,310)
Cash and cash equivalents at end of financial period	2,106,539	1,460,747

Cash and cash equivalents represented by:		
Cash at bank and on hand	778,682	445,481
Short-term bank deposits	1,329,919	1,018,002
Less: Bank deposits pledged	(2,062)	(2,736)
	2,106,539	1,460,747

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital S$'000	Statutory and other reserves S$'000	Retained earnings S$'000	Non-controlling interests S$'000	Total S$'000
The Group					
At 1 April 2016	270,608	298,541	208,172	498,911	1,276,232
Total comprehensive loss for the period	-	(12,956)	(36,806)	(29,217)	(78,979)
At 30 June 2016	270,608	285,585	171,366	469,694	1,197,253
At 1 April 2015	270,608	329,800	813,473	896,592	2,310,473
Total comprehensive loss for the period	-	(23,731)	(4,762)	(21,935)	(50,428)
Dividend for 2014	-	-	(11,196)	-	(11,196)
Transfer from retained earnings to statutory reserves	-	1,977	(1,977)	-	-
At 30 June 2015	270,608	308,046	795,538	874,657	2,248,849

	Share capital S$'000	Statutory and other reserves S$'000	Retained earnings S$'000	Non-controlling interests S$'000	Total S$'000
The Company					
At 1 April 2016	270,608	45,105	114,947	-	430,660
Total comprehensive loss for the period	-	-	(2,498)	-	(2,498)
At 30 June 2016	270,608	45,105	112,449	-	428,162
At 1 April 2015	270,608	45,105	115,815	-	431,528
Total comprehensive income for the period	-	-	(2,710)	-	(2,710)
Dividend for 2014	-	-	(11,196)	-	(11,196)
At 30 June 2015	270,608	45,105	101,909	-	417,622

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the issued and paid-up capital of the Company since the previous period reported on.

During Q2 2016,1,130,000 share options granted under the Cosco Group Employees' Share Option Scheme 2002 ("Scheme 2002") were lapsed.

The outstanding share options under the Scheme 2002 as at 30 June 2016 were 9,650,000 (30 June 2015: 11,280,000).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 June 2016, share capital of the Company comprised 2,239,244,954 ordinary shares (31 December 2015: 2,239,244,954).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The Company does not have any treasury shares.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Paragraph 5 below, the Group has adopted the same accounting policies and method of computation in the financial statements for the current financial period as compared with the audited financial statements for the financial year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 1 January 2016, the Group and the Company adopted the following amended financial reporting standards ("FRS") which are effective for annual periods beginning on or after 1 January 2016.

The following are the amended FRS that are relevant to the Group:

(i) Amendments to FRS 16 *Property plant and equipment*
(ii) Amendments to FRS 38 *Intangible assets*
(iii) Amendments to FRS 111 *Joint Arrangements*
(iv) Amendments to FRS 110 *Consolidated financial statements*
(v) Amendments to FRS 28 *Investments in associates and joint ventures*
(vi) Amendments to FRS 1 *Presentation of financial statements*

The adoption of the above amended FRS does not have a significant impact on the financial statements of the Group.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group			
	Q2 2016	**Q2 2015**	**1H 2016**	**1H 2015**
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	(1.64)	(0.21)	(2.29)	(0.18)
Weighted average number of ordinary shares('000)	2,239,245	2,239,245	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	(1.64)	(0.21)	(2.29)	(0.18)
Adjusted weighted average number of ordinary shares ('000)	2,239,245	2,239,245	2,239,245	2,239,245

NOTES:

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

The fully diluted earnings per share is arrived at after taking into consideration the potential ordinary shares arising from the exercise of outstanding share options which would dilute the basic earnings per share. 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 financial period.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	Group		Company	
	30/06/2016	**31/12/2015**	**30/06/2016**	**31/12/2015**
Net asset value per ordinary share (cents)	32.49	36.71	19.12	19.42

The net asset value per ordinary share is calculated based on the total number of issued shares of 2,239,244,954 (2015: 2,239,244,954).

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Q2 2016

The Group recorded net loss attributable to equity holders of $36.8 million on turnover of $762.9 million in Q2 2016.

Group turnover decreased by 10.6% to $762.9 million in Q2 2016, from $853.5 million in Q2 2015 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 10.5% to $754.6 million in Q2 2016 from $843.4 million in Q2 2015 mainly owing to lower revenue contribution from marine engineering. The Group delivered 5 projects in Q2 2016. COSCO Zhoushan shipyard delivered 2 oil tankers, COSCO Dalian Shipyard delivered 2 module carriers and COSCO Guangdong shipyard delivered 1 livestock carrier.

Turnover from dry bulk shipping and other businesses decreased by 17.8% from $10.1 million in Q2 2015 to $8.3 million in Q2 2016 as the current short-term rates were lower than the more favorable charter rates secured in Q2 2015. The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started Q2 2016 at 450 points and ended the quarter at 660 points. In Q2 2016, the BDI averaged 612 points which is a 3.2% decrease from the average of Q2 2015 of 632 points. The Baltic Exchange Handysize Index (BHSI) averaged 333 points in Q2 2016, a decrease of 3.8% from the average of 346 points in Q2 2015. The Baltic Exchange Supramax Index (BSI) averaged 554 points in Q2 2016, a decrease of 14.4% from the average of 647 points in Q2 2015. 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 Q2 2016.

Gross profit decreased 80.5% from $59.0 million in Q2 2015 to $11.5 million in Q2 2016 due to lower profit contributions from shipyard and losses from shipping operations on account of lower charter rates.

Other income comprised gain from the disposal of scrap metal, interest income and others. Compared to Q2 2015, other income decreased by 25.9% to $14.7 million in Q2 2016 mainly due to lower sale value of scrap materials and lower interest income.

Administrative expenses decreased by 60.3% to $13.0 million mainly due to net reversal of impairment of trade and other receivables of $15.3 million.

Interest expense increased by 30.9% to $52.6 million in Q2 2016 due to higher bank borrowings to fund shipyard operations.

Overall, the Group recorded net loss attributable to equity holders of the Company of $36.8 million in Q2 2016 compared to net loss of $4.8 million in Q2 2015 due to losses in shipyard and shipping operations.

1H 2016

The Group recorded net loss attributable to equity holders of $51.2 million on turnover of $1.5 billion in 1H 2016.

Group turnover decreased by 19.5% to $1.5 billion in 1H 2016 from $1.8 billion in 2015 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 19.3% to $1.5 billion in 1H 2016 from $1.8 billion in 1H 2015, mainly owing to lower revenue contribution from marine engineering. The Group delivered 11 projects in 1H 2016. COSCO Zhoushan shipyard delivered 4 oil tankers, COSCO Guangdong shipyard delivered 2 livestock carriers and 1 platform supply vessel; COSCO Dalian shipyard delivered 2 module carriers and 1 salvage lifting vessel and COSCO Qidong shipyard delivered 1 semi-submersible accommodation vessel.

Turnover from dry bulk shipping and other businesses decreased by 31.9 % from $20.5 million in 1H 2015 to $14.0 million in 1H 2016. The BDI started the year 2016 at 473 points and ended 1H 2016 at 660 points. The BDI averaged 486 points for 1H 2016, which was a 22.0% decrease from the average of 1H 2015 of 623 points. Currently, the Group's dry bulk shipping fleet comprises Panamax and Handymax carriers.

Shipyard business remained the biggest revenue contributor, forming 99.1% of Group turnover in 1H2016.

Gross profit for 1H 2016 was $100.8 million, compared to gross profit of $132.0 million in 1H 2015 due to lower profit contributions from shipyard operations and losses from shipping operations on account of lower charter rates.

Compared to 1H 2015, other income decreased by 28.7% to $28.5 million in 1H 2016 mainly due to lower sales value of scrap materials and lower interest income.

Administrative expenses decreased by 30.0% to $48.1 million mainly due to net reversal of impairment of trade and other receivables of $16.0 million.

Interest expense increased by 42.2% to $112.3 million in 1H 2016 due to higher bank borrowings used to fund shipyard operations.

Overall, the Group recorded net loss attributable to equity holders of the Company of $51.2 million in 1H 2016 compared to net loss of $4.0 million in 1H 2015 due to losses in shipyard and shipping operations. The loss is mainly attributable to unfavourable market conditions: (a) the offshore marine industry remains weak due to the historically low crude oil prices that have prevailed for over a year and from which recovery remains uncertain; b) the shipbuilding industry continues to face over-capacity amidst a weak global economy. Under these conditions, the Group's shipyards have had to contend with fewer orders and lower prices; c) subdued global economic conditions have led to depressed shipping rates for the Group's dry bulk fleet.

Balance Sheet
(30 June 2016 vs 31 December 2015)

Cash and cash equivalents increased from $1.6 billion to $2.1 billion mainly due to higher bank borrowings to fund shipyard operations. Please refer to Note 1(c) Cash Flow Statement for more details.

Trade and other receivables increased $212.5 million to $5.4 billion mainly due to higher construction contracts due from customers in the marine engineering segment and an increase in advances paid to suppliers (from $262.2 million to $429.9 million).

Trade and other payables decreased $164.0 million to $2.3 billion mainly due to lower accruals for operating expenses and a decrease in advances received from customers (from $241.9 million to $186.7 million).

Total borrowings increased by $683.2 million to $7.2 billion due to additional funding procured to finance shipyard operations.

Shareholder's equity decreased by $94.5 million mainly due to the losses incurred in 1H 2015 and a decrease in currency translation reserve.

Cash Flow

Net cash used in operating activities for the quarter was $103.5 million. This was mainly due to cash used for working capital during the quarter.

Net cash used in investing activities for the quarter was $2.6 million. This comprised principally the purchase of fixed assets by shipyard operations, partly offset by interest received during the quarter.

Net cash provided by financing activities was $18.4 million. This was mainly due to net proceeds of bank borrowings, partly offset by interest paid during the quarter.

Please refer to Note 1(c) Cash Flow Statement for more details.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As at 30 June 2016, the Group's order book stood at approximately US$7.6 billion with progressive deliveries up to 2018. These include modules of drillship and FPSO contracts for certain Brazilian customers which amount to approximately US$1.4 billion. This order book is subject to revision from any new, cancellation, variation or scheduling of orders that may arise. New orders received in 1H 2016 include 1 trailing suction hopper dredger, 1 self-elevating workover unit, 2 crude oil tankers and 4 container vessels.

These orders were secured at low contract values due to the weak global economy and depressed shipbuilding and offshore markets and the Group expects operating margins on new ship building and offshore contracts to continue facing severe downward pressure as these conditions continue to prevail.

In offshore marine engineering operations, the Group is one of the largest marine engineering groups in the People's Republic of China. Its order book in this segment covers a wide product range that includes FPSO, semi-submersible accommodation rig and vessel, Sevan 650 drilling unit, semi-submersible tender assist drilling rig, jack-up rig, platform supply vessel, emergency response/rescue/field support vessel, DP3 accommodation barge, subsea supply vessel, shuttle tanker, cargo transfer vessel, modules of drillship and FPSO.

For new product types in offshore and shipbuilding sectors, the Group expects to incur higher costs during execution while expecting competition to remain keen as crude oil prices continue to remain low and global economic conditions remain generally weak. The Group will nevertheless strive to continually improve its expertise and capabilities for long-term sustainable growth in the offshore marine engineering and shipbuilding sectors.

The Baltic Dry Index (BDI) averaged 486 points in 1H 2016, a decrease of 22.0% from the average of 623 points in 1H 2015. The Baltic Exchange Handysize Index (BHSI) averaged 282 points in 1H 2016, a decrease of 19.9% from the average of 352 points in the 1H 2015. The Baltic Exchange Supramax Index (BSI) averaged 460 points in 1H 2016, a decrease of 27.1% from the average of 631 points in 1H 2015. Currently, the Group's dry bulk shipping fleet comprises Panamax and Handymax carriers.

Amidst excess tonnage and overall weak macroeconomic conditions, the world dry bulk shipping market has declined to a very low level in 1H 2016. On 10 February 2016, the BDI declined to 290 points, the lowest since the Index was created. Given these market conditions, any recovery in the dry bulk shipping segment will remain depressed.

As the world shipping market continues to face tonnage over-capacity pressures, new ship building orders have fallen to a very low level in 1H 2016. The ship building segment will thus continue to be highly challenging.

The Group's offshore marine segment has been adversely affected by current situation of low crude oil prices which has already persisted for a significant period of time. For nearly two years, the global offshore market has been slowing down significantly with no signs of sustainable improvement.

Since the latter half of 2014, crude oil prices have been falling to multi-year lows from which recovery seems uncertain. On 20 January 2016, Brent Crude Oil traded at US$27.10 per barrel, the lowest in the past 12 years. In 1H 2016, Brent Crude Oil prices averaged US$41.21 per barrel, a decrease of 30.6% from the average of US$59.35 in 1H 2015.

Many oil majors have cut expenditure leading to fewer orders for rigs and support vessels. The average utilisation rate of jack-up rigs, semi-sub rigs, drill ships and support vessels have continued their decline in the past year.

Under such challenging circumstances, new orders started to decline in 2014 and this continued into 1H 2016. Some customers have delayed accepting delivery of projects upon completion and it is possible that more customers will seek to delay delivery of projects or seek deferment of payment schedules.

The future of the DP3 Deepwater Drillship (DDD) remains uncertain. While it has been successfully completed by COSCO Dalian shipyard and trials and testing have been carried out, COSCO Dalian shipyard is currently still in discussions with relevant oil companies to negotiate for a lease or to sell the DDD. There is no assurance that any lease or sale will materialise especially since the DDD is a specialised vessel.

In 2015 and 1H 2016, the Group experienced delivery date extensions and order cancellations for several of its projects. These included extensions for the Sevan Developer which is being built by COSCO Qidong shipyard for Sevan Drilling and the jack-up drilling rig (hull number N408) which is being built by COSCO Nantong shipyard for KS Drilling. The Group will continue to monitor the risks associated with these projects as well as contracts for modules of drillships and FPSO with certain Brazilian customers.

Amidst persistent weakness in the state of the global economy and depressed crude oil prices, some of the Group's customers may be unable to meet their contractual payment obligations to the Group, either in a timely manner or at all, or may otherwise default on these obligations. Moreover, any tightening of the availability and cost of credit in a market that is already under considerable stress could also adversely affect the ability of customers to meet their financial obligations. These will adversely impact the Group's financial position.

Any adverse volatility in currency movements, rise in wages, prices of raw materials required for production as well as higher financing costs may exert even greater downward pressure on the operating margins of the Group's shipyard operations.

Against the backdrop of such difficult conditions, the Group recorded a net loss attributable to equity holders for 1H 2016. Overall, the Group expects that these difficult and challenging business and operating conditions to persist and may even worsen. As such, 2016 will remain a very difficult and challenging year for the Group.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No interim dividend has been declared/recommended by the Directors in Q2 2016.

13. Interested Person Transactions

Pursuant to Rule 907 of the Listing Manual, the following interested person transactions were entered into during the financial period:

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 $100,000)	
	Q2 2016 S$'000	1H 2016 S$'000	Q2 2016 S$'000	1H 2016 S$'000
Between Subsidiaries and:				
Bridge Line Co., Ltd	-	-	186	398
Chimbusco Guangzhou Branch	-	-	138	477
Chimbusco Zhoushan Branch	-	-	1,941	3,630
China Marine Bunker (Dalian) Co., Ltd	-	-	2,796	5,421
Cosco (Cayman) Mercury Co., Ltd	-	-	-	422
Cosco (HK) Investment & Development Co., Ltd	-	-	240	240
Cosco (HK) Shipping Co., Ltd	-	-	2,870	4,890
Cosco Bulk Carrier Co., Ltd	-	-	2,111	2,389
Cosco Container Lines Co., Ltd	-	-	2,417	2,814
COSCO Kansai Paint & Chemicals Co., Ltd	-	-	214	529
Cosco Finance Co., Ltd	-	-	170,270	1,230,937
Cosco Logistic (GZ) Heavy Transportation	-	-	172	172
Cosco Logistics Dalian Co., Ltd	-	-	2,349	2,349
Cosco Petroleum Pte Ltd	-	-	1,030	1,700
Cosco Shipping Co., Ltd	-	-	1,660	2,498
Cosco Shipyard Qingdao Company Ltd	-	-	-	261
Dalian Ocean Shipping Company	-	-	3,668	7,984
Nantong Chimbusco Marine Bunker Co., Ltd	-	-	287	2,742
Nantong Cosco Heavy Industry Co., Ltd	-	-	-	4,226
Qingdao Manning Co-operation Ltd	-	-	882	1,796
Qingdao Ocean Shipping Company	-	-	175	746
Shanghai Ocean Crew Co., Ltd	-	-	1,322	2,665
Shenzhen Ocean Shipping Company	-	-	815	948
Xiamen Ocean Shipping Company	-	-	-	116
Total	-	-	195,543	1,280,350

	As at 30/06/2016	**As at 31/12/2015**
	S$'000	S$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	217,080	381,066
- Short-term bank deposits	76,529	144,959
	293,609	526,025
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	368,376	228,030

14. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive offices in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Mr Wu Zi Heng
Vice Chairman and President
5/8/2016

CONFIRMATION BY THE BOARD

We hereby confirm on behalf of the directors of the company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the company which may render the financial period ended 30 June 2016 financial results to be false or misleading.

On behalf of the directors

Mr Wu Zi Heng	Mr Tom Yee Lat Shing
Vice Chairman and President	Director

5/8/2016