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

Unaudited Third Quarter Financial Statement Announcement for the Financial Period Ended 30 September 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					
	Q3 2016 S$'000	**Q3 2015 S$'000**	**Change %**	**YTD 2016 S$'000**	**YTD 2015 S$'000**	**Change %**
Sales	662,342	949,569	(30)	2,147,552	2,794,267	(23)
Cost of sales	(613,016)	(960,282)	(36)	(1,997,415)	(2,672,925)	(25)
Gross profit/(loss)	49,326	(10,713)	NM	150,137	121,342	24
Other income [1]	19,894	19,428	2	48,422	59,433	(19)
Other gains and losses [1]	(5,529)	(479)	1,054	(16,020)	5,298	NM
Expenses						
- Distribution	(13,638)	(19,081)	(29)	(45,998)	(53,762)	(14)
- Administrative	(296,255)	(113,436)	161	(344,367)	(182,191)	89
- Finance	(55,901)	(44,206)	26	(168,182)	(123,165)	37
Share of profit of associated companies [2]	72	104	(31)	129	96	34
Loss before income tax [3]	(302,031)	(168,383)	79	(375,879)	(172,949)	117
Income tax credit [4]	47,905	16,453	191	57,163	14,976	282
Loss for the period	(254,126)	(151,930)	67	(318,716)	(157,973)	102
Attributable to:						
Equity holders of the Company	**(102,339)**	**(82,116)**	**25**	**(153,539)**	**(86,112)**	**78**
Non-controlling interests	(151,787)	(69,814)	117	(165,177)	(71,861)	130
Loss for the period	(254,126)	(151,930)	67	(318,716)	(157,973)	102
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)						
- basic	(4.57)	(3.67)	25	(6.86)	(3.85)	78
- diluted	(4.57)	(3.67)	25	(6.86)	(3.85)	78

NM denotes not meaningful.

(ii) Consolidated Statement of Comprehensive Income

	Group					
	Q3 2016 S$'000	**Q3 2015 S$'000**	**Change %**	**YTD 2016 S$'000**	**YTD 2015 S$'000**	**Change %**
Loss for the period	(254,126)	(151,930)	67	(318,716)	(157,973)	102
Other comprehensive (loss)/income: Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets						
- Fair value loss	(7)	(192)	(96)	(78)	(64)	22
Currency translation differences arising from consolidation	15,270	64,639	(76)	(62,799)	101,094	NM
Total comprehensive loss for the period	(238,863)	(87,483)	173	(381,593)	(56,943)	570
Total comprehensive loss attributable to:						
Equity holders of the Company	**(95,007)**	**(41,955)**	126	**(189,480)**	**(24,322)**	679
Non-controlling interests	(143,856)	(45,528)	216	(192,113)	(32,621)	489
	(238,863)	(87,483)	173	(381,593)	(56,943)	570

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Group					
	Q3 2016 S$'000	**Q3 2015 S$'000**	**Change %**	**YTD 2016 S$'000**	**YTD 2015 S$'000**	**Change %**
Dividend income	31	2,005	(98)	31	2,005	(98)
Government grants	3,288	1,749	88	5,300	3,151	68
Interest income	5,826	7,201	(19)	17,813	26,855	(34)
Rental income	1,312	594	121	2,977	2,024	47
Sale of scrap materials	3,853	5,020	(23)	13,847	18,299	(24)
Sundry income	5,584	2,859	95	8,454	7,099	19
Other income	19,894	19,428	2	48,422	59,433	(19)
Foreign exchange (loss)/gain	(5,967)	218	NM	(16,183)	7,540	NM
Gain/(loss) on disposal of property, plant and equipment	26	8	225	57	(31)	NM
Gain/(loss) on sale of bunker stock	412	(705)	NM	106	(2,211)	NM
Other gains and losses	(5,529)	(479)	1,054	(16,020)	5,298	NM

[2] Share of profit of associated companies is after tax.

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

	Group					
	Q3 2016 S$'000	Q3 2015 S$'000	Change %	YTD 2016 S$'000	YTD 2015 S$'000	Change %
Interest on borrowings	(55,901)	(44,206)	26	(168,182)	(123,165)	37
Amortisation of deferred expenditure	(21)	(23)	(9)	(65)	(67)	(3)
Depreciation of property, plant and equipment and investment properties	(35,123)	(37,884)	(7)	(109,459)	(111,409)	(2)
Net allowance for impairment of trade and other receivables	(261,700)	(75,912)	245	(245,724)	(75,657)	225
Write-down of inventories	(510)	(14,552)	(96)	(6,982)	(20,246)	(66)
Write-off of property, plant and equipment	(69)	(1)	NM	(359)	(1)	NM
Net (allowance for)/reversal of expected losses recognised on construction contracts	(42,119)	16,329	NM	(60,200)	(19,448)	210

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

	Q3 2016 S$'000	Q3 2015 S$'000	Change %	YTD 2016 S$'000	YTD 2015 S$'000	Change %
Current income tax	1,953	151	1,193	1,538	30,844	(95)
Deferred income tax	2,422	(135)	NM	2,635	(27,384)	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	
	30/09/2016 S$'000	**31/12/2015 S$'000**	**30/09/2016 S$'000**	**31/12/2015 S$'000**
Current assets				
Cash and cash equivalents	1,592,325	1,570,852	30,981	36,301
Trade and other receivables	5,216,480	5,202,201	42,611	45,422
Inventories	897,265	780,251	-	-
Construction contract work-in-progress	87,630	199,122	-	-
Income tax receivables	4,605	9,278	-	-
Other current assets	14,336	15,537	149	115
	7,812,641	7,777,241	73,741	81,838
Non-current assets				
Trade and other receivables	66,744	-	-	-
Available-for-sale financial assets	4,489	4,890	-	-
Club memberships	306	311	82	82
Investments in associated Companies	4,479	4,854	-	-
Investments in subsidiaries	-	-	372,794	372,298
Investment properties	10,094	10,579	-	-
Property, plant and equipment	2,082,406	2,307,323	426	530
Intangible assets	9,517	9,583	-	-
Deferred expenditure	2,784	2,980	-	-
Deferred income tax assets	284,294	236,932	-	-
	2,465,113	2,577,452	373,302	372,910
Total assets	10,277,754	10,354,693	447,043	454,748
Current liabilities				
Trade and other payables	2,315,485	2,417,472	17,744	17,497
Current income tax liabilities	5,892	7,645	2,133	2,279
Borrowings	3,389,008	3,985,918	-	-
Provision for other liabilities	57,483	56,500	-	-
	5,767,868	6,467,535	19,877	19,776
Non-current liabilities				
Borrowings	3,552,743	2,546,887	-	-
Deferred income tax liabilities	253	288	-	-
	3,552,996	2,547,175	-	-
Total liabilities	9,320,864	9,014,710	19,877	19,776
Net assets	956,890	1,339,983	427,166	434,972
Equity				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	293,690	328,838	45,105	45,105
Retained earnings	68,254	222,586	111,453	119,259
Shareholders' equity	632,552	822,032	427,166	434,972
Non-controlling interests	324,338	517,951	-	-
Total equity	956,890	1,339,983	427,166	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 30/09/2016		As at 31/12/2015	
Secured S$'000	**Unsecured S$'000**	**Secured S$'000**	**Unsecured S$'000**
1,446,405	1,942,603	788,233	3,197,685

Amount repayable after one year

As at 30/09/2016		As at 31/12/2015	
Secured S$'000	**Unsecured S$'000**	**Secured S$'000**	**Unsecured S$'000**
412,581	3,140,162	907,599	1,639,288

Details of any collateral

The collaterals for secured borrowings comprise the Group's trade receivables with net book value totalling $1,873,160,000 (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	
	Q3 2016 S$'000	**Q3 2015 S$'000**
Cash flows from operating activities		
Loss for the period	(254,126)	(151,930)
Adjustments for:		
Income tax credit	(47,905)	(16,453)
Amortisation of deferred expenditure	21	23
Depreciation of property, plant and equipment and investment Properties	35,123	37,884
Net allowance for impairment of trade and other receivables	261,700	75,912
Write-down of inventories	510	14,552
Gain on disposal of property, plant and equipment	(26)	(8)
Allowance for/(Reversal of) expected losses recognised on construction contracts	42,119	(16,329)
Write-off of property, plant and equipment	69	1
Share of profit of associated companies	(72)	(104)
Dividend income	(31)	(2,005)
Interest expense	55,901	44,206
Interest income	(5,826)	(7,201)
	87,457	(21,452)
Changes in working capital:		
Inventories and construction contract work-in-progress	(164,854)	(93,222)
Trade and other receivables	(127,560)	(463,866)
Trade and other payables	21,835	111,011
Other current assets	2,818	3,439
Provision for other liabilities	96	8,197
Exchange differences	96,599	77,913
Cash used in operations	(83,609)	(377,980)
Income tax paid	669	5,140
Net cash used in operating activities	(82,940)	(372,840)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,303)	(38,935)
Proceeds from disposal of property, plant and equipment	184	117
Dividend received	31	2,007
Interest received	3,435	5,922
Net cash used in investing activities	(653)	(30,889)
Cash flows from financing activities		
Proceeds from borrowings	860,037	983,025
Repayments of borrowings	(1,264,148)	(548,095)
Decrease/(Increase) in bank deposits pledged	579	(12)
Interest paid	(58,894)	(51,824)
Dividends paid to minority shareholders of subsidiaries	(554)	(526)
Net cash (used in)/provided by financing activities	(462,980)	382,568
Net decrease in cash and cash equivalents	(546,573)	(21,161)
Cash and cash equivalents at beginning of financial period	2,106,540	1,460,747
Effects of currency translation on cash and cash equivalents	30,876	61,186
Cash and cash equivalents at end of financial period	1,590,843	1,500,772

Cash and cash equivalents represented by:		
Cash at bank and on hand	279,544	440,402
Short-term bank deposits	1,312,782	1,063,118
Less: Bank deposits pledged	(1,483)	(2,748)
	1,590,843	1,500,772

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 July 2016	270,608	285,585	171,366	469,694	1,197,253
Total comprehensive income/(loss) for the period	-	7,332	(102,339)	(143,856)	(238,863)
Dividend declared by subsidiaries to non-controlling interests of subsidaries	-	-	-	(1,500)	(1,500)
Transfer from retained earnings to statutory reserves	-	773	(773)	-	-
At 30 September 2016	270,608	293,690	68,254	324,338	956,890
At 1 July 2015	270,608	308,046	795,538	874,657	2,248,849
Total comprehensive income/(loss) for the period	-	40,161	(82,116)	(45,528)	(87,483)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(526)	(526)
Transfer from retained earnings to statutory reserves	-	506	(506)	-	-
At 30 September 2015	270,608	348,713	712,916	828,603	2,160,840
The Company					
At 1 July 2016	270,608	45,105	112,449	-	428,162
Total comprehensive loss for the period	-	-	(996)	-	(996)
At 30 September 2016	270,608	45,105	111,453	-	427,166
At 1 July 2015	270,608	45,105	101,909	-	417,622
Total comprehensive income for the period	-	-	2,497	-	2,497
At 30 September 2015	270,608	45,105	104,406	-	420,119

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.

The outstanding share options under the Scheme 2002 as at 30 September 2016 were 9,650,000 (30 September 2015: 11,080,000).

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 September 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			
	Q3 2016	**Q3 2015**	**YTD 2016**	**YTD 2015**
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	(4.57)	(3.67)	(6.86)	(3.85)
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)	(4.57)	(3.67)	(6.86)	(3.85)
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 profit/(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 current financial period reported on and the corresponding period of the immediately preceding financial year.

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	
	30/09/2016	**31/12/2015**	**30/09/2016**	**31/12/2015**
Net asset value per ordinary share (cents)	28.25	36.71	19.08	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.

Q3 2016

The Group recorded net loss attributable to equity holders of $102.3 million on turnover of $662.3 million in Q3 2016.

Group turnover decreased by 30.2% to $662.3 million in Q3 2016, from $949.6 million in Q3 2015 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 30.3% to $654.7 million in Q3 2016 from $939.9 million in Q3 2015 mainly owing to lower revenue contribution from ship repair, ship building and marine engineering.

The Group delivered 5 projects in Q3 2016. COSCO Dalian shipyard delivered 1 emergency response rescue vessel and 2 jack up rigs while COSCO Guangdong shipyard delivered 1 livestock carrier and 1 platform supply vessels.

Turnover from dry bulk shipping and other businesses decreased by 21.0% from $9.7 million in Q3 2015 to $7.7 million in Q3 2016 as most of the prevailing short-term charter rates were lower than those received in Q3 2015. The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started Q3 2016 at 677 points and ended the quarter slightly higher at 875 points. In Q3 2016, the BDI averaged 736 points which is 24.4% decrease from the average of Q3 2015 of 974 points. Currently, the group's dry bulk shipping fleet comprises Panamax and Handymax carriers. Shipyard business remained the biggest revenue contributor, making up 98.8% of Group turnover in Q3 2016.

Gross profit for Q3 2016 was $49.3 million as compared to gross loss of $10.7 million in Q3 2015 due to profits from shipyard operations, partially offset by losses in shipping operations on account of lower charter rates.

Other income comprised gain from the disposal of scrap metal, interest income and others. Compared to Q3 2015, other income increased by 2.4% to $19.8 million in Q3 2016 mainly due to higher government grants and sundry income partially offset by lower sale value of scrap materials and lower interest income.

Administrative expenses increased by 161.2% to $296.3 million mainly due to higher allowance for impairment of trade and other receivables of $261.7 million in Q3 2016 as compared to $75.9 million in Q3 2015. This allowance for impairment of trade and other receivables took into account the deterioration in credit risk on some customers as appraised by the Group.

Interest expense increased by 26.5% to $55.9 million in Q3 2016 due to higher bank borrowings to fund shipyard operations.

Overall, the Group recorded net loss attributable to equity holders of the Company of $102.3 million in Q3 2016 compared to net loss of $82.1 million in Q3 2015 due to losses in shipyard and shipping operations.

First Nine Months 2016

The Group recorded net loss attributable to equity holders of $153.5 million on turnover of $2.1 billion for the first nine months in 2016. Group turnover decreased by 23.1% to $2.1 billion in first nine months 2016 from $2.8 billion for the corresponding period in 2015 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 23.1% to $2.1 billion in the first nine months 2016 from $2.8 billion for the corresponding period in 2015, owing to lower revenue contribution from ship building and marine engineering.

The Group delivered 16 projects in the first nine months of 2016. COSCO Zhoushan shipyard delivered 4 oil tankers; COSCO Guangdong shipyard delivered 3 livestock carriers and 2 platform supply vessel; COSCO Dalian shipyard delivered 2 module carriers, 2 jack-up rigs, 1 emergency, response & rescue vessel 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 28.4% from $30.2 million in the first nine months in 2015 to $21.6 million in the first nine months in 2016. The BDI started the year 2016 at 473 points and ended the 3rd quarter in 2016 at 875 points. The BDI averaged 572 points for the first nine months 2016, which was a 23.1% decrease from the average of first nine months in 2015 of 744 points. Currently, the Group's dry bulk shipping fleet comprises Panamax and Handymax carriers. Shipyard business remained the biggest revenue contributor, forming 99.0% of Group turnover in the first nine months in 2016.

Gross profit for the first nine months in 2016 was $150.1 million, compared to gross profit of $121.3 million for the corresponding period in 2015, due to higher profits from shipyard operations partially offset by losses from shipping operations on account of lower charter rates.

Compared to the first nine months 2015, other income decreased by 18.5% to $48.4 million in the first nine months 2016 mainly due to lower sales value of scrap materials and lower interest income.

Administrative expenses increased by 89.0% to $344.4 million mainly due to higher impairment of trade and other receivables of $245.7 million in Q3 2016, as compared to an allowance for impairment of trade and other receivables of $75.7 million in Q3 2015. This allowance for impairment of trade and other receivables took into account the deterioration in credit risk on some customers as appraised by the Group.

Interest expense increased by 36.6% to $168.2 million in the first nine months of 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 $153.5 million in the first nine months 2016 compared to net loss of $86.1 million for the corresponding period in 2015 due to losses in shipyard and shipping operations.

The Group continues to face challenging market conditions in the offshore marine, shipbuilding and shipping industry. The offshore marine industry remains weak due to low crude oil prices that have prevailed for over two years and from which recovery remains uncertain. The shipbuilding industry continues to face over-capacity amidst a weak global economy, and under these conditions, the Group’s shipyards have had to contend with fewer orders and lower contract prices. Subdued global economic conditions have led to depressed shipping rates for the Group’s dry bulk fleet.

Balance Sheet

(30 September 2016 vs 31 December 2015)

Cash and cash equivalents remained unchanged at $1.6 billion. Please refer to Note 1(c) Cash Flow Statement for more details.

Trade and other receivables increased $81.0 million to $5.3 billion mainly due to an increase in advances paid to suppliers (from $262.2 million to $451.0 million), partially offset by lower construction contracts due from customers in the marine engineering and ship building segments (from $4.6 billion to $4.3 billion). The collectibility of the construction contracts due from customers in the marine engineering and ship builing segments of $4.3 billion of these as of 30 September 2016 is dependent on the customers taking delivery of these construction projects in the future.

The deferred income tax assets of $284.3 million as at 30 September 2016 (as compared to $236.9 million as at 31 December 2015) comprises of mainly temporary differences arising from provision and accrued expenses, as well as tax losses. If the market and operating conditions deteriorate further in the future, there may exist a risk of recoverability of these deferred income tax assets. Management will consider impairing these assets should such conditions exist.

Trade and other payables decreased $102.0 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 $165.3 million).

Total borrowings increased by $408.9 million to $6.9 billion due to additional funding procured to finance shipyard operations.

Shareholder's equity decreased by $189.5 million mainly due to the losses incurred in first nine months in 2016 and a decrease in currency translation reserve.

Cash Flow

Net cash used in operating activities for the quarter was $82.9 million. This was mainly due to cash used for working capital during the quarter.

Net cash used in investing activities for the quarter was $0.7 million. This comprised principally the purchase of fixed assets by shipyard operations, partly offset by interest received during the quarter.

Net cash used in financing activities was $463.0 million. This was mainly due to net repayment of bank borrowings 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.

The Group's results for Q3 2016 are in line with the Profit Guidance announcement released on 25 October 2016.

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 September 2016, the Group's gross order book stood at approximately US$6.8 billion with progressive deliveries up to 2019. These include modules of drillship and FPSO contracts for certain Brazilian customers which amount to approximately US$1.3 billion. The Group's gross order book of US$6.8 billion includes several offshore marine engineering projects which have been substantially completed in construction but are yet to be delivered due to customers' requests for extension of delivery.
This order book continues to be subject to revision from any new, cancellation, variation or scheduling of orders that may arise. New orders received in the first 9 months of 2016 include 1 trailing suction hopper dredger, 1 self-elevating workover unit, 2 crude oil tankers and 7 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, semisubmersible 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. The Group also expects 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 572 points in the first 9 months of 2016, a decrease of 23.1% from the average of 744 points in the first 9 months of 2015. The Baltic Exchange Handysize Index (BHSI) averaged 322 points in the first 9 months of 2016, a decrease of 15.3% from the average of 380 points in the first 9 months of 2015. The Baltic Exchange Supramax Index (BSI) averaged 534 points in the first 9 months of 2016, a decrease of 24.0% from the average of 703 points in the first 9 months of 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 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. Under such difficult market conditions and considering that the upkeep costs of the Group's dry bulk fleet will continue to increase, the Group has scrapped one of its dry bulk carriers in October 2016 and is planning to scrap another one by the end of 2016 or early 2017.

As the world shipping market continues to face tonnage over-capacity pressures, new ship building orders have fallen to a very low level in the first 9 months of 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 more than two years, the global offshore market has been slowing down significantly. There are still 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 the first 9 months of 2016, Brent Crude Oil prices averaged US$43.17 per barrel, a decrease of 23.7% from the average of US$56.60 in the first 9 months of 2015.

Many oil majors have cut expenditure leading to very few 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, the decline in new orders which started in 2014 has continued into the first 9 months of 2016. Moreover, 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. Construction contracts due from customers in the marine engineering and ship building segments amounted to $4.3 billion as at 30 September 2016 (as compared to $4.6 billion as at 31 December 2015) and may be subject to impairment if the market and operating conditions deteriorate further in the future.

The future of the DP3 Deepwater Drillship (DDD) continues to remain 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 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, the jack-up drilling rig (hull number N408) which is being built by COSCO Nantong shipyard for KS Drilling, the harsh environment semi-submersible accommodation rig which is being built by COSCO Qidong shipyard for Axis Nova, the advanced semi-submersible accommodation vessel which is being built by COSCO Qidong shipyard for Prosafe Rigs. In addition, the orders for the two floating accommodation units that COSCO Nantong shipyard (hull number N381) and COSCO Qidong shipyard (hull number N675) contracted to build for the TEEKAY group have been terminated. 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, challenging market conditions and depressed crude oil prices, an increasing number 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 of $153.5 million for the first 9 months of 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 Q3 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 $100,000)	
	Q3 2016 S$'000	YTD 2016 S$'000	Q3 2016 S$'000	YTD 2016 S$'000
Between Subsidiaries and:				
Bright Sea Management Limited	-	-	-	398
Chimbusco Guangzhou Branch	-	-	311	788
Chimbusco Zhoushan Branch	-	-	1,055	4,685
China Marine Bunker (Dalian) Co., Ltd	-	-	2,145	7,566
China Ocean Shipping (Group) Company	-	-	864	864
China Shipping (Hong Kong) Marine Co., Ltd	579	579	-	-
China Shipping Container Lines Co., Ltd	777	777	-	-
Cosco Shipping Tanker (Dalian) Co., Ltd	500	500	-	-
China Shipping Tanker Company Limited	1,354	1,354	-	-
Cosco (Cayman) Mercury Co., Ltd	-	-	-	422
Cosco (HK) Insurance Brokers Ltd	-	-	152	152
Cosco (HK) Investment & Development Co., Ltd	-	-	373	613
Cosco (HK) Shipping Co., Ltd	-	-	2,804	7,694
COSCO (Weihai) Shipbuilding Marine Technology Co.,Ltd	-	-	1,029	1,029
Cosco Bulk Carrier Co., Ltd	-	-	997	3,386
Cosco Container Lines Co., Ltd	-	-	462	3,276
Cosco Finance Co., Ltd	-	-	458,040	1,688,977
Cosco Information Tech Co., Ltd	-	-	193	193
COSCO Kansai Paint & Chemicals Co., Ltd	-	-	189	718
Cosco Logistic (GZ) Heavy Transportation	-	-	-	172
Cosco Logistics (Shanghai) Heavy Haulage Co., Ltd	-	-	358	358
Cosco Logistics Dalian Co., Ltd	-	-	2,037	4,386
Cosco Petroleum Pte Ltd	-	-	1,628	3,328
Cosco Shipping Co., Ltd	-	-	477	2,975
Cosco Shipyard Qingdao Company Ltd	-	-	226	487
Dalian Ocean Shipping Company	-	-	1,180	9,164
Nantong Chimbusco Marine Bunker Co., Ltd	-	-	1,856	4,598
Nantong Cosco Heavy Industry Co., Ltd	-	-	-	4,226
Qingdao Manning Co-operation Ltd	-	-	874	2,670
Qingdao Ocean Shipping Company	-	-	-	746
Shanghai Ocean Crew Co., Ltd	-	-	1,288	3,953
Shenzhen Ocean Shipping Company	-	-	-	948
Xiamen Ocean Shipping Company	-	-	197	313
Total	3,210	3,210	478,735	1,759,085

	As at 30/09/2016	As at 31/12/2015
	S$'000	S$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	45,142	381,066
- Short-term bank deposits	186,092	144,959
	231,234	526,025
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	374,059	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 Gu Jing Song
Vice Chairman and President
11/11/2016

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 September 2016 financial results to be false or misleading.

On behalf of the directors

Mr Gu Jing Song	Mr Tom Yee Lat Shing
Vice Chairman and President	Director

11/11/2016