



COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.



DELIVERING OUR GROWTH STRATEGIES

Annual Report 2018

CONTENTS

OVERVIEW

- 01 Corporate Profile
- 02 Our Businesses
- 03 Corporate Structure
- 04 Financial Highlights

KEY MESSAGES

- 06 Message from Chairman
- 10 Interview with Vice Chairman and President

OPERATIONS AND FINANCIAL REVIEW

- 13 Operations Review
- 14 Group Financial Review

CORPORATE GOVERNANCE AND TRANSPARENCY

- 16 Corporate Governance
- 36 Corporate Information
- 37 Board of Directors
- 42 Key Management
- 44 Investor Relations
- 46 Risk Management

SUSTAINABILITY REPORT

- 50 Sustainability Report

FINANCIAL STATEMENTS

- 72 Directors' Statement
- 77 Independent Auditor's Report
- 82 Consolidated Statement of Profit or Loss
- 83 Consolidated Statement of Comprehensive Income
- 84 Balance Sheet - Group
- 85 Balance Sheet - Company
- 86 Consolidated Statement of Changes in Equity
- 87 Consolidated Statement of Cash Flows
- 89 Notes to the Financial Statements
- 196 Five-Year Summary

- 198 Shareholding Statistics
- 199 Notice of Annual General Meeting
- 203 Disclosure of Information on Directors Seeking
Re-election
Proxy Form for Annual General Meeting
Notes for Proxy Form

INVESTOR RELATIONS CONTACTS

COSCO SHIPPING International (Singapore) Co., Ltd.

Mr Li Man
Vice President

Mr Yang Xiao Qing
General Manager, Investor Relations

Tel: (65) 6885 0888

Fax: (65) 6885 0858

Email: enquiry@cosco.com.sg

CORPORATE PROFILE

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

Cogent Holdings Pte. Ltd. (“Cogent”) has a broad based clientele, ranging from local SMEs to multinational companies. As the owner of one of Singapore’s largest one-stop integrated centres, Cogent 1 Logistics Hub, Cogent’s main businesses comprise of warehousing, container depot, automotive logistics, transportation and property management in Singapore. It also operates warehousing and container depot businesses in Malaysia.

PT. Ocean Global Shipping Logistics specialises in logistic service, freight forwarding, ship agency, bunkering and container depot services.

The Company will continue to actively expand its logistical networks through strategic acquisitions and investments as it strives to become the leading integrated logistics player in the South and Southeast Asian region. The company is controlled by China COSCO Shipping Corporation Limited (“Parent Company”), a state-owned enterprise established in the People’s Republic of China (“PRC”).



OUR BUSINESSES



Logistics



Property Management

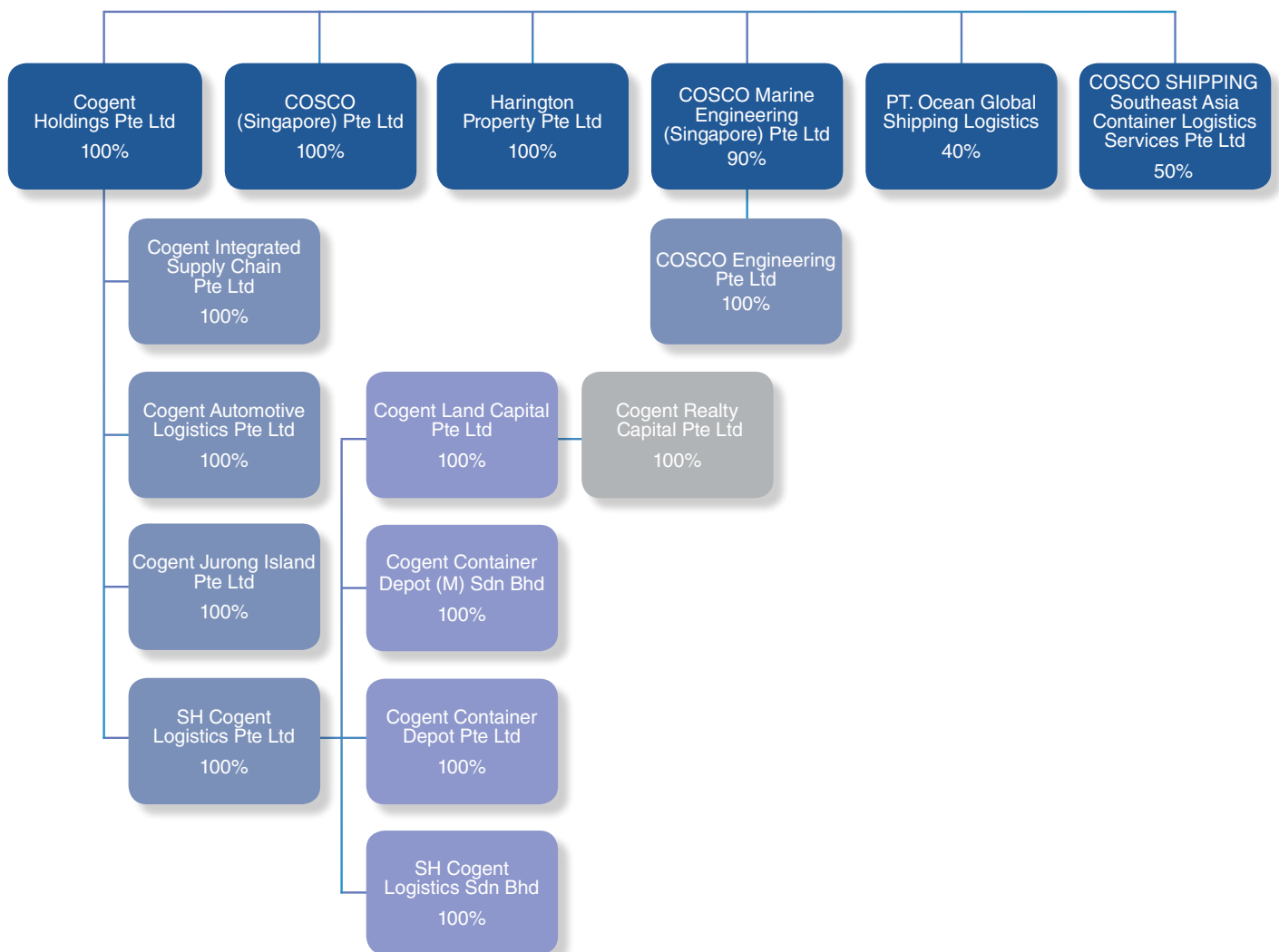


Dry Bulk Shipping



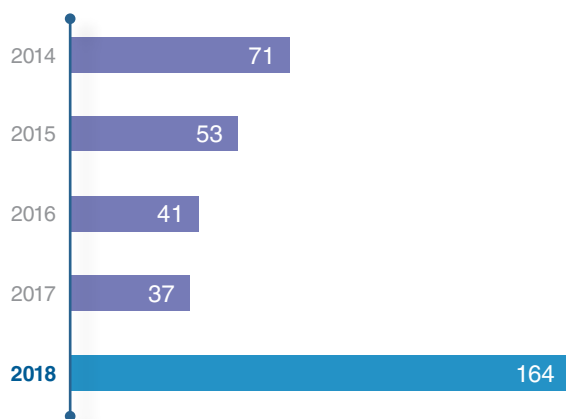
Ship Repair and Marine Engineering

CORPORATE STRUCTURE

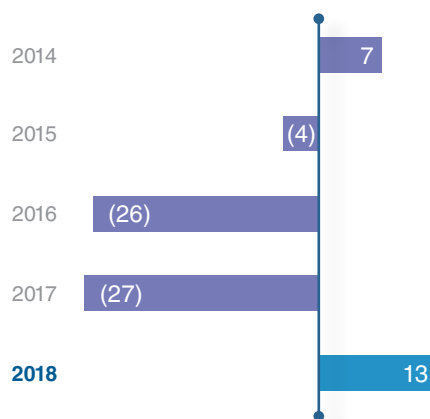


FINANCIAL HIGHLIGHTS

Turnover from Continuing Operations (S\$m)

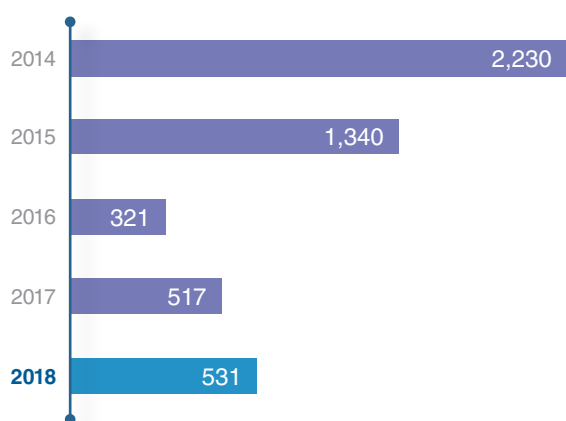


Net Profit Attributable to Equity Holders from Continuing Operations (S\$m)

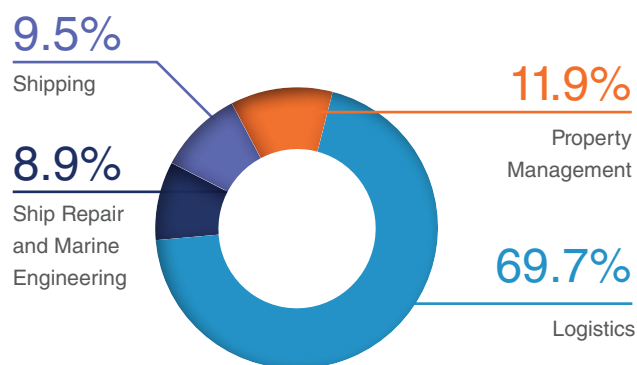


* The comparative figures for 2014, 2015 and 2016 have been restated as a result of the disposal of subsidiaries in the financial year ended 31 December 2017.

Net Assets (S\$m)



Revenue from Continuing Operations by Activities (%)



FINANCIAL HIGHLIGHTS

5-YEAR PROFIT OR LOSS ACCOUNTS (S\$'M)	2014 ⁽¹⁾	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽²⁾	2018
Turnover from continuing operations	70.8	53.1	40.5	37.2	163.7
Profit/(loss) from continuing operations	7.5	(3.4)	(26.0)	(27.1)	13.2
Profit/(loss) from discontinued operations	18.8	(911.4)	(950.1)	92.4	-
Total profit/(loss)	26.3	(914.8)	(976.1)	65.3	13.2
Profit/(loss) attributable to equity holders of the Company	20.9	(570.0)	(466.5)	189.4	13.0

OTHER KEY STATISTICS	2014	2015	2016	2017 ⁽²⁾	2018
Number of Shares (m)	2,239.2	2,239.2	2,239.2	2,239.2	2,239.2
Basic Earnings per Share (cents)	0.9	(25.5)	(20.8)	8.5	0.6
Dividend per Share (cents)	0.5	-	-	-	-
Dividend Cover (times)	1.9	-	-	-	-
Net Tangible Assets per Share (cents)	60.7	36.3	14.6	23.0	17.6
Net Assets Value per Share (cents)	61.1	36.7	15.0	23.0	23.7
Gearing Ratio (net of cash)(times)	2.5	6.0	17.2	Net Cash	0.2
Return on Equity (%)	1.5	(52.1)	(80.6)	44.5	2.5
Return on Assets (%)	0.2	(5.6)	(4.6)	3.7	1.9

⁽¹⁾ The comparative figures for 2014, 2015 and 2016 have been restated as a result of the disposal of subsidiaries in the financial year ended 31 December 2017.

⁽²⁾ The comparative figures for 2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s").

MESSAGE FROM CHAIRMAN



“We would like to thank all our shareholders for their relentless support and understanding through this period, as we persist in our continuous efforts to acquire promising and profitable businesses that will provide synergy to our portfolio.”

Wang Yu Hang
Chairman

MESSAGE FROM CHAIRMAN

Dear Shareholders

The past year was a busy and significant one for the Group, as we marked our foray into the logistics business in Singapore, Malaysia and Indonesia.

We would like to thank all our shareholders for their relentless support and understanding through this period, as we persist in our continuous efforts to acquire promising and profitable businesses that will provide synergy to our portfolio.

Financials

For the year ended 31 December 2018, the Group recorded profit from continuing operations of \$13.2 million on turnover of \$163.7 million.

Gross turnover from continuing operations increased by 340.1% year-on-year to \$163.7 million for FY 2018 mainly due to turnover from the newly acquired logistics businesses.

Overall, the Group recorded net profit attributable to equity holders of \$13.0 million from continuing operations for FY 2018 compared to a loss of \$27.2 million in FY 2017.

The Group's net asset value per share at 31 December 2018 was 23.7 cents, compared to 23.0 cents at 31 December 2017.

Foray into the Logistics Business

Notably, our entry into the logistics business was the 100% acquisition of Cogent, one of Singapore's leading full service, integrated logistics service providers. With a track record of over 40 years, Cogent has established a strong presence across Singapore and Malaysia.



The logistics business portfolio was also strengthened by an acquisition of a 40% stake in PT. Ocean Global Shipping Logistics, an Indonesian shipping logistics company. This will complement the Group's logistics business and presence in Singapore, Malaysia and Indonesia.

Singapore as a key logistics hub in the region

Sea cargo throughput continued to increase in 2018.

Total cargo tonnage handled by the Port of Singapore reached 630 million tonnes in 2018, close to 2017's level. The number of vessel arrival tonnage reached 2.8 billion gross tonnes in 2018, comparable to 2017.

Singapore is the highest-performing logistics hub in the region and is the world's largest transshipment container port. According to the World Bank's Logistics Performance Index, Singapore has consistently secured the top spot in Asia since 2007. In 2018, the country ranked seventh globally.

MESSAGE FROM CHAIRMAN

“Due to increased volatility of the business environment, the Group will continue to be vigilant and cautious as we tread forward to ensure that we are well positioned for growth.”

Creating overall synergy with related companies

In 2018, the Company announced that it had incorporated a joint venture company known as “COSCO SHIPPING Southeast Asia Container Logistics Services Pte Ltd” (“JV company”) with New Golden Sea Shipping Pte Ltd (“NGSS”).

NGSS is a subsidiary of COSCO SHIPPING Lines Co., Ltd., which is in turn owned by China COSCO SHIPPING Corporation Limited, the ultimate controlling shareholder of the Company.

The JV Company was incorporated with an issued and paid-up capital of US\$2 comprising 2 ordinary shares. The Company and NGSS have agreed to increase the issued and paid-up capital of the JV Company to US\$600,000 comprising 600,000 ordinary shares and each party shall hold 50% of the issued shares.

The principal activities of the JV Company include investment holding and provision of logistics, storage, forwarding and shipping services and other services.

We will continue to leverage on the Group’s expertise and resources, so as to achieve overall synergy and economies of scale and scope.

Bulk shipping market

The Group currently has a total of 3 vessels with a total tonnage of 163,000 tonnes and with an average age of 13 years.

2018 saw some recovery in the bulk shipping market. The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started the year at 1,230 points and ended 2018 at 1,271 points, averaging 1,353 points for the entire year, an 18.2% year-on-year increase from 2017’s average of 1,145 points.

World economic and trade outlook

The International Monetary Fund (IMF) in its World Economic Outlook has warned of existing key threats to the global economy including policy uncertainty, trade tensions resurfacing and concerns about China’s outlook.

The global growth forecast has been revised downwards and is projected to grow at 3.5% in 2019 and 3.6% in 2020. The downward revision reflects negative effects of tariffs implemented in the United States and China, weaker outlook for key advanced economies, as well as for some key emerging markets and developing economies arising from country-specific factors.

Due to increased volatility of the business environment, the Group will continue to be vigilant and cautious as we tread forward to ensure that we are well positioned for growth.

MESSAGE FROM CHAIRMAN



Investing in expansion

Looking ahead, the Group will continue to unveil more positive developments that we believe will help us strengthen our capabilities and build on our competitive advantages.

Our goal remains clear – to become the leading integrated logistics player in the South and Southeast Asian region. Alongside the development of China's Belt Road Initiative (BRI), we will continue to work closely with various industry experts to leverage and build on new opportunities.

Deepest appreciation

We are well positioned for growth in the upcoming year and beyond, following the successful transition into various exciting business ventures. On behalf of the Board, I would like to express our appreciation to our employees, whose collective passion and commitment has enabled the Group to navigate through difficult times.

To our shareholders, we would like to thank you for your steadfast support through this transition period.

The Group is dedicated to seeking out and acquiring promising and profitable businesses as we look towards sustainable growth and value creation.

WANG YU HANG

Chairman

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT



“The ultimate goal of the Company remains clear – to become the leading integrated logistics player in the South and Southeast Asian region. We aim to provide comprehensive services across the entire logistics value chain that is capable of serving growing consumer demand as South and Southeast Asia continue its exponential economic growth.”

Gu Jing Song
Vice Chairman and President

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

1. Where does the Company see itself along the logistics value chain and what kind of growth are you expecting for the South and Southeast region?

The ultimate goal of the Company remains clear – to become the leading integrated logistics player in the South and Southeast Asian region. We aim to provide comprehensive services across the entire logistics value chain that is capable of serving growing consumer demand as South and Southeast Asia continue its exponential economic growth.

The Asian Development Bank has projected economic growth of 7.2% in 2019, from 7.0% in 2018 for the South Asian countries.

The Southeast Asian region is also set to become the next major boom market for e-commerce in Asia-Pacific, which will drive expansion of the logistics sector. A joint research by Google and Singapore investment firm Temasek has estimated that the internet economy in Southeast Asia is expected to burgeon to more than S\$200 billion within a decade.

ASEAN (Association of Southeast Asian Nations) has grown from strength to strength since its incorporation, forming economic linkages to various economies and cemented by free trade agreements, which bodes well for the volume of goods and services into the region. There are currently six Free Trade Agreements that are currently in force or signed with its partners such as Australia, New Zealand, China, India, Japan and Korea. In particular, the agreement with Hong Kong has come into force on 1 January 2019.

Singapore is also a prime location to conduct logistics business, with the top 25 global players and major logistics firms conducting operations in the country.

In addition, as part of Singapore's Smart Nation plan, the Smart Logistics initiative sets the path for the development of a cutting-edge logistics network in Singapore which will deliver significant cost reductions for logistics service providers. This will further reinforce Singapore's position as a leading logistics and supply chain management hub.

These are positive developments which augur well for our Company as we seek to expand our regional logistics presence through further acquisitions, leveraging on economies of scale and experiences of our Parent Company.

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

2. How does the Company intend to expand its capability and competitiveness of its logistics business in the upcoming years?

The Company will be actively seeking acquisition targets and form strategic partnerships in order to expand the Group's logistical presence.

While making an investment, we will take into consideration companies with proven track records and capabilities in providing synergies to our Group. Other factors such as the target Company's scalability, competitive advantages, portfolio of assets and market outreach will also be taken into consideration.

In order to maximize profitability and value from any acquisition, our team will work together with external professionals to perform analysis on target companies before recommending it to the Board. The Board also assesses and constructively challenges various proposals presented, overseeing the development of the Company's strategic direction.

As much as we wish to scale up our business and presence as quickly as possible, it is imperative that the Company take a calculated approach to effectively tackle challenges that it may face. We will strive to ensure that every investment is sustainable and will contribute positively to the Group's development and growth.

3. Moving forward, what will be the strategic direction for the Group?

The global economic growth for 2018 has been in line with forecasts and has recorded robust synchronized growth in 2017-2018. However, there have been various reports highlighting that expansion is becoming less even and risks to the economic outlook are mounting.

While Singapore's economy in 2018 has performed in line with growth forecasts, with a 3.3% Gross Domestic Product (GDP) growth, the 2019 growth rate is expected to slow to between 1.5-3.5%.

The International Monetary Fund (IMF)'s World Economic Outlook Report published in January 2019 projected growth of 3.5% for 2019. The IMF has downgraded its forecast for global growth on the back of trade concerns and weaker outlook for key advanced and emerging market economies. Further escalation and sustained trade actions are also likely to derail recovery and depress medium-term growth prospects.

Despite this, we believe that there will still be many opportunities for the logistics sector in the South and Southeast Asian region. The Company will continue to build on its strength, as well as the portfolio of the Parent Company and Group through strategic initiatives that will enable us to meet the ongoing challenges in this competitive landscape.

OPERATIONS REVIEW

Logistics

Through its wholly-owned subsidiary, Cogent Holdings Pte. Ltd. (“Cogent”) and its associates, the Company has established a logistics network in Singapore, Malaysia and Indonesia.

The Company aims to expand its logistics network in South and Southeast Asia through acquisitions and investments and continues to explore potential targets to acquire and seek investment opportunities, taking into consideration the targets’ business scale and scope, historical performance, growth potential and synergy with the Group’s operations. The Company’s ultimate holding company, China COSCO Shipping Corporation Limited, has a well-established logistics business network throughout the People’s Republic of China (“PRC”), which the Company will be able to leverage on this existing logistics business platform to potentially develop new business opportunities in the logistics sector in South and Southeast Asia, taking advantage of the “Belt and Road Initiative” formulated by the PRC Government in 2013. The Company will also be able to offer end-to-end services to its customers with logistical needs in Singapore and Malaysia, thereby increasing the Company’s competitive edge in relation to its global competitors and entrenching its customers.

We have made good progress on our Jurong Island Chemical Logistics Facility (“JICLF”) project on Jurong Island. The JICLF which consists of 8-storey general warehouse building with mezzanine offices (vehicle ramp to 7th storey) comprising a chemical warehouse, an ISO tank depot and few container depots is currently under construction and is expected to be completed in 2020.

The JICLF will cater to the strong and growing demand for one-stop logistics services within Jurong Island, driven by the numerous global petrochemical manufacturers located there.



Property Management

In 2012, Cogent took over and redeveloped a 1 million square foot state property, transforming the former Turf City into one of the largest shopping and lifestyle hub in Singapore, The Grandstand.

The Company’s subsidiary, Harington Property Pte. Ltd. also owns office units in Suntec City, with a total floor area of 1,336 sqm.

Dry Bulk Shipping

With respect to the Group’s shipping business, the Company’s subsidiary, COSCO (Singapore) Pte. Ltd. currently has a total of 3 vessels with a total tonnage of 163,000 tons and an average age of 13 years. In 2018, the international dry bulk shipping market showed an improvement over the same period in 2017. The Baltic Dry Index averaged 1,353 points in FY 2018, an increase of 18.2% from the average of 1,145 points in FY 2017.

Ship Repair and Marine Engineering

Through the Company’s subsidiary, COSCO Marine Engineering (Singapore) Pte. Ltd., the Group engages in ship repair and marine engineering activities which include fabrication work services and production of marine outfitting components.

Moving forward as one team, the Group is expected to create overall synergy by engaging in cross sales and business optimization with its related companies. This will also help the Group to achieve economies of scale and scope.

GROUP FINANCIAL REVIEW

INCOME STATEMENT

The Group recorded net profit attributable to equity holders of \$13.0 million from continuing operations for FY 2018 as compared to a loss of \$27.2 million for FY 2017. In FY 2018, the Group transformed into one of Singapore's leading logistics management service providers with the acquisition of 100% interest in the equity of Cogent Holdings Limited ("Cogent").

Continuing Operations

The Group recorded profit from continuing operations in logistics, dry bulk shipping and other businesses of \$13.2 million on turnover of \$163.7 million for FY 2018.

Group turnover from continuing operations increased by 340.1% to \$163.7 million for FY 2018 as compared to FY 2017 mainly due to turnover of \$132.5 million from newly acquired logistics businesses, offset by a decrease in shipping revenue from a reduced fleet of 3 bulk carriers.

Other gains and losses for FY 2018 were gains of \$6.2 million (FY 2017: losses of \$24.3 million) mainly due to foreign exchange gain of \$3.4 million. The losses of \$24.3 million in FY 2017 were mainly due to loss on disposal of property, plant and equipment.

The increase in cost of sales, distribution, administrative and finance expenses were mainly due to the newly acquired logistics businesses.

Share of profit of an associated company of \$2.1 million was mainly due to share of profit from newly acquired 40% shareholdings in PT. Ocean Global Shipping Logistics.

Discontinued Operations

The Group recorded net profit from discontinued operations of \$92.4 million for FY 2017 which included one-off gain recognised on the disposal of subsidiaries of \$299.2 million, offset by loss from discontinued operations of \$206.7 million.

BALANCE SHEET

(31 December 2018 vs 31 December 2017)

Cash and cash equivalents increased from \$58.5 million to \$72.8 million mainly due to the proceeds from the disposal of the Group's shipyard business in China and increase in borrowings, partially offset by the net cash outflow for the acquisition of newly acquired logistics businesses.

Trade and other receivables decreased \$273.2 million to \$36.3 million mainly due to decrease in amount due from a fellow subsidiary following the receipt of the proceeds from the disposal of the Group's shipyard business in China, partially offset by trade and other receivables acquired for the newly acquired subsidiaries.

Property, plant and equipment increased by \$509.4 million to \$550.0 million mainly due to the fair values of the property, plant and equipment acquired for the newly acquired subsidiaries.

Intangible assets include goodwill of \$99.0 million and other intangible assets of \$32.0 million. The Group has recognised a goodwill of \$99.0 million based on fair values of assets and liabilities of Cogent. In accordance with SFRS(I) 103 "Business Combinations", the

GROUP FINANCIAL REVIEW

Group has performed a purchase price allocation (“PPA”) exercise after completion of the acquisition of Cogent. The fair values of the acquired identifiable assets and liabilities have been determined based on the PPA exercise.

Trade and other payables increased by \$5.8 million to \$52.5 million mainly due to the trade and other payables assumed for the newly acquired subsidiaries.

Total borrowings increased by \$178.3 million to \$178.3 million mainly due to the borrowings procured to finance the acquisition of Cogent and borrowings assumed for the newly acquired subsidiaries.

The Group’s gearing ratio (net of cash) is approximately 0.2 times at the end of 2018.

Share capital remained unchanged at \$270.6 million. The Cosco Group Employee’s Share Option Scheme (the “ESOS Scheme 2002”), approved by members of the Company on 8 May 2002, had expired on 8 May 2012. Accordingly, no further share options were granted under the ESOS Scheme 2002. All the share options that were not exercised had lapsed since 23 March 2018.

Capital and reserves attributable to equity holders of the Company increased by \$14.4 million mainly due to profits and an increase in currency translation reserves.

The Group’s net asset value per share increased by 2.8% from 23.0 cents per share as at 31 December 2017 to 23.7 cents per share as at 31 December 2018.

CASH FLOW

Net cash provided by operating activities for FY 2018 was \$15.4 million.

Net cash used in investing activities for FY 2018 was \$13.0 million. This was mainly due to cash used for acquisition of Cogent, partially offset by the proceeds from the disposal of Shipyard business in China.

Net cash provided by financing activities for 2018 was \$9.9 million. This was mainly due to the net proceeds from borrowings.

CORPORATE GOVERNANCE

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

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

A. BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1

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

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

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

CORPORATE GOVERNANCE

The Board has delegated certain functions to the established Board Committees, namely Strategic Development, Audit and Risk Management, 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 six (6) 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 2018 is set out in the table below:

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

NA - Not Applicable

Notes:

- (1) Wang Yu Hang was unable to attend meetings due to prior commitment or other unavoidable circumstances. However, he received Management's updates and materials prior to the meetings and provided his views and inputs. The Management also has frequent communication with him and had updated him on any development accordingly.
- (2) Liang Yan Feng resigned as Non-Independent and Non-Executive Director and a member of the Enterprise Risk Management Committee on 27 April 2018.
- (3) Tom Yee Lat Shing retired as Non-Executive Lead Independent Director and Chairman of Audit Committee and a member of Remuneration, Nominating, Enterprise Risk Management and Strategic Development Committees on 27 April 2018.
- (4) Ang Swee Tian was appointed as Non-Executive Lead Independent Director and Chairman of Audit Committee on 27 April 2018.
- (5) Ouyang Chao Mei ceased to be Alternate Director to Liang Yan Feng on 27 April 2018.
- (6) With effect from 4 July 2018, the existing Audit Committee and Enterprise Risk Management Committee have consolidated into Audit and Risk Management Committee.
- (7) With effect from 2 October 2018, Gu Jing Song has relinquished his role as a member of the Remuneration Committee.

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 "Constitution") allows Board meetings to be conducted by way of telephone and video conferencing.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Principle 2

The Board has six (6) members: two (2) Executive Directors, one (1) Non-Executive Director and three (3) Non-Executive Independent Directors. No individual or group of individuals dominates the Board's decision-making. Collectively, the Non-Executive Directors and Non-Executive Independent Directors bring a wide range of experience and expertise as they all currently occupy or have occupied senior positions in industry and public life, and as such, each contributes significant weight to Board decisions. None of the Non-Executive Independent Directors has any relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company.

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

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

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

It is also noted that the Company has met the requirement to have at least half of the Board where the Chairman is not an independent director pursuant to Guideline 2.2 of the CG Code 2012 as currently 3 out of the 6 Board members of the Company are Independent Directors.

The Board of COSCO SHIPPING comprises the following members:

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

The Directors' profiles are set out on pages 37 to 41 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 Wang Kai Yuen (who was appointed on 2 May 2001), Er Kwong Wah (who was appointed on 20 December 2002) and Ang Swee Tian (who was appointed on 13 November 2007), who have served on the Board beyond nine years and was of the view that these Directors are objective and independent in expressing their views and in participating in deliberations and decision making of the Board and Board Committees. All of them are considered independent in accordance with the Guideline 2.3 of the CG Code 2012.

CORPORATE GOVERNANCE

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

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

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

STRATEGIC DEVELOPMENT COMMITTEE

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

Gu Jing Song (Chairman)	Non-Independent Executive
Wang Yu Hang	Non-Independent and Non-Executive
Ang Swee Tian	Non-Executive Independent
Wang Kai Yuen	Non-Executive Independent
Er Kwong Wah	Non-Executive Independent

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

The SDC has the following authority and responsibilities:

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

During the financial year, the SDC held one (1) meeting to discuss its strategic planning and future development.

CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

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

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

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

BOARD MEMBERSHIP

Principle 4

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

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

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.

CORPORATE GOVERNANCE

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	27.4.2018
Gu Jing Song	Vice Chairman, President and Non-Independent Executive	30.8.2016	20.4.2017
Li Xi Bei	Non-Independent Executive	30.8.2016	20.4.2017
Ang Swee Tian	Non-Executive Lead Independent	13.11.2007	22.4.2016
Wang Kai Yuen	Non-Executive Independent	2.5.2001	20.4.2017
Er Kwong Wah	Non-Executive Independent	20.12.2002	27.4.2018
Li Man	Alternate to Wang Yu Hang	19.1.2016	NA

Note: NA - Not Applicable

NOMINATING COMMITTEE

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

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

CORPORATE GOVERNANCE

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 41 of this Annual Report.

One of the duties of the NC is to assess the qualifications of the appointed alternate director to the Board. The Alternate Director of the current Board is:

Li Man Alternate to Wang Yu Hang

The appointed Alternate Director is based in Singapore and is familiar with the Group's affairs and qualified to bear all the duties and responsibilities of his principal director, who is 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) Wang Kai Yuen pursuant to Article 101; and
- b) Ang Swee Tian pursuant to Article 101.

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 aforesaid 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.

CORPORATE GOVERNANCE

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

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

ACCESS TO INFORMATION

Principle 6

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

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

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

B. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7

REMUNERATION COMMITTEE

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

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

The principal functions of the RC are to:

- a) recommend to the Board base salary level, benefits and incentive programmes, and identify components of salary which can best be used to focus management staff on achieving corporate objectives;

CORPORATE GOVERNANCE

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

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

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

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

LEVEL AND MIX OF REMUNERATION

Principle 8

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

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 73 to 75 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 two key management personnel's remuneration table for the financial year ended 31 December 2018 is as follows:

	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Non-Independent Executive Directors in the Band of between S\$250,000 to S\$500,000					
Gu Jing Song	–	53	2	45	100
Li Xi Bei	–	59	2	39	100
Non-Independent and Non-Executive Directors in the Band of between S\$250,000 to S\$500,000					
Ouyang Chao Mei ^{*(1)}	–	21	57	22	100
Independent Directors in the Band of below S\$250,000					
Tom Yee Lat Shing ⁽²⁾	100	–	–	–	100
Wang Kai Yuen	100	–	–	–	100
Er Kwong Wah	100	–	–	–	100
Ang Swee Tian	100	–	–	–	100

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

(1) Ouyang Chao Mei ceased to be Alternate Director to Liang Yan Feng on 27 April 2018.

(2) Tom Yee Lat Shing retired as Non-Executive Lead Independent Director on 27 April 2018.

	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Executives in the Band of between S\$250,000 to S\$500,000					
Li Man	–	53	1	46	100
Wang Kang Tian	–	51	1	48	100

During the year under review, including Li Man who is alternate to Wang Yu Hang, there were only two (2) personnel who are considered as key management personnel of the Company.

The Company does not disclose the remuneration of each individual director to the nearest thousand dollars and the aggregate remuneration of the top two 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.

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 2018.

CORPORATE GOVERNANCE

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 other allowances and other benefits-in-kind.
- **STOCK OPTION**
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.

The COSCO Group Employees' Share Option ("ESOS") Scheme 2002, approved by members of the Company on 8 May 2002, had expired on 8 May 2012. Accordingly, no further share options were granted under ESOS Scheme 2002. All the share options that were not exercised had lapsed since 23 March 2018.

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.

CORPORATE GOVERNANCE

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

The Group's key internal controls include:

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

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 169 to 186 in the Notes to the Financial Statements.

In the course of the year, the ARMC 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 2018 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 ARMC, is of the view that the Group's framework of internal controls in relation to the financial, operational, compliance and information technology controls and risk management system is effective and adequate as at 31 December 2018 to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value.

CORPORATE GOVERNANCE

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.

AUDIT AND RISK MANAGEMENT COMMITTEE

Principle 12

The Audit and Risk Management Committee (“ARMC”) comprises all independent directors of the Company, as follows:

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

The Board is satisfied with the composition of the ARMC and the ARMC members are appropriately qualified to discharge their responsibilities. All members of the ARMC 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 ARMC and Management are always kept abreast of changes to accounting standards and issues which have a direct impact on financial statements. ARMC members will also attend trainings regarding the new accounting standards as and when such need arises.

The ARMC meets periodically to perform the following functions including but not limited to:

- (a) review significant financial reporting issues and judgments to ensure integrity of the financial statements of the Company; and any announcements relating to the Company’s financial performance;
- (b) review the audited financial statements of the Company and the consolidated balance sheet and profit and loss account, before submission to the Board for approval;
- (c) discuss problems and concerns, if any, arising from quarterly and/or full year financial statements, in consultation with the internal and external auditors, where necessary;
- (d) review the quarterly and full year financial statements of the Company before submission to the Board for approval, focusing in particular, on:
 - (i) changes in accounting policies and practices;
 - (ii) major risk areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) key audit matters;
 - (v) the going concern statement;
 - (vi) compliance with accounting standards; and
 - (vii) compliance with stock exchange and statutory/regulatory requirements;

CORPORATE GOVERNANCE

- (e) review periodically and report to the Board at least annually the adequacy and effectiveness of the Company's risk management and internal controls, including financial, operational, compliance and information technology controls and risk management policies (such review can be carried out internally or with the assistance of any competent third parties);
- (f) review at least annually the adequacy and effectiveness of the Company's internal audit function;
- (g) ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience, and has appropriate standing within the Company. For the avoidance of doubt, the internal audit function may be performed in-house, or outsourced to a reputable accounting/audit firm or corporation;
- (h) review the internal audit programme and ensure co-ordination between the internal auditors and external auditors and management;
- (i) approve the hiring, removal, evaluation and compensation of the Head of the Internal Audit function, or accounting/auditing firm or corporation if the internal audit function is outsourced;
- (j) review the scope and results of the internal audit procedures, including interaction with management and other matters related to the conduct of the internal audits;
- (k) review significant findings and recommendations of the internal auditors and management's responses;
- (l) ensure where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;
- (m) review the financial management of the Company and the Group, and in particular the access and freedom allowed to the internal auditors, and all reports on the Company and the Group from the internal auditors;

The ARMC 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 ARMC.

The ARMC 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 ARMC 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 ARMC is able to carry out its responsibilities effectively. The internal audit function has been carried out by the in-house Internal Auditors for the group.

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

In overall internal control assessment for FY2018, ARMC and the Board of Directors noted that no material control deficiencies were identified.

The ARMC conducts regular meetings scheduled on a quarterly basis. Apart from the quarterly meetings, the ARMC meets with the external and internal auditors, without the presence of the management at least

CORPORATE GOVERNANCE

once a year. Ad-hoc meetings may be carried out from time to time, as circumstances require. The Company held six (6) ARMC meetings during the financial year.

After reviewing the non-audit services provided by the external auditors, PricewaterhouseCoopers LLP to the Group, the ARMC 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 2018 are S\$475,000 and S\$76,500 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.

ARMC's commentary on key financial reporting matters

The ARMC has discussed significant financial reporting matters with management and the external auditors which have included as key audit matters ("KAMs") in the independent auditors' report for the financial year ended 31 December 2018, as set below:

KAMs	How the ARMC reviewed these matters
Acquisition of Cogent Holdings Limited ("Cogent") - purchase price allocation ("PPA")	The ARMC considered the judgement and estimates applied by management in determining the allocation of the purchase price to the fair value of the identifiable assets acquired and liabilities assumed. The ARMC was satisfied that the judgement and estimates applied by management were reasonable. The accounting for acquisition of Cogent was also an area of focus for the external auditors who have included this item as a KAM in their audit report for the financial year ended 31 December 2018.
Impairment assessment of goodwill	The ARMC considered the approach and methodology used by management in determining the recoverable amount of goodwill. The ARMC was satisfied that the approach and methodology used by management in this process was appropriate. Impairment assessment of goodwill was also an area of focus for the external auditors who have included this item as a KAM in their audit report for the financial year ended 31 December 2018.

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 ARMC, President and Chief Financial Officer of the Company will be informed immediately of all whistle-blowing reports received.

CORPORATE GOVERNANCE

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 ARMC 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 ARMC. Internal Audit is an independent function within the Company. Internal Auditors report directly to the ARMC and administratively to the President. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARMC.

The ARMC is satisfied with the independence and objectivity of the in-house Internal Auditors and believes that they have appropriate standing to perform their functions effectively.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14

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

COMMUNICATION WITH SHAREHOLDERS

Principle 15

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

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

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

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

CORPORATE GOVERNANCE

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 2018 as the Company is evaluating various strategic moves to expand its businesses.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16

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

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

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

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

E. INTERESTED PERSON TRANSACTIONS ("IPTs") POLICY

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

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

CORPORATE GOVERNANCE

The ARMC 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 ARMC 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
<u>Between Subsidiaries and:</u>		
China Shipping Bulk Carrier (Shanghai) Co., Ltd.	–	179
Cosco (Cayman) Mercury Co., Ltd	–	116
Cosco (Qidong) Offshore Co., Ltd	–	1,290
Cosco (Shanghai) Shipyard Co., Ltd	–	123
Cosco Petroleum Pte Ltd	–	2,113
Cosco Shipping Heavy Industry (Dalian) Co., Ltd.	–	542
Cosco Shipping (Hong Kong) Insurance Brokers Limited	–	582
Cosco Shipping Lines (Singapore) Pte Ltd	–	727
Cosco Shipping (South East Asia) Pte Ltd	–	904
Cosco Shipping Seafarer Management Co., Ltd. (Formerly known as "Qingdao Mannning Co-operation Ltd")	–	1,742
Cosco Shipping Specialized Carriers Co., Ltd	–	291
Cosco Shipyard Qingdao Company Limited	–	484
Double Rich Limited	–	582
Shanghai Ocean Crew Co., Ltd	–	852
Tianjin Cosbulk Ship Management Co., Ltd	–	160
Tosco Keymax International Ship Management Co., Ltd	–	227
Total	–	10,914

	As at 31/12/2018	As at 31/12/2017
	S\$'000	S\$'000
Loan from a fellow subsidiary, Cosco Shipping (South East Asia) Pte Ltd	38,000	–

CORPORATE GOVERNANCE

F. DEALING IN SECURITIES

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

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

CORPORATE INFORMATION

Board of Directors

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

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

Li Xi Bei
*Non-Independent
Executive Director*

Ang Swee Tian
*Non-Executive Lead
Independent Director*

Wang Kai Yuen
*Non-Executive
Independent Director*

Er Kwong Wah
*Non-Executive
Independent Director*

Alternate Directors

Li Man
Alternate to Wang Yu Hang

Audit and Risk Management Committee

Ang Swee Tian
Chairman

Wang Kai Yuen
Er Kwong Wah

Remuneration Committee

Er Kwong Wah
Chairman

Wang Kai Yuen
Ang Swee Tian

Nominating Committee

Wang Kai Yuen
Chairman

Gu Jing Song
Er Kwong Wah
Ang Swee Tian

Strategic Development Committee

Gu Jing Song
Chairman

Wang Yu Hang
Wang Kai Yuen
Er Kwong Wah
Ang Swee Tian

Registered Office and Business Contact Information

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

Company Registration Number

196100159G

Auditors

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

Company Secretary

Lee Wei Hsiung
Wang Shin Lin, Adeline

Share Registrar and Share Transfer Office

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

BOARD OF DIRECTORS



MR WANG YU HANG

Chairman and Non-Independent
Non-Executive Director



MR GU JING SONG

Vice Chairman, President and
Non-Independent Executive Director



MR LI XI BEI

Non-Independent Executive Director



MR ANG SWEE TIAN

Non-Executive Lead
Independent Director



DR WANG KAI YUEN

Non-Executive Independent Director



MR ER KWONG WAH

Non-Executive Independent Director

BOARD OF DIRECTORS

MR WANG YU HANG

*Chairman and Non-Independent
Non-Executive Director*

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

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

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

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

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

MR GU JING SONG

*Vice Chairman, President and
Non-Independent Executive Director*

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

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

Mr Gu was GM of Commercial Division of China Shipping Container Lines Co Ltd from February 2006 to January 2010, GM of Commercial Division and Asia Pacific Lines Division of China Shipping Container Lines Co Ltd, from October 2004 to February 2006. He was Managing Director of China Shipping UK Agency Co Ltd from May 1999 to October 2004 and Manager of Overseas Department with China Shipping (Group) Co. from June 1997 to June 1999.

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

BOARD OF DIRECTORS

MR LI XI BEI

Non-Independent Executive Director

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

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

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

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

MR ANG SWEE TIAN

Non-Executive Lead Independent Director

Mr Ang Swee Tian is a Non-Executive Lead Independent Director of the Company. He chairs the ARMC and is a member of the Remuneration, Nominating and Strategic Development Committees.

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

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

BOARD OF DIRECTORS

DR WANG KAI YUEN

Non-Executive Independent Director

Dr Wang Kai Yuen was appointed Non-Executive Independent Director on 2 May 2001. He chairs the Nominating Committee and is a member of the ARMC, Remuneration and Strategic Development Committees. 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.

MR ER KWONG WAH

Non-Executive Independent Director

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

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

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

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

BOARD OF DIRECTORS

FURTHER INFORMATION ON BOARD OF DIRECTORS

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

Director	Current directorship in other listed companies
Wang Yu Hang	• China International Marine Containers (Group) Ltd (Vice Chairman)
Gu Jing Song	Nil
Li Xi Bei	Nil
Wang Kai Yuen	• China Aviation Oil (Singapore) Corporation Ltd (Deputy Chairman and Lead Independent Director) • ComfortDelGro Corporation Limited (Non-Executive Independent Director) • Ezion Holdings Ltd (Non-Executive Independent Chairman) • HLH Group Ltd (Chairman and Non-Executive Independent Director) • Emas Offshore Limited (Non-Executive Independent Director)
Er Kwong Wah	• CFM Holdings Ltd (Non-Executive Independent Director) • China Sky Chemical Fiber Co., Ltd (Non-Executive Independent Director) • The Place Holdings Limited (Lead Independent Director) • GKE Corporation Ltd (Lead Independent Director) • EcoWise Holding Limited (Non-Executive Lead Independent Director) • Chaswood Resources Holding Ltd (Independent Director)
Ang Swee Tian	• China Aviation Oil (Singapore) Corporation Ltd (Non-Executive Independent Director) • China JinJiang Environment Holding Company Limited (Non-Executive Lead Independent Director)

KEY MANAGEMENT

MR GU JING SONG

Vice Chairman and President

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

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

Mr Gu was GM of Commercial Division of China Shipping Container Lines Co Ltd from February 2006 to January 2010, GM of Commercial Division and Asia Pacific Lines Division of China Shipping Container Lines Co Ltd, from October 2004 to February 2006. He was Managing Director of China Shipping UK Agency Co Ltd from May 1999 to October 2004 and Manager of Overseas Department with China Shipping (Group) Co. from June 1997 to June 1999.

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

MR WANG KANG TIAN

*Chief Financial Officer and
Chief Risk Officer*

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

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

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

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

KEY MANAGEMENT

MR LI MAN

Vice President

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

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

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

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

INVESTOR RELATIONS



COSCO SHIPPING remains committed to continually strengthen our relationship with our shareholders, investors, analysts and the media through clear and timely communication, so as to enable a transparent assessment on the value of the Company. The Company ensures that all news releases and company announcements are disclosed to shareholders in a timely, accurate and consistent basis. All news releases and company announcements are made available on the SGX-ST portal and updated on the company's website.

In 2018, the senior management and investor relations team continued to actively engage all stakeholders via multiple communication platforms, such as shareholders meeting, analysts' briefings, investor conferences and press releases. Through these events, the Company was able to keep stakeholders informed of key developments and new business strategies. Effective and timely communication

was exceptionally crucial during the past year as the company marked the completion of its transition into the logistics business.

The Annual General Meeting (AGM) continues to be an important platform for shareholders to engage with the Board of Directors and the senior management, to provide feedbacks and to gain deeper understanding of the company's business operations.

INVESTOR RELATIONS

Major Investor Relations Events in 2018

Date	Organiser	Event
1 March 2018	COSCO SHIPPING	FY2017 Full Year Results Briefing
1 March 2018	COSCO SHIPPING	FY2017 Full Year Results Announcement
27 April 2018	COSCO SHIPPING	Annual General Meeting, Extraordinary General Meeting
15 May 2018	COSCO SHIPPING	FY2018 1st Quarter Results Briefing
15 May 2018	COSCO SHIPPING	FY2018 1st Quarter Results Announcement
13 August 2018	COSCO SHIPPING	FY2018 2nd Quarter Results Briefing
13 August 2018	COSCO SHIPPING	FY2018 2nd Quarter Results Announcement
12 November 2018	COSCO SHIPPING	FY2018 3rd Quarter Results Briefing
12 November 2018	COSCO SHIPPING	FY2018 3rd Quarter Results Announcement

COSCO SHIPPING vs STI Index



RISK MANAGEMENT

INTRODUCTION

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

At COSCO SHIPPING International (Singapore) Co., Ltd., the Board 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 ARMC. In the ever changing business environment, the risk management process of the Group is constantly reviewed and updated by the ARMC. The risk management process is aiming to identifying the risk factors that may have a material impact on the Group’s operation, and to manage them appropriately.

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

- provide a consistent and structured philosophy and process in managing COSCO’s risks;
- enable a uniform approach in prioritizing, 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 ARMC.

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

RISK MANAGEMENT PROCESS

The 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 constant education and training of local management staff and risk owners.

RISK MANAGEMENT

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 ARMC 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 ARMC and the Board.

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

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

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

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

1. EXTERNAL RISKS

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

GLOBAL ECONOMIC DOWNTURN AND UNCERTAINTIES

The global capital and credit markets have been experiencing periods of 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.

RISK MANAGEMENT

LEGAL, REGULATORY, POLITICAL AND SOCIETAL RISKS

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

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

FLUCTUATIONS IN THE BALTIC DRY INDEX (“BDI”)

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

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

The dry bulk shipping index has recovered from historical lows but remained at a relatively low level. The fluctuations in the BDI result in an uncertain outlook for the dry bulk shipping industry, which typically has an impact on vessel owners’ willingness to place new orders for bulk carrier vessels, which in turn affects demand for the Group’s services and products.

2. INTERNAL RISKS

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

INFORMATION TECHNOLOGY INFRASTRUCTURE

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

EMPLOYEES

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

RISK MANAGEMENT

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

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

3. FINANCIAL RISKS

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

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

MANAGING FINANCIAL RISKS

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

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

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

The Group also engaged the guidance of the Parent Company in managing its foreign exchange, interest rate and liquidity risks exposure. The Parent 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 169 to 186 in the Notes to the Financial Statements.

SUSTAINABILITY REPORT

CONTENTS

51	Board Statement
51	About this Sustainability Report
52	About the Group
54	Human Resources of the Group
56	Sustainability Governance
57	Stakeholder Engagement
58	Reporting Scope and Boundaries
59	Material Topics and Boundaries
68	GRI Content Index

BOARD STATEMENT

The Company's Board has assigned responsibility for overseeing the Company's sustainability initiatives to the Sustainability Team. The Board has always been committed to sustainability and fully subscribes to the disclosure of its sustainability strategy and practices and its application of the SGX sustainability reporting guidelines.

The Board is collectively responsible for the long-term success of the Group and considers sustainability issues as part of its strategy formulation. It has determined the Company's material Economic, Environmental, Social and Governance ("EESG") topics, and exercises oversight in the management and monitoring of its material EESG topics.

This Sustainability Report is the second sustainability report issued and it provides an update of the Group's performance and targets on sustainability as set out in the inaugural report in FY2017 dated 9 March 2018.

The topics selected in the FY2017 report have been re-evaluated for its materiality to the Group in FY2018 due to the compulsory acquisition of Cogent Holdings Limited and its subsidiaries in March 2018 (collectively known as the "Logistics Business"), which represents a significant component of the Group's business. The material topics in this report takes into account the Group's newly enlarged business, including the Logistics Business.

ABOUT THIS SUSTAINABILITY REPORT

This section of the sustainability report presents the annual sustainability performance of the Company for the period 1 January 2018 to 31 December 2018. The information in this section is organised and presented in accordance with the GRI Standards: Core option published in 2016, established by the Global Reporting Initiative ("GRI").

This report aims to disclose our EESG performance against the issues that are considered most material to our Group's stakeholders and this includes shareholders, suppliers, customers, management and employees. The objective of preparing this report is to inform our stakeholders of the initiatives and strategies related to sustainability that we are currently embarking on.

This report is also prepared in accordance with SGX-ST Listing Rules 711A and 711B and the relevant SGX Practice Notes on Sustainability Reporting Guide. Our data is reported in good faith and to the best of our knowledge. Currently, there is no external assurance for this report.

ABOUT THE GROUP

The Group is in various services including logistics, property management, dry bulk shipping and ship repair and engineering with operations mainly in Singapore. The Company is headquartered in Singapore and listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”). The Company is controlled by China COSCO Shipping Corporation Limited (“Parent Company”).

The Group’s subsidiaries are in the following key business segments:

Logistics

The Group successfully completed its transition to focus on the logistics services business with the buyout of Cogent and the acquisition of a 40% stake in PT. Ocean Global Shipping Logistics in FY2017. In FY2018, the logistics services accounted for about 69.7% of the Group’s revenue.

Cogent has a broad based clientele, ranging from local SMEs to multinational companies. Cogent’s main businesses comprise primarily of warehousing services management, container depot services management, automotive logistics services and transportation services in Singapore. Cogent also owns one of Singapore’s largest one-stop integrated centres, Cogent 1 Logistics Hub, the world’s first and only sky container depot with over 6 storeys of container inspection area and warehouse space. Cogent also operates warehousing and container depot businesses in Malaysia.

Property Management

In 2012, Cogent took over and redeveloped the former Turf City, a 1-million square feet State property, transforming it into one of the largest shopping and lifestyle hubs in Singapore and renaming it as ‘The Grandstand’. It provides its visitors with an eclectic mix of retail, dining, leisure and enrichment offerings. With the establishment of The Grandstand comes the introduction of Singapore’s first farmer’s market, and one of Singapore’s largest car marts which covers a space of 450,000 square feet, with over 150 car showrooms housing 580 different car models and 3,800 cars.

Dry Bulk Shipping

The Company is involved in global transport of dry bulk cargos, typically grain, iron ore, coal, steel, cement and fertiliser. The Company has a total of 3 vessels with a total tonnage of 163,000 tons and an average age of 13 years.

Ship Repair and Marine Engineering

Ship repair and marine engineering include fabrication works services and production of marine outfitting components.

ABOUT THE GROUP

MISSION AND VISION

On 1 March 2016, the Parent Company started the programme to consolidate its container shipping operation which was guided by the principle of “Four Ones” (One Team, One Culture, One Goal and One Dream). Following the concept of Four Ones, the Company strives to be an outstanding enterprise that is competitive and valuable, a better service provider for its customers, better partner for its suppliers and having a better career development platform for its employees.

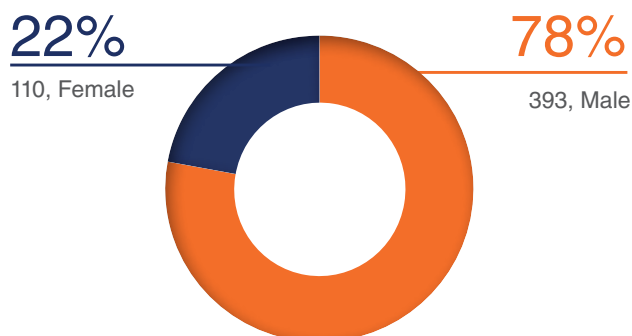
OUR CORE VALUES



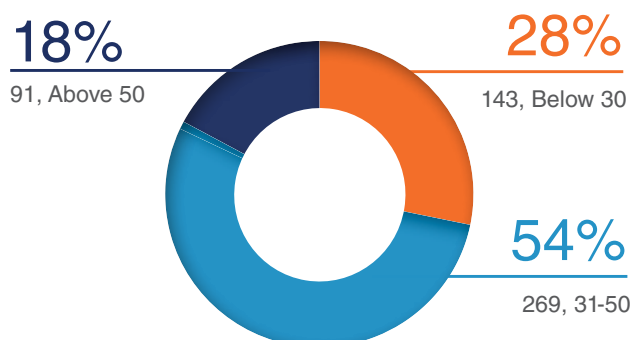
HUMAN RESOURCES OF THE GROUP

The Group has 503 employees (full-time) under its employment in the Singapore, Malaysia and Indonesia offices who fall under the following categories:

Employees by Gender



Employees by Age Group



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

HUMAN RESOURCES OF THE GROUP

Hiring Policy

The Company requires a highly-skilled talent pool to lead and execute complex and specialised job scopes. Outstanding top graduates from renowned universities are recruited through a strict selection process, and are required to complete the management trainee programmes prior to their induction into the management team.

Employees are recruited fairly, justly and openly by arranging necessary interviews and/or written assessments as required in the “Job Description” of the Company. We use formal methods in order to select individuals and ensure that the right candidates are employed. It helps us to employ individuals with the right knowledge, skills and abilities to work towards the organization’s objectives.

We choose selection methods that are suitable for the job. These methods include using application forms, interview reference checks, formal tests (if necessary). We also perform final job analysis of the applicant and both Hiring Manager and HR personnel will state their views of each candidate after each interview. Generally, we record our reasons for approval on choosing the successful candidate and this gives us a benchmark when we hire for similar roles in future. We always try to provide feedback to unsuccessful candidates in order to help them in their job search process. Upon giving the feedback, we also invite them to apply for future vacancies in future.

Policy for Existing Employees

Technical employees are also required to undergo annual assessment conducted in a simulated environment to ensure that they remain equipped and competent in meeting the necessary standards and safety measures at the worksite. We recognise the importance of employee recognition and organisational growth. Besides maintaining fair management through open communication channels, we encourage employees to attend management courses and partake in the decision-making process. We also seek to entrust them with greater shared responsibilities. These approaches complement well with our performance and achievement appraisal system that aligns employees’ work goals with personal career development and competitive remuneration.

Apart from tangible rewards, the Company also gives attention to employees’ overall well-being. Seminars relating to wellness are periodically conducted to help raise health awareness among employees, and to improve their mental well-being at work.

SUSTAINABILITY GOVERNANCE

The Sustainability Governance Structure of the Group is as follows:



The Sustainability Working Committee, comprising discipline-specific working groups, identifies possible material topics and to reach an agreement on the action plan for the reporting process.

The Sustainability Steering Committee, comprising key management executives, provides guidance on the Group's sustainability strategies. The Steering Committee reviews and reports progress for delivering targets and plans to the Board of Directors on the sustainability management performance of the Group and key material issues identified by stakeholders. The Board will then review and endorse the targets and plans accordingly.

Reporting Framework

This section primarily focuses on sustainability topics pertaining to ship repair & marine engineering, logistics, dry bulk shipping and property management business of the Company's Singapore operations. Information presented in the section has been sourced directly from our operations. We have set up sustainability targets as mentioned in our previous year's report and will be reporting on the same in subsequent years. Our sustainability related goals are as follows:



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

STAKEHOLDER ENGAGEMENT

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

We are committed to expand our engagement methods and to use any subsequent outputs in our future disclosures. the Company management is very much determined to continuously improve upon sustainability performance by engaging with key stakeholder groups with these methods as follows:

Employees	• Monthly management meetings are held to discuss day to day operational issues. • Lunches with Senior Management are organised to orientate new employees and familiarise them with the Company's management team. • Newsletters are circulated on a daily basis to keep employees updated. • Regular training sessions and transitional assistance programs are conducted.
Industry and Government	• We work with various industry associations and with governments on areas related to our key business activities. • Classification associations: DNV Norway, NK Japan, CCS China. • Industry associations: Protection & Indemnity (P&I) (Steamship P&I Club), Singapore Business Federation (SBF), China Enterprise Association (CEA). • Government: Port Authority of Singapore (PSA), Maritime Port Authority (MPA).
Customers	• Customer related surveys and engagement activities are conducted to collect feedback.
Suppliers and Contractors	• Safety briefings are conducted regularly for employees and contractors working on site.
Local Communities and NGOs	• Regular dialogues are held with our endorsed charity organisations which shape our community outreach initiatives.
Shareholders and Investors	• Shareholders are kept abreast of the Group's key developments through press releases and Annual Reports. • Annual General Meetings and investor meetings are conducted to engage our shareholders and investors in two-way communication.

REPORTING SCOPE AND BOUNDARIES

The content of this report is defined by the 4 Content Reporting Principles established by GRI as follows:

Principles	Objectives
Stakeholder Inclusiveness	Defining stakeholders and explain how the Group has responded to their expectations and interests.
Sustainability Context	Presenting the Group's performance in the wider context of sustainability.
Materiality	Identifying the Group's significant EESG factors.
Completeness	Disclosing significant EESG factors and boundaries to assess the Group's performance in the reporting period.

Materiality Assessment

The Sustainability Consultants (the "Consultants") worked with the Sustainability Team to develop a questionnaire to identify the EESG topics that the Group considered important to stakeholders.

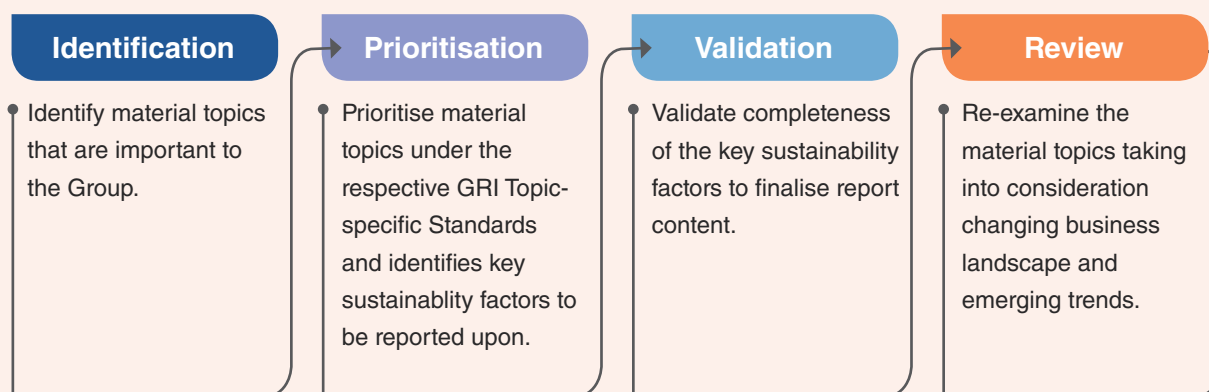
The questionnaire was then independently undertaken by the Consultants using an online survey tool. The online survey was made available to a range of external stakeholders including suppliers and customers. The questionnaire was also made available to internal stakeholders including employees selected by the Sustainability Team.

The survey results were collated and presented to the Board for selection and monitoring accordingly.

The Sustainability Team aims to conduct an annual review of the Group's material topics as well as monitor the performance of the topics as part of the Company's sustainability strategy.

MATERIAL TOPICS AND BOUNDARIES

The Group adopts a four-step process to define the material topics:



Material Topics and Boundaries

The topics from FY2017 were re-evaluated and two topics: GRI 401-2 - Benefits provided to full-time employees that are not provided to temporary or part-time employees and GR1 413-1 - Operations with local community engagement, impact assessments, and development programs were deemed to be immaterial topics in FY2018.

The Steering Committee recommended, and the Board approved the following six topics to be the material topics to be reported in FY2018.



MATERIAL TOPICS AND BOUNDARIES

As the Logistics Business account for 69.7% of the Group's revenue, the material topics identified are primarily derived from the Logistics Business.

Economic Performance GRI 201-1

Economic performance is defined as our most material topic because, like most companies, our economic success ensures our long-term viability and enables the execution of our sustainability strategies.

At the Company, our corporate culture, value chain and business models are aimed towards creating value for all stakeholders.

The Group is in a healthy financial position as at FY2018 with \$163.7 million revenue being achieved and is in a net equity position of \$529.6 million. This ensures long-term viability of the Group and enables execution of sustainability strategies.

Equity

S\$ 529.6 million

For a detailed breakdown of our financial results, please refer to the Group's Financial Statements for FY2018.

Anti-Corruption Practices GRI 205-3

The management has established zero tolerance for instances of corruption or bribery and implemented policies and procedures (for example, performance of duties and business entertainment) to provide guidance for all employees to abide by and will continually review its policies to ensure effectiveness so as to uphold good business practices. As such, this topic is deemed to be material to the Group.

The Group has in place a whistle-blowing policy and arrangements, embedded within the Code of Conduct section in the Employee Handbook, by which employees 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 auditors. The Audit Committee, President and Chief Financial Officer of the Group will be informed immediately of all whistle-blowing reports received. Details of the whistle-blowing policy and arrangements are given to all employees for their easy reference. New employees are briefed on these during the orientation programme. In the event of any discovery of corruption or fraud, a full disclosure will be provided.

MATERIAL TOPICS AND BOUNDARIES

For FY2018, there has been one incident¹ of corruption involving two employees in a subsidiary, Cogent Container Depot Pte Ltd (“Cogent Container Depot”). Two forklift operators collected bribes of S\$1 from truck drivers and gave them priority for collection or return of containers.

Both employees were charged and sentenced to 2 and 4 months imprisonment respectively. Cogent Container Depot suspended the employees as soon as they were charged and terminated their employment on the day of sentencing. The Company has also reiterated to its employees that any form of misconduct will not be tolerated and are looking into ways to avoid this happening again.

	FY2018 Performance	FY2019 Target
Total number of confirmed incidents of corruption	One	Zero

¹ Information extracted from article (<https://www.cpiib.gov.sg/press-room/press-releases/jailed-over-one-dollar-bribes>) dated 10 January 2019 from the Corrupt Practices Investigation Bureau website

Compliance to Environmental Regulations GRI 307-1

The Group is committed to adhere to all necessary regulations for all our operational business units.

The Group places importance on caring for the impact that the business activities have on the environment and the stakeholders. As such, this topic is deemed to be material to the Group.

As part of its logistics services, the Group adheres to the following regulations:

1. SCDF Fire Safety Act 1993 (Part VI) – Control of Petroleum and Flammable Materials; and
2. NEA Environmental Protection Management Act – Environmental Protection and Management (Hazardous Substances and Vehicular Emissions) Regulations.

The following processes are in place for the transportation of hazardous substances, storage and supply of hazardous substances and vehicular emissions:

TRANSPORTATION OF HAZARDOUS SUBSTANCES

Instruction for Drivers

Transport emergency response plan is provided to drivers and all drivers transporting hazardous materials are required to attend Hazmat training (every 2 years) which is conducted by an external provider.

Transport Routes

Transport routes are approved by authority as stated in the TERP. Drivers are informed of the transport routes and if a different route is required, management shall seek approval from authority before proceeding.

Hazard Warning Panels and Labels

Proper hazard warning panels and labels are installed based on the SS586: 2014 Specification for hazard communication for hazardous chemicals and dangerous goods.

MATERIAL TOPICS AND BOUNDARIES

STORAGE AND SUPPLY OF HAZARDOUS SUBSTANCES

Permission to Store and use Hazardous Substances	Hazardous Substance Storage permit is obtained before being allowed to operate the chemical warehouse.
Records of Storage of Hazardous Substances	Inventory is properly recorded and controlled so that the quantity will not exceed the allowed maximum storage quantity.
Storage Requirements	Design, construction and maintenance of the facility is according to code of practice, including proper labelling at the storage area.
Instruction and Training	Workers handling hazardous substance are briefed on the Safe Work Procedure and reminded of the hazards during tool box meetings and refresher training. Workers are sent for external training courses on handling of hazardous materials.

VEHICULAR EMISSIONS

Smoky Motor Vehicles	Pre-use inspection shall be carried out by prime mover drivers, and if any smoky motor vehicles observed, it shall be sent to the workshop for inspection and rectification.
Stationary Motor Vehicles	Drivers are to turn off the engine when the vehicle is stationary and they are reminded through posters and communication sessions.
Exhaust Emission for All Vehicles	Follow the standard set by the authority. As required by law, vehicles are sent for yearly inspection which includes checking the Exhaust Emission Level.

We keep track of changes in the laws/regulations so that we can take actions to ensure compliance with the changes. Some examples of the licences obtained by the Group are as follows:

- Petroleum & Flammable Storage Licence
- Hazardous Substance Storage Permit
- Petroleum & Flammable Transportation Licence

A dedicated team of employees have been assigned to monitor and track all licences and regulations to ensure full compliance. As part of the compliance to local regulations, an emergency response team made up of trained members are set up to deal with emergency situations (chemical spillages and fires). In addition, regular audits are conducted by NEA accredited auditors and SCDF and we have to ensure that these audits are successful so that our licences can be continuously renewed.

MATERIAL TOPICS AND BOUNDARIES

To improve further, a subsidiary, SH Cogent Logistics Pte. Ltd., has recently embarked on establishing Environmental Management System ISO 14001:2015.

	FY2018 Performance	FY2019 Target
Legal cases or significant fines and non-monetary sanctions against any companies of the Group	Zero cases, fines or sanctions	Zero cases, fines or sanctions

Safe Working Environment GRI 403-9

The Group is committed to provide a safe and healthy workplace for all employees, so as to safeguard their health and safety which the Group deems it to be of utmost importance. There is a proper safety management system in place which includes proper incident investigations and reporting procedures.

The Group enforces strict adherence to the Safety Guidelines that are underpinned by training plans and matrixes such as Behaviour-Based Safety (BBS) and Job Safety Analysis (JSA) as it contributes directly to productivity. In safeguarding the health and safety of all our employees, programmes have been established such as providing annual health screening for all employees.

In addition, a Workplace Safety and Health Committee (“WSHC”) was set up, comprising members from both the safety and operational team to oversee all safety-related issues. Main roles and responsibilities of the WSHC are listed below:

Ensure	Ensure effective implementation of safety management system, policies and safe work procedures.
Identify	Identify hazards and related risk control measures.
Promote	Promote safety awareness and keep track of regulatory changes.

The WSHC launched a series of initiatives to promote Workplace Safety and Health (WSH):

- Regular site inspection and walkabouts by safety team, operational heads and senior management to ensure implementation of safety policies and procedures and to identify potential safety hazards.
- Provision of regular WSH-related training and courses conducted by certified institutions for employees.
- Regular safety briefings, weekly toolbox meetings and fire drills are conducted to communicate and improve safety awareness.
- Other measures such as sharing of WSH alerts, regular employee engagement by members of the committee and annual Safety Week to raise awareness on safety.

MATERIAL TOPICS AND BOUNDARIES

Employees are sent for courses both externally and internally to be competent to carry out their work safely. Regular safety briefings are conducted internally to employees, and for the operational staff on the ground, weekly tool box meetings are held to discuss or communicate safety matters.

Courses are also conducted for new and existing employees as follows:

- Safety orientation course
- Forklift refresher course
- Defensive driving
- Risk assessment for workplace
- Working at height and risk management
- Drills and related trainings such as
 - Fire-fighting
 - Chemical spillage control,
 - CPR, AED and First Aider courses

All employees are constantly reminded to be careful during work and to wear the appropriate personal protective equipment (“PPE”). Other PPEs are provided to employees according to their area of responsibility. Employees are expected to voice out concerns in areas such as immediately reporting hazards, unsafe work practices, and accidents to supervisors or safety committee representatives.

There were no serious work-related injuries during the year. There were 6 cases of recordable work-related injuries (mainly slips, trips, falls and knocked by a vehicle) that were reported to the Ministry of Manpower for the year.

Records are kept, and monthly updates are provided to the senior management of all incidents, lost man-hours due to these incidents, Accident Frequency Rate (AFR), Accident Severity Rate (ASR) and near misses for all employees as part of our commitment to provide a safe and healthy workplace for all employees.

	FY2018 Performance	FY2019 Target
Number of fatalities as a result of work-related injury	Zero	Zero
Number of high-consequence work-related injuries (excluding fatalities)	Zero	Zero
Number of recordable work-related injuries	Six	Zero

MATERIAL TOPICS AND BOUNDARIES

Staff Training GRI 404-1

Training and Education is important for the Group as it enhances productivity of all employees by equipping them with the necessary skillsets to perform their duties in an ever-changing working environment.

Training and education helps employees to learn specific knowledge or skills to improve performance in their current roles that brings a greater impact to the Group and to achieve their individual career aspirations, which is of utmost importance.

At the Company, their expertise and contributions are recognised in gearing the Group beyond its existing capacity. As such, all employees are valued and the Group strives to provide a conducive working environment that emphasises the enrichment and empowerment of every individual, in order to achieve organisational growth.

Internal training courses, funding support for external training and provision of sabbatical periods with guaranteed placement are provided to employees. The training process is as follows:

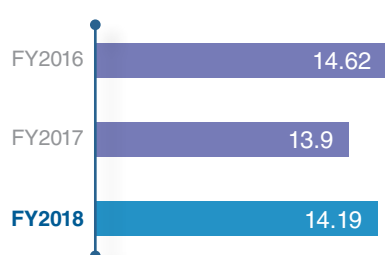


Technical employees are also required to undergo annual assessment conducted in simulated environments to ensure that they remain equipped and competent in meeting the necessary standards and safety measures at the worksite. Training evaluation forms are provided to employees for their feedback on the courses attended.

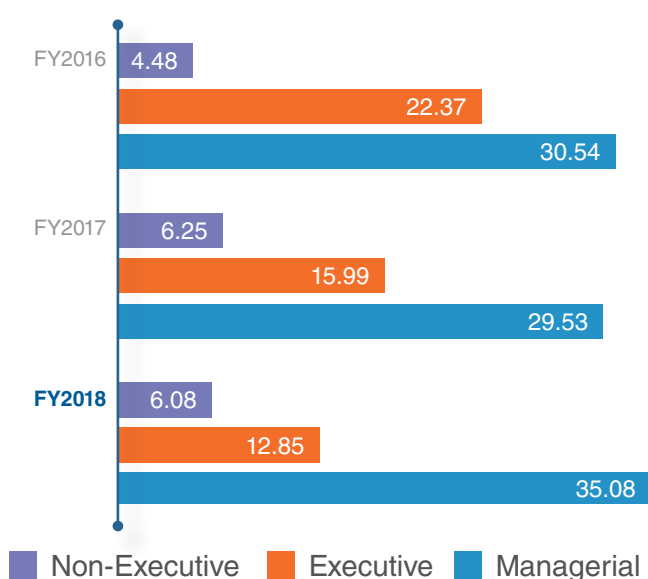
MATERIAL TOPICS AND BOUNDARIES

With the aim to enhance employees' proficiency levels in their respective fields, the Company organises regular safety training courses and engages qualified instructors from established training centres to deliver in-depth safety studies and analysis. Without exception, all new hires are required to complete mandatory training courses and pass relevant examinations prior to commencing their duties. The total training hours provided to employees in the Group can be found in the following graphs below:

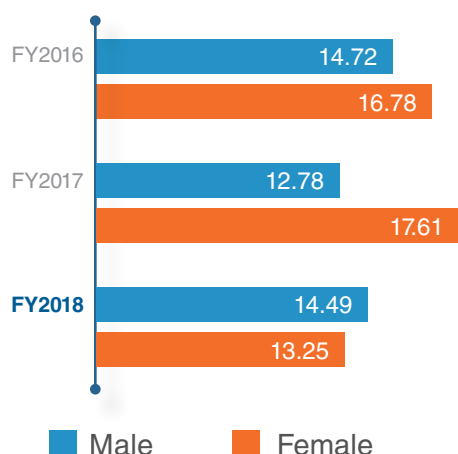
Average Training Hours per Employee



Average Training Hours per Employee, by Category



Average Training Hours per Employee, by Gender



Total average training hours per employee is consistent between 14 to 15 hours each year. Average training hours for executives decreased due to more new hires during the year in which those new employees were not sent for training. Training for managers increased due to more training on new regulatory updates. Additional training hours are due to and contingent on business needs i.e. Training for new employees, training for new safety certification, training for new equipment, and training due to new business contracts requirements.

MATERIAL TOPICS AND BOUNDARIES

Some examples of training courses offered to employees are as follows:

- Technical and safety
 - Workforce Skills Qualifications (WSQ) Operate Forklift Course
 - Work-At-Heights Course For Workers
 - Hazardous Material Driver Transport Permit Course (Hazmat)
 - Perform Safe Prime Mover Driving and Haulage Operations in the Port
- Soft skills
 - Communicate & Relate Effectively at the Workplace
 - Effective Cash Flow Management, Budgeting and Analysis
 - Effective Business Report Writing Skills
 - Manage Resource Planning

	FY2018 Performance	FY2019 Target
Average hours of training that the employees have undertaken during the reporting period	Average of 14.19 hours of training per employees	Average of 8 hours of training per employees

Privacy of Customers' Data GRI 418-1

The IT environment is constantly changing and new and existing cyber threats pose risks and vulnerabilities to stakeholders' confidential data and information. The Group owes a duty of care to the stakeholders to safeguard their confidential information. Any breakdown in IT controls can cause data breaches and result in significant legal and reputational costs to the Group.

Established IT controls and processes are in place to safeguard the confidential information of stakeholders in accordance with the Personal Data Protection Act ("PDPA") in Singapore.

The IT controls prevent, detect and respond to threats concerning data security and confidentiality of the Group's information and database. These controls include firewalls, server encryption and restricted access rights. There is an email channel for internal and external parties to lodge any data breach complaints.

	FY2018 Performance	FY2019 Target
Substantiated complaints received concerning breaches of customer privacy	Zero	Zero

GRI CONTENT

INDEX

Disclosure Guidelines	Disclosure Title	Header	Page Reference
Organizational Profile			
102-1	Name of the organization	Corporate Profile	1
102-2	Primary brands, product and services	About the Group	2,52-53
102-3	Location of Headquarters	About the Group	52-53
102-4	Location of operations	Corporate Profile, About the Group	1,52-53
102-5	Ownership and legal form	Corporate Profile, About the Group	1,52-53
102-6	Market served	Corporate Profile, About the Group	1,52-53
102-7	Scale of the organization	About the Group	52-53
102-8	Workforce figures	Human Resources of the Group	54-55
102-9	Organisation's supply chain	About the Group	52-53
102-10	Significant changes during the reporting period	None	Not Applicable
102-11	Precautionary Principle or approach	Corporate Governance	16-35
102-12	External Initiatives	None	Not Applicable
102-13	Memberships of associations	Stakeholder Engagement	57
Strategy			
102-14	Statement from senior decision-maker	Message from Chairman	6-9
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Mission and Vision	53
Governance			
102-18	Governance structure	Sustainability Governance	56
Stakeholders Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	57
102-41	Collective bargaining agreements	Not Applicable	Not Applicable
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	57
102-43	Approach to stakeholder engagement	Stakeholder Engagement	57
102-44	Key topics and concerns raised through stakeholder engagement	Materiality Assessment	58
		Material Topics and Boundaries	59-67
Reporting Practice			
102-45	Entities included in the organisation's consolidated financial statements	About the Group	52-53
102-46	Defining report content and topic boundaries	About This Sustainability Report	51
102-47	List of material topics	Material Topics and Boundaries	59-67

GRI CONTENT INDEX

Disclosure Guidelines	Disclosure Title	Header	Page Reference
Reporting Practice			
102-48	Effect of any restatements of information provided in previous reports	Not Applicable	Not Applicable
102-49	Significant changes from previous reports in the material topics and boundaries	Board Statement	51
102-50	Reporting Period	About This Sustainability Report	51
102-51	Date of previous report	About This Sustainability Report	51
102-52	Reporting cycle	About This Sustainability Report	51
102-53	Contact point	Reporting Framework	56
102-54	Claims of reporting in accordance with GRI Standards	About This Sustainability Report	51
102-55	GRI Content Index	GRI Content Index	68-70
102-56	Assurance	None	Not Applicable
Management Approach			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	58
103-2	The management approach and its components	Material Topics and Boundaries	59-67
103-3	Evaluation of the management approach		
Topic Specific GRI Standard Disclosures			
GRI 201 Economic Performance			
201-1	Direct economic value generated and distributed	Economic Performance	60
GRI 205 Anti-Corruption			
205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption Practices	60-61
GRI 307 Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	Compliance to Environmental Regulations	61-63
GRI 403 Occupational Health and Safety			
403-1	Occupational health and safety management system	Safe Working Environment	63-64
403-2	Hazard identification, risk assessment, and incident investigation	Safe Working Environment	63-64
403-3	Occupational health services	Safe Working Environment	63-64
403-4	Worker participation, consultation, and communication on occupational health and safety	Safe Working Environment	63-64
403-5	Worker training on occupational health and safety	Safe Working Environment	63-64

GRI CONTENT INDEX

Disclosure Guidelines	Disclosure Title	Header	Page Reference
GRI 403 Occupational Health and Safety			
403- 6	Promotion of worker health	Safe Working Environment	63-64
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safe Working Environment	63-64
403-9	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Safe Working Environment	63-64
GRI 404 Training and Education			
404-1	Average hours of training per year per employee	Staff Training	65-67
GRI 418 Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Privacy of Customers' Data	67

Financial Statements

72	Directors' Statement
77	Independent Auditor's Report
82	Consolidated Statement of Profit or Loss
83	Consolidated Statement of Comprehensive Income
84	Balance Sheet - Group
85	Balance Sheet - Company
86	Consolidated Statement of Changes in Equity
87	Consolidated Statement of Cash Flows
89	Notes to the Financial Statements
196	Five-Year Summary
198	Shareholding Statistics
199	Notice of Annual General Meeting
203	Disclosure of Information on Directors Seeking Re-election
	Proxy Form for Annual General Meeting
	Notes for Proxy Form

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

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 82 to 195 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 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Wang Yu Hang

Gu Jing Song

Li Xi Bei

Wang Kai Yuen

Er Kwong Wah

Ang Swee Tian

Li Man

(alternate director to Wang Yu Hang)

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 2018

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 31.12.2018	At 1.1.2018	At 31.12.2018	At 1.1.2018
The Company				
(No. of ordinary shares)				
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

- (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 2019 were the same as those as at 31 December 2018.

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.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Share options (continued)

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

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)
Wang Kai Yuen
Ang Swee Tian

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

Name of directors	Aggregate granted since commencement of Scheme 2002 to 31.12.2018	Aggregate exercised since commencement of Scheme 2002 to 31.12.2018	Aggregate lapsed since commencement of Scheme 2002 to 31.12.2018	Aggregate outstanding as at 31.12.2018
Wang Kai Yuen	2,200,000	1,900,000	300,000	—
Er Kwong Wah	2,200,000	1,600,000	600,000	—
	4,400,000	3,500,000	900,000	—

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).

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Share options (continued)

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

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.

The Scheme 2002 had expired on 8 May 2012. Accordingly, no further share options were granted under the ESOS Scheme 2002. All the share options that were not exercised had lapsed since 23 March 2018.

(b) Share options outstanding

There were no unissued shares of the Company under option at the end of the financial year.

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee ("ARMC") at the end of the financial year were as follows:

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

All members of the ARMC were non-executive directors.

The ARMC 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 2018 before their submission to the Board of Directors.

The ARMC 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.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Independent auditor

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

On behalf of the directors

GU JING SONG

Director

LI XI BEI

Director

8 March 2019

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2018

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of COSCO SHIPPING International (Singapore) Co., Ltd. (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of profit or loss of the Group for the financial year ended 31 December 2018;
- the consolidated statement of comprehensive income of the Group for the financial year then ended;
- the balance sheet of the Group as at 31 December 2018;
- the balance sheet of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

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

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2018

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Acquisition of Cogent Holdings Limited ("Cogent") - purchase price allocation ("PPA") (Note 19) On 2 January 2018, the voluntary conditional cash offer made by the Group to acquire 100% equity interest in Cogent Holdings Limited for a consideration of \$488,070,000 (excluding discounting effects on the fair value of deferred consideration) turned unconditional as the Group acquired more than 90% of the issued shares of Cogent. As part of the PPA process, management exercised judgements in the following areas: - Fair valuation of intangible assets which were not previously included in the assets recorded by Cogent; and - Fair valuation of the leasehold properties. In relation to the intangible assets, we focused on the valuation of the customer relationships intangible asset of \$34,000,000 because of the significant judgements involved in estimating the future cash flows, useful lives and discount rate to determine the fair values of the identified customer relationships intangible asset. In addition, we focused on the fair valuation of the leasehold properties of \$439,624,000 because of the significant judgements used in the comparable properties and income capitalisation valuation methods by Knight Frank Singapore Pte. Ltd. and Knight Frank Malaysia Sdn. Bhd. (collectively, the "valuers"). Refer to Note 3 - Critical accounting estimates, assumptions and judgements and Note 19 - Business Combinations for disclosure relating to purchase price allocation.	<u>Customer relationships intangible asset of \$34,000,000</u> For the fair valuation of the identified customer relationships intangible asset, we evaluated the reasonableness of management's estimates of future cash flows by taking into consideration the past performances, and the useful lives of the intangible asset. With the assistance of our valuation specialists, we assessed the reasonableness of the discount rates used by management. We found the estimates of future cash flows, useful lives and the discount rates used to be reasonable. <u>Fair valuation of leasehold properties of \$439,624,000</u> For the fair valuation of the leasehold properties, we evaluated the reasonableness of the underlying comparable transactions used to derive the adjusted comparable sales price and the capitalisation rates used against those used for similar type of properties. We have also found the valuation methods used are in line with generally accepted market practices and the key inputs to be within the range of market data. We have also assessed the competency, independence and integrity of the valuers. We have found that the valuers are members of recognised professional bodies.

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2018

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill As at 31 December 2018, the goodwill arising from the acquisition of Cogent amounted to \$98,989,000. The goodwill relates to the Logistics cash-generating unit ("CGU"). Management is required to perform an impairment assessment of goodwill annually by comparing the recoverable amount of the CGU with the carrying amount of the CGU to determine whether there is any impairment loss. We focused on this area because of the significant judgements required in estimating the future cash flows, terminal growth rate and discount rate. Refer to Note 3 - Critical accounting estimates, assumptions and judgements and Note 24 - Intangible assets for disclosure relating to the goodwill.	We evaluated the reasonableness of management's estimate of future cash flows by taking into consideration the past performance, and the CGU's expected future operating performance. With the assistance of our valuation specialists, we assessed the reasonableness of the terminal growth rate and the discount rate used by management. We found the estimate of future cash flows and the rates used to be reasonable. We performed sensitivity analysis to assess the impact on the recoverable amount of the CGU by reasonable possible changes in the terminal growth rate and the discount rate. We found that reasonable changes in these rates did not result in impairment loss.

Other Information

Management is responsible for the other information. The other information comprises the corporate profile, corporate structure, financial highlights, operations review, group financial review, Board of Directors, Corporate Governance Report, Sustainability Report and Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2018

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2018

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 8 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2018

		The Group	
	Note	2018 \$'000	2017 \$'000
Continuing operations			
Sales	4	163,673	37,186
Cost of sales	5	(122,090)	(25,630)
Gross profit		41,583	11,556
Other income	7	2,948	2,092
Other gains and losses	8	6,187	(24,326)
Expenses			
- Distribution	5	(1,939)	(222)
- Administrative	5	(24,748)	(15,749)
- Finance	9	(9,217)	—
Share of profit of an associated company	20	2,126	—
Profit/(loss) before income tax		16,940	(26,649)
Income tax expense	10	(3,719)	(406)
Profit/(loss) from continuing operations		13,221	(27,055)
Discontinued operations			
Profit from discontinued operations	11	—	92,440
Total profit		13,221	65,385
Profit/(loss) attributable to:			
Equity holders of the Company		12,977	189,441
Non-controlling interests		244	(124,056)
		13,221	65,385
Profit/(loss) attributable to equity holders of the Company relates to:			
Profit/(loss) from continuing operations		12,977	(27,248)
Profit from discontinued operations		—	216,689
		12,977	189,441
Earnings per share for profit/(loss) attributable to equity holders of the Company (expressed in cents per share)			
Basic earnings per share			
From continuing operations	12	0.58	(1.22)
From discontinued operations	12	—	9.68
Diluted earnings per share			
From continuing operations	12	0.58	(1.22)
From discontinued operations	12	—	9.68

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Total profit		13,221	65,385
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, available-for-sale			
- Fair value gain	31(b)(iv)	–	46
- Reclassification on the disposal of subsidiaries	31(b)(iv)	–	(232)
Currency translation differences arising from consolidation			
- Gains/(losses)	31(b)(iii)	1,440	(2,327)
- Reclassification on the disposal of subsidiaries	31(b)(iii)	–	(5,364)
Other comprehensive income/(loss), net of tax		1,440	(7,877)
Total comprehensive income		14,661	57,508
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		14,417	179,141
Non-controlling interests		244	(121,633)
		14,661	57,508

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

BALANCE SHEET - GROUP

As at 31 December 2018

		31 December 2018 \$'000	The Group 31 December 2017 \$'000	1 January 2017 \$'000
	Note			
ASSETS				
Current assets				
Cash and cash equivalents	13	72,814	58,504	1,520,375
Restricted cash	13	257	140,660	—
Trade and other receivables	14	35,460	309,436	802,676
Inventories	15	661	199	835,582
Contract assets	4	—	—	3,813,570
Income tax receivables		—	—	1,933
		109,192	508,799	6,974,136
Non-current assets classified as held-for-sale	16	741	—	—
		109,933	508,799	6,974,136
Non-current assets				
Trade and other receivables	17	812	—	102,556
Financial assets, available-for-sale	18	—	—	4,599
Investments in associated companies	20	15,171	—	4,185
Investment properties	22	13,637	13,786	14,675
Property, plant and equipment	23	550,012	40,638	2,527,363
Intangible assets	24	131,033	147	9,816
Deferred expenditure	25	2,212	766	2,799
Deferred income tax assets	29	—	—	140,598
		712,877	55,337	2,806,591
Total assets		822,810	564,136	9,780,727
LIABILITIES				
Current liabilities				
Trade and other payables	26	48,056	46,770	1,892,526
Contract liabilities	4	—	—	203,180
Current income tax liabilities		4,884	612	9,877
Borrowings	27	25,715	—	4,297,091
Provisions	28	350	—	38,949
		79,005	47,382	6,441,623
Non-current liabilities				
Trade and other payables	26	4,468	—	—
Borrowings	27	152,619	—	3,018,327
Provisions	28	1,198	—	—
Deferred income tax liabilities	29	54,420	132	263
		212,705	132	3,018,590
Total liabilities		291,710	47,514	9,460,213
NET ASSETS		531,100	516,622	320,514
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	30	270,608	270,608	270,608
Statutory and other reserves	31, (i)	35,995	34,555	290,937
Retained earnings/(accumulated losses)	(i)	223,015	210,038	(225,485)
		529,618	515,201	336,060
Non-controlling interests		1,482	1,421	(15,546)
Total equity		531,100	516,622	320,514

(i) The Group has adopted SFRS(I) on 1 January 2018 and has elected the optional exemption to reset its cumulative translation reserve to nil at the date of transition of 1 January 2017.

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

BALANCE SHEET - COMPANY

As at 31 December 2018

		The Company		
	Note	31 December 2018 \$'000	31 December 2017 \$'000	1 January 2017 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	13	18,301	35,995	29,868
Restricted cash	13	257	140,660	—
Trade and other receivables	14	116	301,551	57,966
		18,674	478,206	87,834
Non-current assets				
Investment in an associated company	20	13,953	—	—
Investments in subsidiaries	21	614,183	126,639	372,778
Property, plant and equipment	23	100	182	393
Intangible assets	24	—	34	48
		628,236	126,855	373,219
Total assets		646,910	605,061	461,053
LIABILITIES				
Current liabilities				
Trade and other payables	26	48,123	89,125	17,585
Current income tax liabilities		107	19	2,174
Borrowings	27	13,580	—	—
		61,810	89,144	19,759
Non-current liabilities				
Trade and other payables	26	4,468	—	—
Borrowings	27	58,489	—	—
		62,957	—	—
Total liabilities		124,767	89,144	19,759
NET ASSETS		522,143	515,917	441,294
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	30	270,608	270,608	270,608
Other reserves	31	45,105	45,105	45,105
Retained earnings		206,430	200,204	125,581
Total equity		522,143	515,917	441,294

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

		Attributable to equity holders of the Company					
	Note	Share capital \$'000	Statutory and other reserves \$'000	Retained earnings/ (accumulated losses) \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
2018							
Balance at 1 January 2018		270,608	34,555	210,038	515,201	1,421	516,622
Total comprehensive income for the year		–	1,440	12,977	14,417	244	14,661
Acquisition of subsidiaries		–	–	–	–	249	249
Disposal of a subsidiary		–	–	–	–	(282)	(282)
Dividend declared by a subsidiary to non-controlling interest of a subsidiary		–	–	–	–	(150)	(150)
Balance as at 31 December 2018		270,608	35,995	223,015	529,618	1,482	531,100
2017							
Balance as at 1 January 2017		270,608	290,937	(225,485)	336,060	(15,546)	320,514
Fair value changes for financial asset, available for sale	31(b)(iv)	–	24	–	24	22	46
Reclassification of fair value reserves on disposal of subsidiaries	31(b)(iv)	–	(232)	–	(232)	–	(232)
Currency translation differences	31(b)(iii)	–	(4,728)	–	(4,728)	2,401	(2,327)
Reclassification of currency translation reserves on disposal of subsidiaries	31(b)(iii)	–	(5,364)	–	(5,364)	–	(5,364)
Other comprehensive (loss)/profit for the year		–	(10,300)	–	(10,300)	2,423	(7,877)
Net profit/(loss)		–	–	189,441	189,441	(124,056)	65,385
Total comprehensive (loss)/income for the year		–	(10,300)	189,441	179,141	(121,633)	57,508
Disposal of subsidiaries		–	(246,215)	246,215	–	138,700	138,700
Dividend declared by a subsidiary to non-controlling interests of a subsidiary		–	–	–	–	(100)	(100)
Transfer from retained earnings to statutory reserves	31(b)(ii)	–	133	(133)	–	–	–
Balance as at 31 December 2017		270,608	34,555	210,038	515,201	1,421	516,622

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Total profit		13,221	65,385
Adjustments for:			
- Amortisation of deferred expenditure		64	78
- Amortisation of intangible assets		5,692	—
- Depreciation of property, plant and equipment		19,334	119,766
- Depreciation of investment properties		523	572
- Dividend income		—	(30)
- Income tax expense		3,719	63,356
- Interest expense		9,217	189,621
- Interest income		(1,281)	(22,629)
- Allowance for expected losses recognised on construction contracts		—	190,054
- Write-down of inventories		—	46,198
- Loss on disposal of transferable club memberships		165	42
- Net allowance/(reversal) for impairment of trade and other receivables		193	(93,536)
- (Gain)/loss on disposal of property, plant and equipment		(2,706)	25,379
- Share of (profit)/loss of associated companies		(2,126)	284
- Pre-tax gain recognised on the disposal of subsidiaries		—	(309,929)
- Exchange differences		(3,022)	(267,796)
		42,993	6,815
Changes in working capital:			
- Inventories		(467)	(23,234)
- Contract assets and liabilities		—	360,094
- Trade and other receivables		(6,234)	42,250
- Trade and other payables		(13,883)	(111,471)
- Provisions		(596)	77,091
Cash provided by operations		21,813	351,545
Income tax paid		(6,390)	(9,660)
Net cash provided by operating activities		15,423	341,885
Cash flows from investing activities			
Deferred consideration paid for acquisition of subsidiaries		(9,000)	—
Additions to property, plant and equipment		(30,181)	(9,231)
Acquisition of subsidiary, net of cash acquired	19	(410,306)	—
Decrease in amount due from a fellow subsidiary		293,165	—
Disposal of a transferable club membership		18	84
Disposal of property, plant and equipment		3,868	21,608
Disposal of a subsidiary/subsidiaries, net cash outflow	13	(68)	(1,143,995)
Additions to investment properties		—	(148)
Acquisition of an associated company		(13,953)	—
Decrease/(increase) in restricted cash balance		140,401	(140,660)
Interest received		1,231	18,920
Dividends received		11,807	30
Net cash used in investing activities		(13,018)	(1,253,392)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from financing activities			
Proceeds from borrowings		328,649	2,249,394
Repayments of borrowings		(306,795)	(2,577,630)
Repayments of finance lease liabilities		(3,716)	–
Decrease in bank deposits pledged		–	848
Interest paid		(8,096)	(181,011)
Dividends paid to non-controlling interests of subsidiaries		(150)	(1,005)
Net cash provided by/(used in) financing activities		9,892	(509,404)
Net increase/(decrease) in cash and cash equivalents		12,297	(1,420,911)
Cash and cash equivalents at beginning of financial year		58,504	1,518,398
Effects of currency translation on cash and cash equivalents		804	(38,983)
Cash and cash equivalents at end of financial year	13	71,605	58,504

Reconciliation of liabilities arising from financing activities

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

	1 January 2018 \$'000	Principal and interest payments \$'000	Non-cash changes						31 December 2018 \$'000
			Interest expense \$'000	Acquisition of subsidiaries \$'000	Acquisition of property, plant and equipment \$'000	Other payables conversion \$'000	Disposal of subsidiaries \$'000	Foreign exchange movement \$'000	
Borrowings	–	21,854	–	108,211	214	38,000	–	105	168,384
Finance lease liabilities	–	(3,716)	–	13,146	574	–	(54)	–	9,950
Interest payable	–	(8,096)	8,850	–	–	–	–	–	754

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

1. General information

COSCO SHIPPING International (Singapore) Co., Ltd. (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 30 Cecil Street, Prudential Tower, #26-01, Singapore 049712.

The principal activities of the Company are those of investment holding. The principal activities of its subsidiaries are set out in Note 21 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I) 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.

Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) (continued)

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition"). The adoption of SFRS(I) did not result in any substantial change to the Group's accounting policies other than discussed below:

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Cumulative translation differences

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017.

(ii) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(iii) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for completed contracts with variable consideration, the Group has used the transaction price at the date the contract was completed, rather than estimating the variable consideration amounts in the comparative reporting period;
- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and
- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

As at 1 January 2017	Note	Reported under SFRS \$'000	The Group Effect of transition to SFRS(I) \$'000	Reported under SFRS(I) \$'000
Trade and other receivables	2.1(C)	4,543,838	(3,741,162)	802,676
Construction contract work-in-progress	2.1(C)	72,408	(72,408)	–
Contract assets	2.1(C)	–	3,813,570	3,813,570
Total assets		9,780,727	–	9,780,727
Trade and other payables	2.1(C)	2,095,706	(203,180)	1,892,526
Contract liabilities	2.1(C)	–	203,180	203,180
Total liabilities		9,460,213	–	9,460,213
Statutory and other reserves	2.1(A)	311,859	(20,922)	290,937
Accumulated losses	2.1(A)	(246,407)	20,922	(225,485)
Net assets/total equity		320,514	–	320,514
As at 31 December 2017	Note	Reported under SFRS \$'000	Effect of transition to SFRS(I) \$'000	Reported under SFRS(I) \$'000
Trade and other receivables		309,436	–	309,436
Total assets		564,136	–	564,136
Trade and other payables		46,770	–	46,770
Total liabilities		47,514	–	47,514
Statutory and other reserves	2.1(A)	(18,958)	53,513	34,555
Retained earnings	2.1(A)	263,551	(53,513)	210,038
Net assets/total equity		516,622	–	516,622

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) (continued)

- (c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

For the financial year ended 31 December 2017	Note	Reported under SFRS \$'000	The Group Effect of transition to SFRS(I) \$'000	Reported under SFRS(I) \$'000
Net profit				
- Continuing operations		(27,055)	—	(27,055)
- Discontinued operations		166,875	(74,435)	92,440
		139,820	(74,435)	65,385
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Financial assets, available-for-sale				
- Fair value gain, net of tax		46	—	46
- Reclassification on disposal of subsidiaries		(232)	—	(232)
Currency translation reserves arising from consolidation				
- Losses		(2,327)	—	(2,327)
- Reclassification on disposal of subsidiaries	2.1(A)	(79,799)	74,435	(5,364)
Other comprehensive loss, net of tax	2.1(A)	(82,312)	74,435	(7,877)
Total comprehensive income		57,508	—	57,508
Total comprehensive income/(loss) attributable to:				
Equity holders of the Company		179,141	—	179,141
Non-controlling interests		(121,633)	—	(121,633)
		57,508	—	57,508

- (d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) (continued)

(e) Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arise from the optional exemptions provided for under SFRS(I) 1 and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

A) Optional exemptions

As disclosed in Note 2.1, the Group has applied certain exemptions in preparing this first set of financial statements in accordance with SFRS(I). The exemptions that resulted in adjustments to the previously issued SFRS financial statements are as follows:

a) Cumulative translation differences

As disclosed in Note 2.1, the Group has elected to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and accumulated losses as at 1 January 2017 were reduced by \$20,922,000 respectively. For the year ended 31 December 2017, profit for the year from discontinued operations decreased by \$74,435,000 as a result of the reduction in the cumulative translation reserve attributable to the subsidiaries recognised as at 1 January 2017.

B) Adoption of SFRS(I) 9

a) Impairment of financial assets

As disclosed in Note 2.1(a)(ii), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by the SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.10.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) (continued)

B) Adoption of SFRS(I) 9 (continued)

a) *Impairment of financial assets* (continued)

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade receivables and contract assets recognised under SFRS(I) 15;
- lease receivables recognised under SFRS(I) 1-17;
- debt instruments measured at FVOCI and amortised cost; and
- loans to related parties and other receivables at amortised cost.

The impairment methodology under SFRS and SFRS(I) for each of these classes of financial assets is different. The impairment methodology for each of these classes of financial assets under SFRS(I) 9 is as disclosed in Note 2.10 and Note 34(b).

C) Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.1(a)(iii), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

a) *Presentation of contract assets and contract liabilities*

The Group has changed the presentation of certain amounts in the balance sheet as at 1 January 2017 on adopting SFRS(I) 15:

- (i) Contract assets relating to specialised equipment construction contracts were previously presented under “trade and other receivables” and “construction contract work-in-progress” of \$3,741,162,000 and \$72,408,000 under SFRS.
- (ii) Contract liabilities in relation to specialised equipment construction contracts were previously presented as “trade and other payables” of \$203,180,000 under SFRS.

The adoption of SFRS(I) 15 did not have any impact on the balance sheet as at 31 December 2017, as the Group disposed the ship repair, ship building and marine engineering activities segment that carried the contract assets and liabilities in 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.2 Revenue recognition

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

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

(a) *Rendering of services*

(i) *Ship repair and marine engineering*

Revenue from ship repairing, marine engineering, container repairs and services, fabrication works services and production of marine outfitting components projects is recognised in the accounting period in which the services are rendered. Revenue is recognised based on the percentage-of-completion method depending on progress of the contract work, where the outcome of the contract can be estimated reliably. This is determined based on the actual project costs incurred relative to the total expected project costs. The customers are invoiced when they acknowledge the services rendered are to their satisfaction.

Work-in-progress comprises mainly costs incurred for uncompleted jobs. It is stated at lower of cost (comprising mainly subcontractors costs, material costs, direct labour and a proportionate allocation of production overhead) and net realisable value, which is arrived at after providing for anticipated losses, if any, when the possibility of loss is ascertained.

(ii) *Shipping - charter hire*

Revenue comprises the fair value of the consideration received or receivable for chartering of motor vessels in the ordinary course of the Group's activities.

Revenue from time charter contracts are generated from leasing of vessels and provision of services. Leasing income is recognised on the basis as disclosed in Note 2.16 (b). Revenue from provision of service is recognised rateably over the rental periods of such charters, as service is performed.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(a) Rendering of services (continued)

(ii) Shipping - charter hire (continued)

The Group will capitalise pre-voyage expenses as contract fulfilment costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract fulfilment costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

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.

The charterer is required to make payment 15 days in advance of the charter period. At each month-end, the Group will invoice for the period from (i) charter commencement to (ii) charter cessation or the last day of the month, whichever is earlier.

(iii) Logistics services

The Group renders logistic services for customers including automotive, shipping and manufacturing industries. Revenue from these logistics services are recognised when services are performed (i.e. at a point in time), where customers have accepted the services and the collectability of the related receivables are reasonably assured. There is no unfulfilled obligation that could affect the customer's acceptance of the services.

The Group practices monthly billing and payment for the transaction price is due 30 - 60 days after billing.

(iv) Storage income

The Group renders storage and warehousing services for storage of automobiles, shipping containers and customer inventories. Revenue generated from these storage services include rental of space at container depot, warehouses and open yards and are recognised when services are performed (i.e. at a point in time) according to the contract terms (i.e. daily), where customers have an obligation to payment as part of the agreement to the services and the collectability of the related receivables is reasonably assured. There is no unfulfilled obligation that could affect the customer's acceptance of the services. Storage services rendered on a periodic basis are recognised similar to rental income as disclosed in Note 2.2(b).

The Group practices monthly billing and payment for the transaction price is due 30 - 60 days after billing.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(a) Rendering of services (continued)

(v) Construction of specialised equipment

In 2017, the Group builds motor vessels and performs marine engineering services for customers through fixed-price contracts. Revenue is recognised when the control over the specialised equipment has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the equipment over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The specialised equipment has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

For certain contracts where the Group does not have enforceable right to payment, revenue is recognised only when the completed specialised equipment is delivered to the customers and the customers have accepted it in accordance with the sales contract.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(a) Rendering of services (continued)

(v) Construction of specialised equipment (continued)

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(b) Rental income

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

(c) Sale of scrap materials

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established, it is possible that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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 on acquisitions" 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals (continued)

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 2.8 “Investments in subsidiaries” for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

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

(c) Associated companies

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

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

(i) Acquisitions

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

(ii) Equity method of accounting

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) *Associated companies* (continued)

(ii) *Equity method of accounting* (continued)

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

(iii) *Disposals*

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(a) Measurement (continued)

(iv) Components of costs

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

(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	Over remaining lease period
Office renovations, furniture, fixtures and equipment	3 - 10 years
Plant, machinery and equipment	3 - 20 years
Motor vehicles	5 - 10 years
Motor vessels	25 years
Docks and quays	40 - 50 years

No depreciation is provided for construction-in-progress.

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

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

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(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

(a) Goodwill on acquisitions

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

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

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

(b) Acquired customer relationships

Customer relationships acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 8 to 10 years, which is the estimated useful lives.

(c) Acquired contract based intangible assets

Contract based intangible assets acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 3 years, which is the period of contractual rights.

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 buildings, 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 buildings, motor vessels, docks and quays.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.7 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 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

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

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

2.8 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.

2.9 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

- (b) *Property, plant and equipment*
Investment properties
Investments in subsidiaries and associated companies
Customer relationships
Lease contract asset

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

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

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

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

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

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

2.10 Financial assets

Accounting policies applied prior to 1 January 2018

- (a) *Classification*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

Accounting policies applied prior to 1 January 2018 (continued)

(a) *Classification (continued)*

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Note 14 and 17) and “cash and cash equivalents” (Note 13).

(ii) *Financial assets, available-for-sale*

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

(b) *Recognition and derecognition*

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

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

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

(c) *Initial measurement*

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

(d) *Subsequent measurement*

Financial assets, available-for-sale 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

Accounting policies applied prior to 1 January 2018 (continued)

(d) *Subsequent measurement* (continued)

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 financial assets, available-for-sale 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*

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

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

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

(ii) *Financial assets, available-for-sale*

In addition to the objective evidence of impairment described in Note 2.10(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 financial assets, available-for-sale is impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

Accounting policies applied prior to 1 January 2018 (continued)

(e) *Impairment (continued)*

(ii) *Financial assets, available-for-sale (continued)*

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

Accounting policies applied from 1 January 2018

(f) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- (i) Amortised cost;
- (ii) Fair value through other comprehensive income (FVOCI); and
- (iii) Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(f) *Classification and measurement (continued)*

At subsequent measurement

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost:** Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- **FVOCI:** Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "other income".
- **FVPL:** Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

(ii) *Equity investments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

(g) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34(b) details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(h) *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 debt instrument, 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.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

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.

2.11 Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.12 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 and subsequently measured at the higher of:

- (a) Premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) The amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event, it is probable that the Company will reimburse the banks.

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

2.13 Borrowings

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

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

2.14 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.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

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

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

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

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

2.16 Leases

(a) When the Group is the lessee:

The Group leases motor vehicles and certain plant and machinery under finance leases and land and warehouses under operating leases from non-related parties.

Lessee - Operating leases

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

Lessee - Finance leases

Leases 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 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.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.16 Leases (continued)

(b) When the Group is the lessor:

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

Lessor - Operating leases

Leases of property, plant and equipment and investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (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.

2.17 Inventories

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

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.18 Income taxes (continued)

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.

2.19 Provisions

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

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

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

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

Provision for restoration cost

Provisions for asset dismantlement, removal or restoration 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 amounts have been reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.19 Provisions (continued)

Provision for restoration cost (continued)

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

2.20 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.21 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 ("S\$"), which is the functional currency of the Company.

(b) *Transactions and balances*

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

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

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expense". 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 2018

2. Significant accounting policies (continued)

2.22 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.

2.23 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.

2.24 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.

2.25 Dividends to Company's shareholders

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

2.26 Government grants

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

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

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

2.27 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.27 Non-current assets (or disposal groups) held-for-sale and discontinued operations (continued)

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

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

3. Critical accounting estimates, assumptions and judgements

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

Critical accounting estimates, assumptions and judgements were made in determining the fair valuation of the intangible assets – customer relationships and the fair valuation of leasehold properties under the purchase price allocation for the acquisition of Cogent Holdings Limited, and in the impairment assessment of goodwill.

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

(a) Acquisition of Cogent Holdings Limited (“Cogent”) – purchase price allocation

(i) Customer relationships intangible assets

Customer relationships intangible assets are measured at their fair values on acquisition date using appropriate valuation methodology. The valuation is calculated using a discounted cash flow model using management’s best estimate of future cash flows, long term growth rate and discount rate. The intangible assets are amortised over their estimated useful lives which are based on management’s best estimates of periods over which value from the intangible assets will be realised (Note 2.5(b) and Note 24(d)). Management reassess the estimated useful lives at each period end, taking into account the period over which the intangible assets is expected to generate future economic benefit. Intangible assets are tested for impairment in accordance with Note 2.9(b).

A reasonably possible change of the following magnitude on the key assumptions will result in the change in the fair valuation of the intangible assets:

		Fair value decrease by
<u>Discounted cash flows</u>		
Discount rate	1% higher	1,000,000
Useful life	Decrease by 1 year	1,600,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(a) Acquisition of Cogent Holdings Limited ("Cogent") – purchase price allocation (continued)

(ii) Fair valuation of leasehold land and buildings

Leasehold land and buildings are measured at their fair values on acquisition date amounting to \$439,624,000 using a comparable sales method and capitalisation approach. Significant judgements are used to estimate adjusted comparable sale price and capitalisation rate. These estimated fair values may differ significantly from the prices at which these properties can be sold due to the actual negotiations between willing buyers and sellers as well as changes in assumptions and conditions arising from unforeseen events. Consequently, the actual results and the realisation of these properties could differ significantly from the estimates set forth in these financial statements. A decrease in the adjusted comparable sale price and capitalisation rate will result in a reduction of the fair values of these leasehold properties.

If the actual fair values of leasehold properties classified under property, plant and equipment increase or decrease by 1.0% from the estimates, the goodwill and profit after tax of the Group will increase or decrease by \$4,396,000 and \$68,000 respectively.

(b) Impairment assessment of goodwill

Goodwill is tested for impairment annually. In performing the impairment assessment of the carrying amount of goodwill, the recoverable amounts of the cash-generating unit ("CGU") in which goodwill has been attributable to, are determined using value-in-use ("VIU") calculation. Significant judgements are used to estimate the gross margin, weighted average growth rates and pre-tax discount rates applied in computing the recoverable amount of the CGU. In making these estimates, management has relied on past performance, its expectations of market developments in Singapore and other Southeast Asia countries. The carrying amount of the goodwill as at 31 December 2018 was \$98,989,000.

Significant judgements are used to estimate the key assumptions applied in assessing the recoverable amounts of the CGU.

The change of the following magnitude on the key assumptions will result in a reduction of the carrying amount of the goodwill as at 31 December 2018:

	Higer/(lower)	Impairment
<u>Discounted cash flows</u>		
Terminal growth rate	(0.3%)	\$16,000,000
Discount rate	0.2%	\$12,900,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following segments and geographical regions. Revenue is based on the country in which the services are rendered to the customer. In relation to the Group's shipping activities, the Group operates in worldwide shipping routes. Hence, it would not be meaningful to allocate and present sales to any geographical regions for shipping activities.

	Revenue recognised		
	At a point in time \$'000	Over time \$'000	Total \$'000
<u>2018</u>			
<u>Continuing operations</u>			
i) Ship repair and marine engineering			
- Singapore	—	14,573	14,573
	—	14,573	14,573
ii) Shipping - charter hire			
- Singapore	—	15,508	15,508
	—	15,508	15,508
iii) Logistics			
- Singapore	52,388	55,188	107,576
- Malaysia	4,292	2,262	6,554
	56,680	57,450	114,130
iv) Property management			
- Singapore	2,790	16,672	19,462
	2,790	16,672	19,462
Total sales	59,470	104,203	163,673

Income from time charter contracts are generated from leasing of vessels and provision of services (maritime crew, etc.). Lease income is approximately within the range of 30% to 50% of the total contract value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue from contracts with customers (continued)

(a) Disaggregation of revenue from contracts with customers (continued)

	Revenue recognised		
	At a point in time \$'000	Over time \$'000	Total \$'000
<u>2017</u>			
<u>Continuing operations</u>			
i) Ship repair and marine engineering			
- Singapore	—	9,880	9,880
	—	9,880	9,880
ii) Shipping - charter hire			
- Singapore	—	26,739	26,739
	—	26,739	26,739
iii) Property management			
- Singapore	—	567	567
	—	567	567
Total sales	—	37,186	37,186

(b) Contract assets and liabilities

	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
<i>Contract assets</i>			
Ship repair and offshore marine engineering contracts	—	—	4,302,539
Less: Loss allowance	—	—	(488,969)
Total contract assets	—	—	3,813,570
<i>Contract liabilities</i>			
Ship repair and offshore marine engineering contracts	—	—	203,180
Total contract liabilities	—	—	203,180

Contract assets and liabilities relate to fixed price ship building and offshore marine engineering construction contracts. The Group has disposed of the entire shipyard operations together with the contract assets and liabilities above during the financial year ended 31 December 2017. Accordingly, the entire results of the shipyard business has been disclosed in Note 11 Discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. Expenses by nature

	The Group	
	2018	2017
	\$'000	\$'000
Impairment of trade and other receivables	193	—
Amortisation of deferred expenditure	64	37
Amortisation of intangible assets	5,692	—
Audit fee	475	1,210
Raw materials, finished goods, consumables and other overheads	2,238	1,524
Changes in inventories and work-in-progress	(462)	1,117
Crew overheads	3,127	6,191
Depreciation of investment properties (Notes 22)	523	432
Depreciation of property, plant and equipment (Notes 23)	19,334	4,995
Director and employee compensation (Note 6)	37,773	8,076
Insurance	1,434	1,332
Non-audit service fees paid/payable to auditor of the Company	71	695
Professional fees	3,814	5,708
Rental expense on operating leases	29,470	2,343
Repairs and maintenance	5,496	307
Sub-contractor expenses	17,751	2,432
Vessel overheads	2,992	4,681
Storage and handling charges	4,939	—
Fuels and utilities	7,420	—
Property tax	2,302	—
Other expenses	4,131	521
Total cost of sales, distribution and administrative expenses	148,777	41,601

6. Director and employee compensation

	The Group	
	2018	2017
	\$'000	\$'000
Wages, salaries and staff benefits	34,710	239,421
Employer's contribution to defined contribution plans	2,753	27,286
Directors' fees of the Company	204	244
Directors' fees of the subsidiaries	106	—
	37,773	266,951
Less: Amounts attributable to discontinued operations	—	(258,875)
Amounts attributable to continuing operations (Note 5)	37,773	8,076

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Other income

	The Group	
	2018	2017
	\$'000	\$'000
Government grants	289	62
Interest income	1,281	1,069
Rental income	761	605
Sale of scrap materials	80	13
Sundry income	537	343
	2,948	2,092

8. Other gains and losses

	The Group	
	2018	2017
	\$'000	\$'000
Currency exchange gain/(loss) - net	3,409	(2,347)
Gain/(loss) on disposal of property, plant and equipment	2,706	(22,398)
Gain on sale of bunker stock	72	419
	6,187	(24,326)

9. Finance expenses

	The Group	
	2018	2017
	\$'000	\$'000
Interest expense		
- Bank borrowings	7,677	—
- Loans from a fellow subsidiary	904	—
- Finance lease liabilities	269	—
	8,850	—
Unwinding of discount for deferred consideration for acquisition of subsidiaries	367	—
	9,217	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Income taxes

(a) Income tax expense

	The Group	
	2018	2017
	\$'000	\$'000
Tax expense attributable to profit or loss is made up of:		
- Profit or loss for the financial year:		
<u>From continuing operations</u>		
Current income tax		
- Singapore	4,892	565
- Foreign	78	—
	4,970	565
Deferred income tax (Note 29)		
- Singapore	(966)	(1)
- Foreign	213	—
	(753)	(1)
	4,217	564
- (Over)/under provision in prior financial years:		
Current income tax		
- Singapore	(511)	(158)
Deferred income tax (Note 29)		
- Foreign	13	—
Income tax expense attributable to continuing operations	3,719	406
<u>From discontinued operations</u>		
Current income tax		
- Foreign	—	11,386
Deferred income tax (Note 29)		
- Foreign	—	51,651
	—	63,037
- (Over)/under provision in prior financial years:		
Current income tax		
- Foreign	—	34
Deferred Income tax (Note 29)		
- Foreign	—	(121)
	—	62,950
	3,719	63,356
Income tax expense attributable to:		
- continuing operations	3,719	406
- discontinued operations (Note 11(a))	—	62,950
	3,719	63,356

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. Income taxes (continued)(a) Income tax expense (continued)

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

	The Group	
	2018	2017
	\$'000	\$'000
Profit/(loss) before tax from:		
- continuing operations	16,940	(26,649)
- discontinued operations (Note 11(a))	—	155,390
	16,940	128,741
Share of (profit)/loss of associated companies, net of tax	(2,126)	284
Profit/(loss) before tax and share of (profit)/loss of associated companies	14,814	129,025
Tax calculated at a tax rate of 17% (2017: 17%)	2,518	21,934
Effects of:		
- different tax rates in other countries	224	(5,222)
- tax incentives	(895)	(3,980)
- income not subject to tax	(427)	(43,507)
- expenses not deductible for tax purposes	2,677	12,676
- utilisation of previously unrecognised tax losses	(81)	(5,290)
- deferred tax assets not recognised	201	20,276
- derecognition of deferred tax assets recognised previously	—	66,708
- over provision of current income tax in prior years	(511)	(124)
- under/(over) provision of deferred income tax in prior years	13	(121)
- others	—	6
Tax charge	3,719	63,356

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

	2018			2017		
	Before tax	Tax charge	After tax	Before tax	Tax credit	After Tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value gain on financial assets, available-for-sale	—	—	—	61	(15)	46
Currency translation differences arising from consolidation	1,440	—	1,440	(2,327)	—	(2,327)
Other comprehensive income/ (loss)	1,440	—	1,440	(2,266)	(15)	(2,281)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Discontinued operations

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

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

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

	The Group	
	2018	2017
	\$'000	\$'000
Sales	—	1,588,294
Cost of sales	—	(1,545,635)
Gross profit	—	42,659
Other income	—	60,102
Other gains and losses	—	(27,821)
Expenses		
- Distribution	—	(34,645)
- Administrative	—	(4,929)
- Finance	—	(189,621)
Share of loss of associated companies	—	(284)
Loss before income tax	—	(154,539)
Tax expense	—	(52,186)
Loss after tax from discontinued operations	—	(206,725)
Pre-tax gain recognised on the disposal of subsidiaries	—	309,929
Tax expense	—	(10,764)
After-tax gain recognised on the disposal of subsidiaries	—	299,165
Profit for the year from discontinued operations	—	92,440

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

	The Group	
	2018	2017
	\$'000	\$'000
Net cash provided by operating activities	—	335,459
Net cash provided by investing activities	—	9,510
Net cash used in financing activities	—	(539,491)
Total cash outflows	—	(194,522)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. Earnings per share

(a) Basic earnings per share

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

	Continuing operations		Discontinued operations		Total	
	2018	2017	2018	2017	2018	2017
Net profit/(loss) attributable to equity holders of the Company (\$'000)	12,977	(27,248)	–	216,689	12,977	189,441
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,239,245	2,239,245	2,239,245	2,239,245	2,239,245	2,239,245
Basic earnings per share (cents per share)	0.58	(1.22)	–	9.68	0.58	8.46

(b) Diluted earnings per share

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

For share options, the weighted average number of shares on issue are 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. Accordingly, the diluted earnings per share is the same as the basic earnings per share as calculated under Note 12(a) for financial years ended 31 December 2018 and 2017.

As at 31 December 2017 and 1 January 2017, 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 profit/(loss).

There were no outstanding share options as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Cash and cash equivalents

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

	The Group			The Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	56,412	50,462	550,531	18,301	35,995	1,463
Short-term bank deposits	16,402	8,042	969,844	—	—	28,405
	72,814	58,504	1,520,375	18,301	35,995	29,868

At 1 January 2017, cash at bank and short-term bank deposits amounting to \$324,824,000 were 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		
	31 December	1 January	
	2018	2017	2017
	\$'000	\$'000	\$'000
Cash and bank balances (as above)	72,814	58,504	1,520,375
Less: Bank deposits pledged	(1,209)	—	(1,977)
Cash and cash equivalents per consolidated statement of cash flows	71,605	58,504	1,518,398

Cash and bank balances and bank deposits of the Group to the extent of \$1,209,000 (2017: Nil and 1 January 2017: \$1,977,000) were pledged as security for bankers' guarantee and trade finance facilities.

Restricted cash

The Company had entered into a loan facility agreement with a financial institution ("Lender") for a loan facility of up to \$350 million to partially fund the acquisition of Cogent Holdings Limited on 26 December 2017. Pursuant to the loan agreement, the Company irrevocably and unconditionally authorises that the cash at bank in a bank account shall be earmarked for the payment of the acquisition. Accordingly, the cash at bank of \$257,000 (2017: \$140,660,000 and 1 January 2017: Nil) has been classified as "restricted cash" in the balance sheet.

Acquisition of subsidiaries

Please refer to Note 19 for the effects of acquisition of subsidiaries on the cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Cash and cash equivalents (continued)

Disposal of subsidiaries

On 28 December 2018, the Group disposed of its 51%-owned subsidiary, Greating Fortune Pte. Ltd. The effects of the disposal on the cash flows of the Group were:

	The Group 2018 \$'000
<u>Carrying amounts of assets and liabilities disposed of:</u>	
Cash and cash equivalents	361
Trade and other receivables	238
Inventories	35
Property, plant and equipment (Note 23)	101
Total assets	<u>735</u>
Trade and other payables	103
Current income tax liabilities	3
Borrowings	54
Total liabilities	<u>160</u>
Net assets derecognised	575
Less: Non-controlling interests	<u>(282)</u>
Net assets disposed of	<u>293</u>

The aggregate cash outflows arising from the disposal of Greating Fortune Pte. Ltd. were:

	The Group 2018 \$'000
Net assets disposed of (as above)	<u>293</u>
Consideration for disposal	293
Less: Cash and cash equivalents in a subsidiary disposed of	<u>(361)</u>
Net cash outflow on disposal	<u>(68)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. Cash and cash equivalents (continued)

Disposal of subsidiaries (continued)

In 2017, the Company had disposed its entire equity interest in the Disposal Group for a sales consideration of \$290,046,000 (net of tax). The consideration is recognised as other receivables from a fellow subsidiary as included in Note 14. The effects of the disposal on the cash flows of the Group were:

	The Group 2017 \$'000
<u>Carrying amounts of assets and liabilities disposed of:</u>	
Cash and cash equivalents	1,145,125
Trade and other receivables	1,095,178
Inventories	1,218,693
Contract assets	2,912,364
Income tax receivables	1,854
Other current assets	10,139
Financial assets, available-for-sale (Note 18)	4,602
Investments in associated companies (Note 20)	3,845
Investment properties (Note 22)	3,455
Property, plant and equipment (Note 23)	2,267,225
Intangible assets (Note 24)	9,523
Deferred expenditure	1,929
Deferred income tax assets (Note 29)	86,928
Total assets	<u>8,760,860</u>
Trade and other payables	1,790,384
Contract liabilities	374,301
Current income tax liabilities	477
Borrowings	6,621,733
Provisions (Note 28(b))	116,040
Deferred income tax liabilities (Note 29)	148
Total liabilities	<u>8,903,083</u>
Net liabilities derecognised	(142,223)
Non-controlling interests	138,700
Net liabilities disposed of	<u>(3,523)</u>

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

	The Group 2017 \$'000
Net liabilities disposed of (as above)	(3,523)
Reclassification of currency translation reserve (Note 31(b)(iii))	(5,364)
Reclassification of fair value reserves (Note 31(b)(iv))	(232)
After-tax gain recognised on the disposal of subsidiaries (Note 11)	<u>299,165</u>
Sales consideration from disposal	290,046
Less: Due from a fellow subsidiary	(290,046)
Less: Cash and cash equivalents in subsidiaries disposed of	(1,145,125)
Add: Bank deposits pledged by subsidiaries disposed of	1,130
Net cash outflow on disposal	<u>(1,143,995)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Trade and other receivables - current

	The Group			The Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables:						
- Non-related parties	26,798	6,033	527,023	—	—	—
- Fellow subsidiaries	2,538	1,681	14,347	—	—	—
- Associated companies	—	—	52	—	—	—
- Related party corporations	767	—	—	—	—	—
	30,103	7,714	541,422	—	—	—
Less: Allowance for impairment of receivables - Non-related parties	(316)	—	(41,177)	—	—	—
Trade receivables - net	29,787	7,714	500,245	—	—	—
Other receivables:						
- Non-related parties	584	43	48,111	10	—	2
- Fellow subsidiaries ⁽ⁱ⁾	—	290,134	1,494	—	290,134	—
- Associated companies ⁽ⁱ⁾	—	—	58	—	—	—
	584	290,177	49,663	10	290,134	2
Less: Allowance for impairment of other receivables - Non-related parties	—	—	(13,189)	—	—	—
	584	290,177	36,474	10	290,134	2
Advances paid to suppliers	—	—	250,792	—	—	—
Staff advances	9	7	440	1	6	—
Deposits	2,103	108	1,703	17	19	—
Prepayments	2,977	484	10,188	88	446	100
Dividend receivable from						
- Subsidiaries	—	—	—	—	—	57,864
- A fellow subsidiary	—	10,946	—	—	10,946	—
- Associated companies	—	—	2,834	—	—	—
Total	35,460	309,436	802,676	116	301,551	57,966

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. Inventories

	The Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Raw materials	661	199	186,894
Work-in-progress	—	—	648,674
Finished goods	—	—	14
	661	199	835,582

The cost of inventories recognised as expense amounted to \$1,776,000 (2017: \$2,641,000).

In 2017, the cost of inventories recognised as expense amounted to \$1,290,814,000 was included in “discontinued operations.” This includes inventories written down amounted to \$46,198,000.

16. Non-current assets classified as held-for-sale

	The Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Leasehold properties	741	—	—

On 1 October 2018, the Group entered into two option to purchase agreements with non-related parties to dispose of 2 units of leasehold properties, which were previously accounted for as leasehold properties under property, plant and equipment for a total consideration of \$2,600,000. The leasehold properties have been reclassified as assets held for sale and measured at lower of the carrying amount and fair value less costs to sell. The sale was completed on 19 January 2019.

17. Trade and other receivables - non-current

	The Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Trade receivables from non-related parties	671*	—	283,742^
Less: Current portion	(336)	—	(181,186)
Trade receivables - non-related parties	335	—	102,556
Other receivables - non-related parties ⁽ⁱ⁾	477	—	—
	812	—	102,556

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

* As at 31 December 2018, trade receivables amounting to \$671,000 were unsecured, interest-free with monthly instalment payments commencing in March 2018 and would be repayable in full by December 2020. The balance of \$335,000 due after 31 December 2019 had been presented within non-current trade receivables.

^ As at 1 January 2017, breakdown of non-current trade receivables were as follows:

- Trade receivables amounting to \$37,214,000 were unsecured, bearing interest at 4.35% per annum with monthly instalment payments commencing in 2016 and would be repayable in full by 2019. The balance of \$31,948,000 due after 31 December 2017 had been presented within non-current trade receivables.
- Trade receivables amounting to \$246,528,000 were secured, bearing interest at 5% per annum with a partial lump sum payment of \$175,920,000 in 2017 and quarterly instalment payments commencing in 2018 and repayable in full by 2019. The balance of \$70,608,000 due after 31 December 2017 had been presented within non-current trade receivables. The trade receivables were secured by 2 jack up rigs from the debtors as collateral. The collateral was secured under first and second preferred mortgage issued by the debtors to a subsidiary of the Disposal Group (Note 34(b)).

These receivables were included in the Disposal Group sold to a fellow subsidiary (Note 13).

(i) Other receivables from a non-related party are unsecured and interest-free.

The fair values of the non-current trade and other receivables approximated its carrying amounts, determined from cash flows analyses discounted at market borrowing rates of 3.47% (1 January 2017: 2.96%) per annum which the directors expected to borrow as and when required by the Group.

18. Financial assets, available-for-sale

	The Group	
	31 December	
	2018	2017
	\$'000	\$'000
Beginning of financial year	—	4,599
Currency translation differences	—	(58)
Fair value gain recognised in other comprehensive income (Note 31(b)(iv))	—	61
Disposal of subsidiaries (Note 13)	—	(4,602)
End of financial year	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. Financial assets, available-for-sale (continued)

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

	The Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Quoted equity shares in a corporation, at fair value	—	—	657
Unquoted equity shares in corporations, at cost			
- A fellow subsidiary	—	—	2,912
- A non-related party	—	—	1,030
	—	—	3,942
	—	—	4,599

As at 1 January 2017, the directors had assessed that the range of reasonable fair value measurements was significant and the probabilities of the various estimates could not be reasonably assessed. Therefore, the unquoted equity shares had been measured at cost.

19. Business combination

On 2 January 2018, the voluntary conditional cash offer ("Offer") made by the Group to acquire 100% equity interest in Cogent Holdings Limited ("Cogent") for a consideration of \$488,070,000 (excluding discounting effects on the fair value of deferred consideration) turned unconditional as the Group acquired more than 90% of the issued shares of Cogent. Following the completion of the compulsory acquisition on 6 March 2018, Cogent became a wholly-owned subsidiary of the Group.

The Group is of the view that the acquisition of Cogent represented an opportunity for it to acquire control in one of Singapore's leading full service, integrated logistics service providers with a track record of over 40 years. The Group will be able to potentially develop new business opportunities in the logistics sector in Southeast Asia, taking advantage of the "Belt and Road Initiative" formulated by the People's Republic of China ("PRC") Government in 2013. The acquisition will also enable the Group to offer end-to-end services to its customers with logistics needs in Singapore and Malaysia, thereby increasing the Company's competitive edge in relation to its global competitors and entrenching its customers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Business combination (continued)

Details of the consideration paid, the fair value amounts of identifiable assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	\$'000
<u>Purchase consideration</u>	
Cash paid	468,070
Fair value of deferred consideration	19,474
Consideration transferred for the business	<u>487,544</u>
<u>Effect on cash flows of the Group</u>	
Cash paid (as above)	468,070
Less: Cash and cash equivalents in subsidiaries acquired	(58,973)
Add: Bank balances pledged	1,209
Cash outflow on acquisition	<u>410,306</u>
<u>Identifiable assets acquired and liabilities assumed</u>	
Cash and cash equivalents	58,973
Property, plant and equipment	494,730
Intangible assets	37,772
Deferred expenditure	1,507
Inventories	30
Trade and other receivables	22,070
Total assets	<u>615,082</u>
Trade and other payables	41,546
Provisions	2,144
Borrowings	121,357
Current income tax liabilities	6,204
Deferred tax liabilities	55,027
Total liabilities	<u>226,278</u>
Total identifiable net assets	388,804
Less: Non-controlling interest	(249)
Add: Goodwill	98,989
Consideration transferred for the business	487,544
Amount reflected as other payables	(19,474)
Cash paid	<u>468,070</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. Business combination (continued)

- (a) **Acquisition-related cost**
Acquisition-related costs of \$3,573,000 are included in “administrative expenses” in the consolidated profit and loss and in operating cash flows in the consolidated statement of cash flows.
- (b) **Fair values**
The fair value of the acquired identifiable intangible assets of \$37,644,000 (customer relationships and lease contracts) were finalised during the year.
- (c) **Acquired receivables**
The fair value of trade and other receivables is \$22,070,000. The gross contractual amount for trade and other receivables due is \$22,369,000, of which \$299,000 is expected to be uncollectible.
- (d) **Goodwill**
The goodwill of \$98,989,000 arising from the acquisition is attributable to the synergies expected to arise from enabling the Group to provide end-to-end services to its customers with logistics needs in Singapore and Malaysia, thereby increasing the Group’s competitive edge in relation to its global competitors and entrenching its customers.
- (e) **Revenue and profit contribution**
The acquired business contributed \$132.5 million of revenue and \$11.2 million of net profit to the Group for the period from 2 January 2018 to 31 December 2018.
- (f) Had Cogent been consolidated from 1 January 2018, consolidated revenue and consolidated net profit for the year ended 31 December 2018 would be substantially the same.

20. Investments in associated companies

	The Group	
	31 December	
	2018	2017
	\$'000	\$'000
Beginning of financial year	–	4,185
Additions	13,953	–
Currency translation differences	(275)	(56)
Share of profit after tax from continuing operations	2,126	–
Share of loss after tax from discontinued operations	–	(284)
Dividends received, net of tax	(633)	–
Disposal of subsidiaries (Note 13)	–	(3,845)
End of financial year	15,171	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Investments in associated companies (continued)

	The Company	
	31 December	
	2018	2017
	\$'000	\$'000
Equity investment at cost	13,953	—
Beginning of financial year	—	—
Additions	13,953	—
End of financial year	13,953	—

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

Name of associated companies	Principal activities	Country of incorporation/ business	% of paid-up capital held by the Company		
			31 December		1 January
			2018	2017	2017
			%	%	%
PT. Ocean Global Shipping Logistics ⁽ⁱ⁾	Logistic service, freight forwarding and container depot services	Indonesia	40	—	—

Name of associated companies	Principal activities	Country of incorporation/ business	% of paid-up capital held by subsidiaries of the Company		
			31 December		1 January
			2018	2017	2017
			%	%	%
DMI (Guangzhou) Ltd ^{(ii) and (iii)}	Overhaul and spare-parts replacement and repair	People's Republic of China ("PRC")	—	—	30
Tru-Marine Cosco (Tianjin) Engineering Co., Ltd. ^{(ii) and (iii)}	Overhaul and spare-parts replacement and repair	PRC	—	—	40
Diesel Marine International (Nantong) Co., Ltd. ^{(ii) and (iii)}	Overhaul and spare-parts replacement and repair	PRC	—	—	30
Diesel Marine Dalian Ltd ^{(ii) and (iii)}	Overhaul and spare-parts replacement and repair	PRC	—	—	30

⁽ⁱ⁾ Audited by Abdul Aziz Fiby Ariza ("KAP-AAFA") Indonesia.

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

⁽ⁱⁱⁱ⁾ Disposed in 2017 due to disposal of the subsidiaries set out in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Investments in associated companies (continued)

On 3 November 2017, the Group entered into a share sale and purchase agreement for the purchase of 40% equity interest in PT. Ocean Global Shipping Logistics for a total purchase consideration of \$13,953,000. The transaction was completed on 2 February 2018.

Summarised financial information of associated company

Summarised balance sheet

	31 December 2018 \$'000
Current assets	37,634
Current liabilities	(19,449)
Non-current assets	6,534
Non-controlling interests	(438)
Share capital and reserves attributable to shareholders of PT. Ocean Global Shipping Logistics	(24,281)

Summarised statement of comprehensive income

	2018 \$'000
Revenue	17,785
Profit from continuing operations	8,063
Post-tax profit from continuing operations	5,537
Total comprehensive income	5,537
Dividends received from associated company	633

Reconciliation of summarised financial information

Reconciliation of the above summarised financial information to the carrying amount of the interest in PT. Ocean Global Shipping Logistics recognised in these consolidated financial statements:

	31 December 2018 \$'000
Net assets	24,281
Proportion of the Group's ownership interest in PT. Ocean Global Shipping Logistics	40%
Share of net assets	9,713
Goodwill	5,458
	15,171

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

20. Investments in associated companies (continued)

In 2017, the Group had interests in a number of individually immaterial associates held through the Disposal Group. The following table summarises, in aggregate, the carrying amount and share of loss and other comprehensive loss of these associates that are accounted for using the equity method:

	31 December 2017 \$'000	1 January 2017 \$'000
Carrying amount of interests in immaterial associates	–	4,185
	2017 \$'000	2016 \$'000
Group's share of:		
- Loss from discontinued operations	(284)	(250)
- Other comprehensive loss	(56)	(212)
- Total comprehensive loss	(340)	(462)

21. Investments in subsidiaries

	The Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
<i>Unquoted equity shares</i>			
Beginning of financial year	142,607	388,746	388,746
Acquisition of subsidiaries	487,544	–	–
Disposal of investment in subsidiaries	–	(246,139)	–
	630,151	142,607	388,746
Accumulated impairment losses	(15,968)	(15,968)	(15,968)
End of financial year	614,183	126,639	372,778

Movement in accumulated impairment losses are as follows:

	2018 \$'000	2017 \$'000
Beginning and end of financial year	15,968	15,968

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Investments in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2018, 31 December 2017 and 1 January 2017:

Name	Principal activities	Country of incorporation/ business	Cost of investment			Proportion of ordinary shares directly held by the Company			Effective shareholding held by the Group			Effective shareholding held by non-controlling interests		
			31 December			31 December			31 December			31 December		
			2018	2017	2017	2018	2017	2017	2018	2017	2017	2018	2017	2017
			\$'000	\$'000	\$'000	%	%	%	%	%	%	%	%	%
COSCO (Singapore) Pte Ltd ⁽ⁱ⁾	Ship owning, ship chartering and investment holding	Singapore	87,664	87,664	87,664	100	100	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	2,242	90	90	90	90	90	90	10	10	10
Harington Property Pte Ltd ⁽ⁱ⁾	Trading and investing in properties, provide property management services and investment holding	Singapore	52,701	52,701	52,701	100	100	100	100	100	100	-	-	-
COSCO SHIPPING Southeast Asia Container Logistics Services Pte Ltd ^(x)	Investment holding and provision of logistics, storage, forwarding and shipping services and other services	Singapore	*	-	-	50	-	-	50	-	-	50	-	-
Cogent Holdings Pte. Ltd. (formerly known as Cogent Holdings Limited) ⁽ⁱ⁾	Investment holding	Singapore	487,544	-	-	100	-	-	100	-	-	-	-	-

* denotes less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment			Proportion of ordinary shares directly held by the Company			Effective shareholding held by the Group			Effective shareholding held by non-controlling interests		
			31 December		1 January	31 December		1 January	31 December		1 January	31 December		1 January
			2018 \$'000	2017 \$'000	2017 \$'000	2018 %	2017 %	2017 %	2018 %	2017 %	2017 %	2018 %	2017 %	2017 %
SH Cogent Logistics Pte Ltd ^(a)	Provision of warehousing management services, container depot management services and transportation and cargoes	Singapore	-	-	-	-	-	-	100	-	-	-	-	-
Cogent Jurong Island Pte. Ltd. ^(a)	Provision of warehousing services	Singapore	-	-	-	-	-	-	100	-	-	-	-	-
Cogent Integrated Supply Chain Pte. Ltd. (formerly known as Cogent Investment Group Pte. Ltd.) ^(a)	Provision of warehousing services	Singapore	-	-	-	-	-	-	100	-	-	-	-	-
Cogent Automotive Logistics Pte. Ltd. ^(a)	Export processing, transportation and storage of motor vehicles	Singapore	-	-	-	-	-	-	100	-	-	-	-	-
Cogent Land Capital Pte Ltd ^(a)	Provision of automotive logistics management services warehousing and property management services	Singapore	-	-	-	-	-	-	100	-	-	-	-	-
Cogent Container Depot Pte Ltd ^(a)	Provision of container depot management services	Singapore	-	-	-	-	-	-	100	-	-	-	-	-
Cogent Realty Capital Pte Ltd ^(a)	Provision of hostel management services	Singapore	-	-	-	-	-	-	100	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment			Proportion of ordinary shares directly held by the Company			Effective shareholding held by the Group			Effective shareholding held by non-controlling interests		
			31 December		1 January	31 December		1 January	31 December		1 January	31 December		1 January
			2018	2017	2017	2018	2017	2017	2018	2017	2017	2018	2017	2017
			\$'000	\$'000	\$'000	%	%	%	%	%	%	%	%	%
Cogent Container Depot (M) Sdn. Bhd. ⁽ⁱⁱ⁾	Provision of container depot management services	Malaysia	-	-	-	-	-	-	100	-	-	-	-	-
SH Cogent Logistics Sdn. Bhd. ⁽ⁱⁱ⁾	Provision of container depot management services and warehousing management services	Malaysia	-	-	-	-	-	-	100	-	-	-	-	-
COSCO Shipyard Group Co., Ltd. ^{(iii), (iv) and (vi)}	Investment holding, ship repair and marine engineering	People's Republic of China ("PRC")	-	-	191,173	-	-	51	-	-	51	-	-	49
COSCO (Nantong) Shipyard Co., Ltd. ^{(iii), (iv) and (vi)}	Ship repair and marine engineering	PRC	-	-	24,670	-	-	50	-	-	75	-	-	25
COSCO (Dalian) Shipyard Co., Ltd. ^{(iii), (iv) and (vi)}	Ship repair, ship building and marine engineering	PRC	-	-	30,296	-	-	39	-	-	69	-	-	31
COSCO (Guangdong) Shipyard Co., Ltd. ^{(iii), (iv), (vi) and (vii)}	Ship repair, ship building and marine engineering	PRC	-	-	-	-	-	-	-	-	38	-	-	62
COSCO (Zhoushan) Shipyard Co., Ltd. ^{(iii), (iv) and (vi)}	Ship repair, ship building and marine engineering	PRC	-	-	-	-	-	-	-	-	51	-	-	49
COSCO (Shanghai) Shipyard Co., Ltd. ^{(iii), (iv), (vi) and (vii)}	Ship repair and marine engineering	PRC	-	-	-	-	-	-	-	-	48	-	-	52
COSCO (Qidong) Offshore Co., Ltd. ^{(iii), (iv), (vi) and (vii)}	Marine engineering	PRC	-	-	-	-	-	-	-	-	31	-	-	69

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment			Proportion of ordinary shares directly held by the Company			Effective shareholding held by the Group			Effective shareholding held by non-controlling interests		
			31 December		1 January	31 December		1 January	31 December		1 January	31 December		1 January
			2018	2017	2017	2018	2017	2017	2018	2017	2017	2018	2017	2017
			\$'000	\$'000	\$'000	%	%	%	%	%	%	%	%	%
COSCO Shipyard Engineering Service (Dalian) Co., Ltd. (formerly known as COSCO Dalian Rikky Ocean Engineering Co., Ltd.) ^{(iii), (vi) and (vii)}	Overhaul, repair, commissioning and spare-parts replacement of governor, turbocharger and engine fuel system	PRC	-	-	-	-	-	-	-	-	44	-	-	56
COSCO (Nantong) Clavon Ship Engineering Co., Ltd. ^{(iii), (vi) and (vii)}	Ship repair and corrosion control	PRC	-	-	-	-	-	-	-	-	31	-	-	69
Zhongxing Sea-Land Engineering Co., Ltd. ^{(iii), (vi) and (vii)}	Ship repair	PRC	-	-	-	-	-	-	-	-	26	-	-	74
COSCO Shipyard Total Automation Co., Ltd. ^{(iii) and (vi)}	Design, manufacture, sale and technical service relating to vessels and industrial instruments	PRC	-	-	-	-	-	-	-	-	51	-	-	49
COSCO (Hongkong) Shipyard Co., Ltd. ^{(iii) and (vi)}	Provision of shipyard financing, marketing and sales of shipbuilding and offshore projects	Hong Kong	-	-	-	-	-	-	-	-	51	-	-	49
Dalian Developer Drilling Co., Limited ⁽ⁱⁱⁱ⁾ and (vi)	Leasing, management and sales of offshore projects	Hong Kong	-	-	-	-	-	-	-	-	69	-	-	31

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Investments in subsidiaries (continued)

Name	Principal activities	Country of incorporation/ business	Cost of investment			Proportion of ordinary shares directly held by the Company			Effective shareholding held by the Group			Effective shareholding held by non-controlling interests		
			31 December		1 January	31 December		1 January	31 December		1 January	31 December		1 January
			2018	2017	2017	2018	2017	2017	2018	2017	2017	2018	2017	2017
			\$'000	\$'000	\$'000	%	%	%	%	%	%	%	%	%
Cos Fair Shipping Pte Ltd ^{(i) and (v)}	Ship owning and ship chartering	Singapore/ Worldwide	-	-	-	-	-	-	-	-	100	-	-	-
Cos Glory Shipping Inc. ^{(i) and (v)}	Ship owning and ship chartering	Panama/ Worldwide	-	-	-	-	-	-	-	-	100	-	-	-
Hanbo Shipping Limited ^{(ii) and (ix)}	Ship owning and ship chartering	Hong Kong/ Worldwide	-	-	-	-	-	-	-	100	100	-	-	-
Sanbo Shipping Limited ^{(ii) and (ix)}	Ship owning and ship chartering	Hong Kong/ Worldwide	-	-	-	-	-	-	-	100	100	-	-	-
Cos Orchid Shipping Pte Ltd ^{(i) and (v)}	Ship owning and ship chartering	Singapore/ Worldwide	-	-	-	-	-	-	-	-	100	-	-	-
Cos Prosperity Shipping Pte Ltd ^{(i) and (v)}	Ship owning and ship chartering	Singapore/ Worldwide	-	-	-	-	-	-	-	-	100	-	-	-
Cos Knight Shipping Maritime Inc. ^{(i) and (v)}	Ship owning and ship chartering	Panama/ Worldwide	-	-	-	-	-	-	-	-	100	-	-	-
Cos Lucky Shipping Maritime Inc. ^{(i) and (v)}	Ship owning and ship chartering	Panama/ Worldwide	-	-	-	-	-	-	-	-	100	-	-	-
COSCO Engineering Pte Ltd ^{(i) and (viii)}	Ship repairing, engineering, container repairs and services, fabrication works services and production of marine outfitting components	Singapore	-	-	-	-	-	-	90	90	90	10	10	10
			630,151	142,607	388,746									

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Investments in subsidiaries (continued)

- (i) Audited by PricewaterhouseCoopers LLP, Singapore.
- (ii) Audited by PricewaterhouseCoopers firms outside Singapore.
- (iii) Audited by Ruihua Certified Public Accountants, PRC.
- (iv) Audited by PricewaterhouseCoopers LLP, Singapore and firms outside Singapore up to date of disposal for the purpose of preparation of consolidated financial statements of the Group.
- (v) Dissolved in 2017.
- (vi) Disposed in 2017 as detailed in Note 11.
- (vii) As at 1 January 2017, these entities were controlled by the Company's direct subsidiary, COSCO Shipyard Group Co., Ltd. ("CSG"). Even though the effective shareholding held by the Company in these entities was less than 50%, these entities were considered indirectly controlled by the Company through the Company's controlling interest in CSG.
- (viii) This entity is controlled by the Company's direct subsidiary, COSCO Marine Engineering (Singapore) Pte Ltd.
- (ix) This entity was deregistered in 2018.
- (x) The Group has determined that it controls COSCO SHIPPING Southeast Asia Container Logistics Services Pte Ltd notwithstanding that it owns 50% of the equity holding. The factor that the Group considered in making this determination include its current ability to direct the activities of its investee, as the Group has a majority voting rights due to its majority board of directors representation in COSCO SHIPPING Southeast Asia Container Logistics Services Pte Ltd.

Significant restrictions

At 1 January 2017, cash and short-term deposits of \$1,403,338,000 were held in the People's Republic of China and were 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

	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
COSCO Shipyard Group Co., Ltd. and its subsidiaries	—	—	(16,875)
Other subsidiaries with immaterial non-controlling interests	1,482	1,421	1,329
	1,482	1,421	(15,546)

Summarised financial information of subsidiaries with material non-controlling interests

Set out below were the summarised financial information for the Disposal Group in 2017, presented before inter-company eliminations.

During the financial year ended 31 December 2017, the Disposal Group was disposed as detailed in Note 11. The summarised balance sheets and cash flows of the Disposal Group are disclosed in Note 13 and the summarised income statement of the Disposal Group is disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. Investments in subsidiaries (continued)

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

Summarised balance sheet

	1 January 2017 \$'000
Current	
Assets	6,844,434
Liabilities	(6,466,459)
Total current net assets	377,975
Non-current	
Assets	2,688,747
Liabilities	(3,018,457)
Total non-current net liabilities	(329,710)
Net assets	48,265

Summarised income statement

	For the financial year ended 31 December 2016 \$'000
Revenue	2,517,968
Loss before income tax	(852,914)
Income tax expense	(97,797)
Total loss	(950,711)
Other comprehensive loss	(43,094)
Total comprehensive loss	(993,805)
Dividends declared to non-controlling interests	(1,494)

Summarised cash flows

	For the financial year ended 31 December 2016 \$'000
Net cash used in operating activities	(428,114)
Net cash used in investing activities	(1,432)
Net cash provided by financing activities	421,519
Net decrease in cash and cash equivalents	(8,027)
Cash and cash equivalents at beginning of year	1,444,320
Effects of currency translation on cash and cash equivalents	(34,932)
Cash and cash equivalents at end of year	1,401,361

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. Investment properties

	The Group	
	31 December	
	2018	2017
	\$'000	\$'000
<i>Cost</i>		
Beginning of financial year	22,853	23,178
Currency translation differences	—	(47)
Additions	—	148
Reclassification from property, plant and equipment (Note 23)	699	4,798
Disposal of subsidiaries (Note 13)	—	(5,224)
End of financial year	23,552	22,853
<i>Accumulated depreciation</i>		
Beginning of financial year	9,067	8,503
Currency translation differences	—	(16)
Depreciation charge		
- Continuing operations (Note 5)	523	432
- Discontinued operations	—	140
Reclassification from property, plant and equipment (Note 23)	325	1,777
Disposal of subsidiaries (Note 13)	—	(1,769)
End of financial year	9,915	9,067
Net book value	13,637	13,786
Fair values	33,090	31,330

Investment properties comprise of three office units and one unit of residential property leased to 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 2018, 31 December 2017 and 1 January 2017, the fair values of the properties have been determined by CBRE Private Limited.

The following amounts are recognised in profit or loss:

	The Group	
	2018	2017
	\$'000	\$'000
Rental income	1,104	652
Direct operating expenses arising from investment properties that generate rental income	796	781

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Property, plant and equipment

The Group

	Leasehold land and buildings \$'000	Office renovations, furniture, fixtures and equipment \$'000	Plant, machinery and equipment \$'000	Motor vehicles \$'000	Motor vessels \$'000	Construction- in-progress \$'000	Total \$'000
2018							
<i>Cost</i>							
Beginning of financial year	9,986	1,009	2,282	1,513	80,924	–	95,714
Currency translation differences	75	–	–	2	1,652	–	1,729
Acquisition of subsidiaries (Note 19)	439,624	10,170	22,438	16,160	–	6,338	494,730
Disposal of a subsidiary (Note 13)	–	(1)	(33)	(79)	–	–	(113)
Additions	8	519	1,383	4,192	1,855	27,609	35,566
Disposals	(1,724)	(1,676)	(13)	(397)	(1,150)	–	(4,960)
Reclassification to assets held-for-sale	(1,398)	–	–	–	–	–	(1,398)
Reclassification to investment properties (Note 22)	(699)	–	–	–	–	–	(699)
Reclassification	59	941	689	–	–	(1,689)	–
End of financial year	445,931	10,962	26,746	21,391	83,281	32,258	620,569
<i>Accumulated depreciation and impairment losses</i>							
Beginning of financial year	6,969	926	2,175	786	44,220	–	55,076
Currency translation differences	19	–	–	1	919	–	939
Depreciation charge	8,639	2,860	1,688	3,368	2,779	–	19,334
Disposals	(817)	(1,658)	(3)	(298)	(1,022)	–	(3,798)
Disposal of a subsidiary (Note 13)	–	–	(5)	(7)	–	–	(12)
Reclassification to assets held-for-sale	(657)	–	–	–	–	–	(657)
Reclassification to investment properties (Note 22)	(325)	–	–	–	–	–	(325)
End of financial year	13,828	2,128	3,855	3,850	46,896	–	70,557
Net book value							
End of financial year	432,103	8,834	22,891	17,541	36,385	32,258	550,012

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Property, plant and equipment (continued)

The Group (continued)

	Leasehold land and buildings \$'000	Office renovations, furniture, fixtures and equipment \$'000	Plant, machinery and equipment \$'000	Motor vehicles \$'000	Motor vessels \$'000	Docks and quays \$'000	Construction- in-progress \$'000	Total \$'000
2017								
<i>Cost</i>								
Beginning of financial year	1,239,164	57,687	1,022,417	44,101	754,776	1,036,617	9,720	4,164,482
Currency translation differences	(15,895)	(729)	(13,032)	(570)	(43,242)	(13,219)	(116)	(86,803)
Disposal of subsidiaries (Note 13)	(1,202,580)	(55,474)	(1,002,833)	(40,396)	(448,739)	(1,022,361)	(10,962)	(3,783,345)
Additions	–	473	964	462	–	–	7,332	9,231
Disposals	(7,753)	(1,369)	(9,291)	(2,697)	(181,871)	(72)	–	(203,053)
Reclassification to investment properties (Note 22)	(4,798)	–	–	–	–	–	–	(4,798)
Reclassification	1,848	421	4,057	613	–	(965)	(5,974)	–
End of financial year	9,986	1,009	2,282	1,513	80,924	–	–	95,714
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	312,935	50,847	683,535	39,498	195,954	354,350	–	1,637,119
Currency translation differences	(3,844)	(634)	(8,393)	(508)	(10,079)	(4,387)	–	(27,845)
Disposal of subsidiaries (Note 13)	(321,853)	(50,100)	(716,158)	(36,973)	(22,245)	(368,791)	–	(1,516,120)
Depreciation charge								
- Continuing operations (Note 5)	394	55	88	174	4,284	–	–	4,995
- Discontinued operations	26,059	2,127	51,363	1,084	15,238	18,900	–	114,771
Disposals	(4,945)	(1,369)	(8,260)	(2,489)	(138,932)	(72)	–	(156,067)
Reclassification to investment properties (Note 22)	(1,777)	–	–	–	–	–	–	(1,777)
End of financial year	6,969	926	2,175	786	44,220	–	–	55,076
Net book value								
End of financial year	3,017	83	107	727	36,704	–	–	40,638

(a) Included within additions in the consolidated financial statements are motor vehicles acquired under finance leases amounting to \$574,000 (31 December 2017 and 1 January 2017: Nil).

(b) The carrying amounts of plant and equipment and motor vehicles held under finance leases are \$10,941,000 (31 December 2017 and 1 January 2017: Nil) and \$5,730,000 (31 December 2017 and 1 January 2017: Nil) respectively at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Property, plant and equipment (continued)

The Group (continued)

- (c) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of \$435,111,000 (31 December 2017: Nil and 1 January 2017: \$277,308,000) (Note 27).

The Company

	Office renovations, furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Total \$'000
2018			
<i>Cost</i>			
Beginning of financial year	536	515	1,051
Disposals	—	(149)	(149)
End of financial year	536	366	902
<i>Accumulated depreciation</i>			
Beginning of financial year	525	344	869
Depreciation charge	8	47	55
Disposals	—	(122)	(122)
End of financial year	533	269	802
Net book value			
End of financial year	3	97	100
2017			
<i>Cost</i>			
Beginning of financial year	533	1,122	1,655
Additions	3	—	3
Disposals	—	(607)	(607)
End of financial year	536	515	1,051
<i>Accumulated depreciation</i>			
Beginning of financial year	514	748	1,262
Depreciation charge	11	81	92
Disposals	—	(485)	(485)
End of financial year	525	344	869
Net book value			
End of financial year	11	171	182

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Intangible assets

	The Group			The Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Goodwill arising on consolidation (Note (a))	98,989	—	9,536	—	—	—
Club memberships (Note (b))	92	147	280	—	34	48
Contract-based intangible asset (Note (c))	1,755	—	—	—	—	—
Customer relationships intangible asset (Note (d))	30,197	—	—	—	—	—
	131,033	147	9,816	—	34	48

(a) Goodwill arising on consolidation

	The Group	
	31 December 2018 \$'000	2017 \$'000
<i>Cost</i>		
Beginning of financial year	—	9,536
Acquisition of subsidiary	98,989	—
Currency translation differences	—	(13)
Disposal of subsidiaries (Note 13)	—	(9,523)
End of financial year	98,989	—
Net book value	98,989	—

Impairment tests for goodwill

At 31 December 2018

During the year, the Group acquired Cogent Holdings Limited and recorded goodwill of \$98,989,000.

This goodwill is allocated to the Group's logistics cash-generating unit ("CGU") and it operates business in providing integrated logistics services including storage, transportation and logistics management services.

The recoverable amount of the CGU was determined based on value-in-use. Cash flows projections used in the value-in-use calculation were based on financial forecasts approved by management covering periods not more than five years. Cash flows beyond the five-year period were extrapolated based on 2.6% growth rate. The growth rate did not exceed the long-term average growth rate for the logistics business in which the CGUs operate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

Impairment tests for goodwill (continued)

At 31 December 2018 (continued)

Key assumptions used in value-in-use calculations:

	2018
Terminal growth rate ¹	2.6%
Discount rate ²	<u>8.5%</u>

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 logistics CGU within the Group. Management determined budgeted cash flows based on past performance and its expectations of the market developments. The terminal growth rate used is consistent with the forecasts included in industry reports. The discount rate used is pre-tax and reflects specific risks relating to the relevant industries.

At 1 January 2017

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

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

Key assumptions used for value-in-use calculations:

	1 January 2017
Growth rate ¹	nil
Discount rate ²	<u>11%</u>

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

Impairment tests for goodwill (continued)

At 1 January 2017 (continued)

The impairment test had revealed that the recoverable amount of the CGU was higher than its carrying amount. Hence, there was no impairment charge recognised for the financial year ended 31 December 2016.

In addition, a decrease in the growth rate or an increase in the discount rate by 1% per annum would not result in any impairment charge for the financial year ended 31 December 2016.

(b) Club memberships

	The Group			The Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Transferable club memberships, at cost	92	363	531	—	245	273
Currency translation differences	—	(5)	3	—	—	—
Allowance for impairment of club memberships	—	(211)	(254)	—	(211)	(225)
	92	147	280	—	34	48

(c) Contract-based intangible assets

	The Group		The Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Cost</i>				
Beginning of financial year	—	—	—	—
Acquisition of subsidiary	3,644	—	—	—
End of financial year	3,644	—	—	—
<i>Accumulated amortisation</i>				
Beginning of financial year	—	—	—	—
Amortisation charge	1,889	—	—	—
End of financial year	1,889	—	—	—
Net book value	1,755	—	—	—

The amortisation charge is presented within the 'Cost of sales' in the consolidated statement of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Intangible assets (continued)

(d) Customer relationships intangible assets

	The Group		The Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Cost</i>				
Beginning of financial year	—	—	—	—
Acquisition of subsidiary	34,000	—	—	—
End of financial year	34,000	—	—	—
<i>Accumulated amortisation</i>				
Beginning of financial year	—	—	—	—
Amortisation charge	3,803	—	—	—
End of financial year	3,803	—	—	—
Net book value	30,197	—	—	—

The amortisation charge is presented within the 'Cost of sales' in the consolidated statement of profit or loss.

25. Deferred expenditure

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. Trade and other payables

	The Group			The Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
<i>Current</i>						
Trade payables:						
- Non-related parties	7,921	771	436,022	—	—	—
- Associated companies	—	—	2,181	—	—	—
- Fellow subsidiaries	696	943	6,244	—	—	—
	8,617	1,714	444,447	—	—	—
Advances from non-related parties	1,317	536	16,214	—	—	—
Non-trade payables:						
- Non-related parties ⁽ⁱ⁾	6,537	—	—	6,537	—	—
- Subsidiaries	—	—	—	38,630	47,380	15,040
- A fellow subsidiary ⁽ⁱⁱ⁾	39	38,039	—	—	38,000	—
	6,576	38,039	—	45,167	85,380	15,040
Deposits received	9,938	302	13,284	—	—	—
Deferred income	—	—	5,425	—	—	—
Other accruals for operating expenses	20,854	6,179	1,376,428	2,220	3,745	2,545
Interest payable	754	—	20,014	736	—	—
Dividend payable to non-controlling interests of subsidiaries	—	—	16,714	—	—	—
	31,546	6,481	1,431,865	2,956	3,745	2,545
Total current trade and other payable	48,056	46,770	1,892,526	48,123	89,125	17,585
<i>Non-current</i>						
Non-trade payables to:						
- Non-related parties ⁽ⁱ⁾	4,468	—	—	4,468	—	—
Total trade and other payable	52,524	46,770	1,892,526	52,591	89,125	17,585

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

⁽ⁱ⁾ The non-trade payables to non-related parties relate to the outstanding deferred consideration payable for the acquisition of Cogent Holdings Limited as disclosed in Note 19.

⁽ⁱⁱ⁾ During the year, non-trade payables of \$38,000,000 due to a fellow subsidiary was converted into a borrowing with a maturity date of 31 December 2020 (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. Borrowings

	The Group			The Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Current</i>						
Bank borrowings (unsecured)	200	—	2,386,046	—	—	—
Bank borrowings (secured)	22,413	—	1,639,115	13,580	—	—
Loan from a fellow subsidiary (unsecured)	—	—	188,796	—	—	—
Bills payable	—	—	83,134	—	—	—
Finance lease liabilities	3,102	—	—	—	—	—
	25,715	—	4,297,091	13,580	—	—
<i>Non-current</i>						
Bank borrowings (unsecured)	—	—	2,912,394	—	—	—
Bank borrowings (secured)	107,771	—	—	20,489	—	—
Loan from a fellow subsidiary (unsecured) ⁽ⁱ⁾	38,000	—	105,933	38,000	—	—
Finance lease liabilities	6,848	—	—	—	—	—
	152,619	—	3,018,327	58,489	—	—
Total borrowings	178,334	—	7,315,418	72,069	—	—

⁽ⁱ⁾ During the year, non-trade payables of \$38,000,000 due to a fellow subsidiary was converted into a borrowing that bears variable interest of 2.38% per annum. The loan was extended for another 2 years, bearing variable interest of 2.92% per annum and repayable on 31 December 2020.

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

	The Group			The Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Less than 1 year	25,715	—	4,297,091	13,580	—	—
1 – 5 years	102,923	—	3,018,327	58,489	—	—
Over 5 years	49,696	—	—	—	—	—
	178,334	—	7,315,418	72,069	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. Borrowings (continued)

(a) Security granted

At the balance sheet date, total borrowings include secured liabilities of \$140,134,000 (31 December 2017: Nil and 1 January 2017: \$1,639,115,000) for the Group.

Secured bank borrowings are secured by:

- (i) share charge of certain subsidiaries
- (ii) certain bank deposits (Note 13)
- (iii) certain property, plant and equipment (Note 23)

(b) Fair values of non-current borrowings

As at 31 December 2018 and 1 January 2017, the carrying amounts of non-current borrowings approximated their fair values.

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

	31 December 2018		1 January 2017		
	SGD %	MYR %	USD %	RMB %	EUR %
Bank borrowings	3.47	5.12	2.96	2.87	2.18
Loan from a fellow subsidiary	2.92	—	2.82	4.52	—
Finance lease liabilities	1.53	—	—	—	—

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

(c) Breach of loan covenants

As at 1 January 2017, certain subsidiaries had loan agreements that were subjected to covenant clauses, where certain key financial ratios need to be met. Some of the loan covenant clauses had been breached and the banks were contractually entitled to request for repayment of the outstanding loan amounting to \$1,488,354,000. The outstanding balance was presented as a current liability as at 1 January 2017. These subsidiaries were included in the Disposal Group sold to a fellow subsidiary (Note 13).

There were no breaches of loan covenants as at 31 December 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. Borrowings (continued)

(d) Finance lease liabilities

The Group leases certain plant and equipment and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	The Group	
	31 December	1 January
	2018	2017
	\$'000	\$'000
Minimum lease payments due		
- Not later than one year	3,332	—
- Between one and five years	7,357	—
	10,689	—
Less: Future finance charges	(739)	—
Present value of finance lease liabilities	9,950	—

The present values of finance lease liabilities are analysed as follows:

	The Group	
	31 December	1 January
	2018	2017
	\$'000	\$'000
Not later than one year	3,102	—
Later than one year		
- Between one and five years	6,848	—
	9,950	—

28. Provisions

	The Group	
	31 December	1 January
	2018	2017
	\$'000	\$'000
Provision for off hire claim (Note (a))	341	443
Provision for warranties (Note (b))	—	38,506
Provision for reinstatement costs (Note (c))	1,207	—
	1,548	38,949
Current	350	38,949
Non-current	1,198	—
	1,548	38,949

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Provisions (continued)

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

	The Group	
	31 December	
	2018	2017
	\$'000	\$'000
Beginning of financial year	–	443
Provision/(reversal) made during the financial year	337	(77)
Provision utilised during the financial year	–	(332)
Currency translation differences	4	(34)
End of financial year	341	–

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

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

	The Group	
	31 December	
	2018	2017
	\$'000	\$'000
Beginning of financial year	–	38,506
Provision recognised during the financial year	–	82,323
Provision utilised during the financial year	–	(4,825)
Currency translation differences	–	36
Disposal of subsidiaries (Note 13)	–	(116,040)
End of financial year	–	–

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Provisions (continued)

(c) Movements in provision for reinstatement costs are as follows:

	The Group	
	31 December	
	2018	2017
	\$'000	\$'000
Beginning of financial year	—	—
Acquisition of subsidiary	2,144	—
Provision made during the financial year	18	—
Provision utilised during the financial year	(825)	—
Reversal of prior year overprovision	(130)	—
End of financial year	1,207	—

The Group provided for costs to reinstate the group's leased premises to their original state upon expiry of their lease.

29. Deferred income taxes

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

	The Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Deferred income tax assets	—	—	140,598
Deferred income tax liabilities	(54,420)	(132)	(263)
Net deferred tax (liabilities)/assets	(54,420)	(132)	140,335

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. Deferred income taxes (continued)

Movement in the deferred income tax account is as follows:

	The Group	
	31 December	
	2018	2017
	\$'000	\$'000
Beginning of financial year	132	(140,335)
Currency translation differences	–	2,143
Acquisition of subsidiaries	55,028	–
Disposal of subsidiaries (Note 13)	–	86,780
Deferred tax charged to profit or loss, attributable to:		
- continuing operations	(740)	(1)
- discontinued operations	–	51,530
Deferred tax charged to other comprehensive income (Note 31(b)(iv))	–	15
End of financial year	54,420	132

The Group has unrecognised tax losses of \$728,000 (2017: Nil and 1 January 2017: \$481,887,000) and capital allowance of \$769,000 (2017: Nil and 1 January 2017: Nil) 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 and capital allowances have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. 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 is as follows:

Deferred income tax liabilities

	Accelerated tax depreciation \$'000	Fair value gain - net \$'000	The Group Undistributed profit of foreign associated company \$'000	Total \$'000
2018				
Beginning of financial year	132	—	—	132
Acquisition of subsidiaries	55,028	—	—	55,028
(Credited)/charged to income statement	(953)	—	213	(740)
End of financial year	54,207	—	213	54,420
2017				
Beginning of financial year	133	137	—	270
Currency translation differences	—	(4)	—	(4)
Disposal of subsidiaries (Note 13)	—	(148)	—	(148)
Credited to profit or loss for continuing operations (Note 10)	(1)	—	—	(1)
Charged to other comprehensive income	—	15	—	15
End of financial year	132	—	—	132

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

	The Group		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Total deferred income tax liabilities	54,420	132	270
Offsetting of deferred income tax assets from the same tax jurisdiction	—	—	(7)
Total deferred income tax liabilities after appropriate offsetting from the same tax jurisdiction	54,420	132	263

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. Deferred income taxes (continued)

Deferred income tax assets

	The Group		
	Provisions and accruals \$'000	Tax losses \$'000	Total \$'000
2017			
Beginning of financial year	(134,873)	(5,732)	(140,605)
Currency translation differences	2,086	61	2,147
Disposal of subsidiaries (Note 13)	79,277	7,651	86,928
Charged/(credited) to profit or loss for discontinued operations (Note 11)	53,510	(1,980)	51,530
End of financial year	—	—	—

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

	The Group		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Total deferred income tax assets	—	—	(140,605)
Offsetting of deferred income tax liabilities from the same tax jurisdiction	—	—	7
Total deferred income tax assets after appropriate offsetting from the same tax jurisdiction	—	—	(140,598)

30. Share capital

	Issued share capital	
	No. of ordinary shares '000	Amount \$'000
2018		
Beginning and end of financial year	2,239,245	270,608
2017		
Beginning and end of financial year	2,239,245	270,608

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Share capital (continued)

Share options

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Share capital (continued)

Share options (continued)

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

The Group and the Company

As at 31 December 2018

	Number of ordinary shares under option outstanding			Exercise price \$	Exercise period
	Beginning of financial year '000	Lapsed during financial year '000	End of financial year '000		
2008 Options	720	(720)	—	2.95	24.3.2009 - 23.3.2018
	720	(720)	—		

As at 31 December 2017

	Number of ordinary shares under option outstanding			Exercise price \$	Exercise period
	Beginning of financial year '000	Lapsed during financial year '000	End of financial year '000		
2007 Options	2,800	(2,800)	—	2.48	5.2.2008 - 4.2.2017
2008 Options	6,750	(6,030)	720	2.95	24.3.2009 - 23.3.2018
	9,550	(8,830)	720		

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Share capital (continued)

Share options (continued)

The Group and the Company (continued)

As at 1 January 2017

	Number of ordinary shares under option outstanding				
	Beginning of financial year '000	Lapsed during financial year '000	End of financial year '000	Exercise price \$	Exercise period
2006 Options	550	(550)	—	1.23	21.2.2007 - 20.2.2016
2007 Options	3,050	(250)	2,800	2.48	5.2.2008 - 4.2.2017
2008 Options	7,180	(430)	6,750	2.95	24.3.2009 - 23.3.2018
	<u>10,780</u>	<u>(1,230)</u>	<u>9,550</u>		

As at 31 December 2017 and 1 January 2017, all outstanding options are exercisable. There was no share option issued in 2018 and 2017. 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 2018 and 2017.

31. Statutory and other reserves

	The Group			The Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
(a) Composition:						
Share option reserve	44,578	44,578	44,578	44,578	44,578	44,578
Statutory reserve	—	—	245,679	—	—	—
Currency translation reserve	(8,652)	(10,092)	—	—	—	—
Fair value reserve	—	—	208	—	—	—
Other reserve	69	69	472	527	527	527
	<u>35,995</u>	<u>34,555</u>	<u>290,937</u>	<u>45,105</u>	<u>45,105</u>	<u>45,105</u>

	The Group		The Company	
	31 December 2018 \$'000	2017 \$'000	31 December 2018 \$'000	2017 \$'000
(b) Movements:				
(i) Share option reserve				
Beginning and end of financial year	<u>44,578</u>	<u>44,578</u>	<u>44,578</u>	<u>44,578</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. Statutory and other reserves (continued)

		The Group	
		2018	2017
		\$'000	\$'000
(b)	Movements: (continued)		
(ii)	Statutory reserve		
	Beginning of financial year	–	245,679
	Disposal of subsidiaries	–	(245,812)
	Transfer from retained earnings	–	133
	End of financial year	–	–
(iii)	Currency translation reserve		
	Beginning of financial year	(10,092)	–
	Reclassification of currency translation reserves on disposal of subsidiaries	–	(5,364)
	Net currency translation differences of financial statements of foreign subsidiaries and associated companies	1,440	(2,327)
	Non-controlling interests	–	(2,401)
		1,440	(4,728)
	End of financial year	(8,652)	(10,092)
(iv)	Fair value reserve		
	Beginning of financial year	–	208
	Reclassification on disposal of subsidiaries (Note 13)	–	(232)
	Fair value gain for financial assets, available-for-sale (Note 18)	–	61
	Deferred tax charged to other comprehensive income (Note 29)	–	(15)
		–	46
	Non-controlling interests	–	(22)
	End of financial year	–	–
(v)	Other reserve		
	Beginning of financial year	69	472
	Disposal of subsidiaries	–	(403)
	End of financial year	69	69

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

Statutory and other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. Dividends

No dividend will be recommended at the Annual General Meeting scheduled on 29 April 2019. No dividend was declared for the financial year ended 31 December 2017.

33. Commitments

(a) Capital commitments

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

	The Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Property, plant and equipment	76,361	–	11,503
Commitment for an acquisition	–	488,070	–
Investment in an associated company	–	13,953	–
	76,361	502,023	11,503

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

As at 31 December 2018 and 31 December 2017, the Group leased various office premises from non-related parties under non-cancellable operating lease agreements.

As at 1 January 2017, the Group leased various office premises, docks and quays from non-related parties under non-cancellable operating lease agreements.

The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group		
	31 December		1 January
	2018	2017	2017
	\$'000	\$'000	\$'000
Not later than 1 year	26,008	182	10,002
Later than 1 year but not later than 5 years	29,907	763	32,771
Later than 5 years	54,156	48	24,332
	110,071	993	67,105

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. Commitments (continued)

(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		
	31 December 2018 \$'000	2017 2017 \$'000	1 January 2017 \$'000
Not later than 1 year	39,889	3,190	5,480
Later than 1 year but not later than 5 years	32,266	4,759	–
Later than 5 years	–	151	–
	72,155	8,100	5,480

34. Financial risk management

Financial risk factors

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

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

(a) Market risk

(i) *Currency risk*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

As at 1 January 2017, 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 was managed primarily through borrowings denominated in RMB and USD.

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

	SGD \$'000	USD \$'000	RMB \$'000	Others \$'000	Total \$'000
<u>At 31 December 2018</u>					
Financial assets					
Cash and cash equivalents	35,600	36,082	–	1,132	72,814
Restricted cash	257	–	–	–	257
Trade and other receivables, excluding prepayments	29,293	2,457	5	1,540	33,295
Receivables from subsidiaries	25,000	13,630	–	–	38,630
	<u>90,150</u>	<u>52,169</u>	<u>5</u>	<u>2,672</u>	<u>144,996</u>
Financial liabilities					
Borrowings	173,667	–	–	4,667	178,334
Payables to subsidiaries	25,000	13,630	–	–	38,630
Other financial liabilities	49,109	2,300	59	1,287	52,755
	<u>247,776</u>	<u>15,930</u>	<u>59</u>	<u>5,954</u>	<u>269,719</u>
Net financial (liabilities)/assets	<u>(157,626)</u>	<u>36,239</u>	<u>(54)</u>	<u>(3,282)</u>	<u>(124,723)</u>
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currencies	159,874	(30,163)	–	3,281	
Currency exposure	<u>2,248</u>	<u>6,076</u>	<u>(54)</u>	<u>(1)</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows (continued):

	SGD \$'000	USD \$'000	RMB \$'000	Total \$'000
<u>At 31 December 2017</u>				
Financial assets				
Cash and cash equivalents	13,302	45,201	1	58,504
Restricted cash	140,660	–	–	140,660
Trade and other receivables, excluding prepayments	6,710	1,156	301,086	308,952
Receivables from subsidiaries	22,000	25,380	–	47,380
	<u>182,672</u>	<u>71,737</u>	<u>301,087</u>	<u>555,496</u>
Financial liabilities				
Payables to subsidiaries	22,000	25,380	–	47,380
Other financial liabilities	43,753	2,481	–	46,234
	<u>65,753</u>	<u>27,861</u>	<u>–</u>	<u>93,614</u>
Net financial assets	116,919	43,876	301,087	<u>461,882</u>
Less: Net financial assets denominated in the respective entities' functional currencies	(115,483)	(36,742)	–	
Currency exposure	<u>1,436</u>	<u>7,134</u>	<u>301,087</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows (continued):

	SGD \$'000	USD \$'000	RMB \$'000	Others* \$'000	Total \$'000
<u>At 1 January 2017</u>					
Financial assets					
Cash and cash equivalents and financial assets, available for sale	22,012	437,701	1,050,918	14,343	1,524,974
Trade and other receivables, excluding advances paid to suppliers and prepayments	8,154	427,586	208,512	–	644,252
Receivables from subsidiaries	–	14,482	43,382	–	57,864
	30,166	879,769	1,302,812	14,343	2,227,090
Financial liabilities					
Borrowings	–	6,366,318	804,739	144,361	7,315,418
Payables to subsidiaries	–	14,482	43,382	–	57,864
Other financial liabilities	5,376	129,581	1,725,376	10,997	1,871,330
	5,376	6,510,381	2,573,497	155,358	9,244,612
Net financial assets/(liabilities)	24,790	(5,630,612)	(1,270,685)	(141,015)	<u>(7,017,522)</u>
Less: Net financial (assets)/liabilities denominated in the respective entities' functional currencies	(23,199)	(66,642)	1,183,374	–	
Add: Contract assets	–	3,645,127	159,721	8,722	
Add: Firm commitments and highly probable forecast transactions in foreign currencies	–	2,209,478	–	(23,474)	
Currency exposure	1,591	157,351	72,410	(155,767)	

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

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

	SGD \$'000	USD \$'000	RMB \$'000	Other \$'000	Total \$'000
<u>At 31 December 2018</u>					
Financial assets					
Cash and cash equivalents	3,934	14,367	–	–	18,301
Restricted cash	257	–	–	–	257
Trade and other receivables, excluding prepayments	23	–	5	–	28
	4,214	14,367	5	–	18,586
Financial liabilities					
Borrowings	72,069	–	–	–	72,069
Trade and other payables	38,900	13,631	59	1	52,591
	110,969	13,631	59	1	124,660
Net financial (liabilities)/assets	(106,755)	736	(54)	(1)	<u>(106,074)</u>
Less: Net financial liabilities denominated in the entity's functional currency	106,755	–	–	–	
Add: Firm commitment and highly probable forecast transactions in foreign currencies	–	(409)	–	–	
Currency exposure	<u>–</u>	<u>327</u>	<u>(54)</u>	<u>(1)</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows: (continued)

	SGD \$'000	USD \$'000	RMB \$'000	Total \$'000
<u>At 31 December 2017</u>				
Financial assets				
Cash and cash equivalents	4,181	31,813	1	35,995
Restricted cash	140,660	–	–	140,660
Trade and other receivables, excluding prepayments	19	–	301,086	301,105
	144,860	31,813	301,087	477,760
Financial liabilities				
Trade and other payables	63,745	25,380	–	89,125
Net financial assets	81,115	6,433	301,087	388,635
Less: Net financial assets denominated in the entity's functional currency	(81,115)	–	–	
Currency exposure	–	6,433	301,087	
	SGD \$'000	USD \$'000	RMB \$'000	Total \$'000
<u>At 1 January 2017</u>				
Financial assets				
Cash and cash equivalents	7,652	22,215	1	29,868
Trade and other receivables, excluding prepayments	1	14,483	43,382	57,866
	7,653	36,698	43,383	87,734
Financial liabilities				
Trade and other payables	17,545	–	40	17,585
Net financial (liabilities)/assets	(9,892)	36,698	43,343	70,149
Less: Net financial liabilities denominated in the entity's functional currency	9,892	–	–	
Currency exposure	–	36,698	43,343	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD changes against the SGD and RMB, and RMB changes against SGD, by 100 basis points (31 December 2017, 1 January 2017: 100 basis points) with all other variables including tax rate being held constant, the effects arising from the net financial asset/liabilities that are exposed to currency risk will be as follows:

	Increase/(decrease)		
	31 December 2018	31 December 2017	1 January 2017
	Profit after tax \$'000	Profit after tax \$'000	Loss after tax \$'000
<u>The Group</u>			
USD against SGD			
- Strengthened	26	35	(594)
- Weakened	(26)	(35)	594
USD against RMB			
- Strengthened	—	—	11,562
- Weakened	—	—	(11,562)
RMB against SGD			
- Strengthened	(2)	12,167	—
- Weakened	2	(12,167)	—
<u>The Company</u>			
USD against SGD			
- Strengthened	11	40	1,052
- Weakened	(11)	(40)	(1,052)
RMB against SGD			
- Strengthened	(2)	12,167	8,649
- Weakened	2	(12,167)	(8,649)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. 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 borrowings at variable rates. The Group monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rates and may use derivative financial instruments to hedge the exposures when the exposure is significant.

31 December 2018

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been lower or higher by 0.5% with all other variables including tax rate being held constant, the profit after tax of the Group and the Company would have been lower or higher by \$699,000 and \$299,000 respectively as a result of lower or higher interest expense on these borrowings.

31 December 2017

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

1 January 2017

As at 1 January 2017, the Group's interest rate risk mainly arose from borrowings at variable rates related to the Disposal Group.

As at 1 January 2017, the Group's borrowings at variable rates on which effective hedges had not been entered into, were denominated in USD. If the USD interest rates had increased/decreased by 0.5% with all other variables including tax rate being held constant, the loss after tax would have been higher/lower by \$19,001,000 as a result of higher/lower interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. The Group only deals with financial institutions with good credit rating.

The Group monitors its exposure to credit risk arising from sales to trade customers as an on-going basis, and credit evaluations are done on customers that require credit. The credit quality of customers is assessed after taking into account its financial position and past experience with the customers. Cash and fixed deposits are placed in banks and financial institutions with good credit rating.

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's and the Company's major classes of financial assets are bank deposits, trade receivables and other receivables (including staff advances, amount due from fellow subsidiaries and dividend receivable from associated companies).

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The movements in credit loss allowance are as follows:

	Trade receivables \$'000
<u>Group</u>	
Balance at 1 January 2018 under SFRS	—
Application of SFRS(I) 9 (Note 2.1A)	—
Balance at 1 January 2018 under SFRS(I) 9	—
Loss allowance recognised in profit or loss during the year on:	
- Assets acquired/originated	299
- Reversal of unutilised amounts	(176)
- Changes in credit risk	193
Balance at 31 December 2018	316

Cash and cash equivalents, other receivables, restricted cash and deposits are subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) and the unemployment rate of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The Group considers a financial asset as in default if the counterparty fails to make contractual payments when they fall due and considering management's expectation based on historical payment trend. Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

		← Past due →				
	Current	1 to 90	91 to 180	181 to 365	More than	Total
	\$'000	days	days	days	1 year	\$'000
		\$'000	\$'000	\$'000	\$'000	
<u>The Group</u>						
Ship repair and marine engineering						
Expected loss rate	0%	0%	0%	0%	0%	
Trade receivables	2,365	1,123	1,551	747	171	5,957
Loss allowance	–	–	–	–	–	–
Charter hire						
Expected loss rate	0%	0%	0%	0%	100%	
Trade receivables	1,569	–	–	–	210	1,779
Loss allowance	–	–	–	–	210	210
Logistics services						
Expected loss rate	0%	0%	0%	0%	68%	
Trade receivables	13,506	6,043	381	70	96	20,096
Loss allowance	–	–	–	–	66	66
Property management						
Expected loss rate	0%	0%	0%	0%	5%	
Trade receivables	1,220	297	194	58	838	2,607
Loss allowance	–	–	–	–	41	41

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 1 January 2018 are set out in the provision matrix as follows:

		← Past due →				
	Current	1 to 90	91 to 180	181 to 365	More than	Total
	\$'000	days	days	days	1 year	\$'000
		\$'000	\$'000	\$'000	\$'000	
<u>The Group</u>						
Ship repair and marine engineering						
Expected loss rate	0%	0%	0%	0%	0%	
Trade receivables	2,508	2,373	66	399	1,058	6,404
Loss allowance	—	—	—	—	—	—
Charter hire						
Expected loss rate	0%	0%	0%	0%	0%	
Trade receivables	1,114	—	—	—	—	1,114
Loss allowance	—	—	—	—	—	—
Property management						
Expected loss rate	0%	0%	0%	0%	0%	
Trade receivables	196	—	—	—	—	196
Loss allowance	—	—	—	—	—	—

The Group's advances to or amounts due from subsidiaries and other receivables carried at amortised cost have low risk of default and a strong capacity to meet contractual cash flows. Hence the loss allowance recognised on these assets are measured at the 12-month expected credit loss. The Group and the Company categorise such loan or receivable as a financial asset with low risk of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

Where the interest and/or principal repayments have no reasonable expectation of recovery, or the counterparty is going into administration or bankruptcy or financial reorganisation, the Group and Company categorise such loan or receivable for impairment.

Category of internal credit rating	Performing	Under-performing	Write-off
Definition of category	Issuers have a low risk of default and a strong capacity to meet contractual cash flows	Issuers for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayment are past due and considering management's expectation based on historical payment trend	Interest and or principal repayments are past due and there is no reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses	Lifetime expected credit losses	Asset is written off

Company

The adoption of SFRS(I) 9 did not have any impact on the loss allowance recognised at the Company level. As at 31 December 2018, the Company did not have any loss allowance arising from its financial assets.

Cash at bank, amount owing from fellow subsidiaries, staff advances and deposits are subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

As at 1 January 2017, certain subsidiaries of the Group had obtained 4 vessels and 2 jack up rigs valued at \$463,180,000 from their debtors as collateral to secure outstanding trade receivables of \$254,058,000. The collateral was secured under first and second preferred mortgage issued by the debtors to these subsidiaries.

Other than the above-mentioned, the Group and Company do not hold any other collateral as at 31 December 2017 and 1 January 2017. 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.

As at 31 December 2017, the other receivables of the Group and Company comprise of one debtor, which is a fellow subsidiary, and it represents 99% of other receivables. This is in relation to the sale of the Disposal Group as disclosed in Note 13.

The Group's and Company's major classes of financial assets are bank deposits, trade receivables, other receivables (including staff advances, amount due from fellow subsidiaries and dividend receivable from associated companies) and contract assets.

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

	The Group	
	31 December 2017	1 January 2017
	\$'000	\$'000
<u>By business segments</u>		
Ship repair, ship building and marine engineering	6,405	4,453,009
Shipping	1,157	3,103
Others*	301,282	7
	308,844	4,456,119

* Included in others are consideration for the sale of the Disposal Group due from a fellow subsidiary amounting to \$290,046,000 as disclosed in Note 13 and dividend receivable from a fellow subsidiary amounting to \$10,946,000 as disclosed in Note 14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

Previous accounting policy for impairment of trade receivables (continued)

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

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

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade and other receivables past due but not impaired is as follows:

	The Group	
	31 December 2017	1 January 2017
	\$'000	\$'000
Past due 0 to 3 months	2,373	2,670
Past due 3 to 6 months	66	105,720
Past due over 6 months	1,457	106,110
	<u>3,896</u>	<u>214,500</u>

As at 31 December 2018, the Group has recognised allowance for impairment of trade and other receivables amounting to \$316,000 (31 December 2017: Nil; 1 January 2017: \$543,335,000).

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

	The Group	
	31 December 2017	1 January 2017
	\$'000	\$'000
Beginning of financial year	543,335	424,967
Currency translation differences	(7,780)	(19,009)
(Reversal)/allowance made	(93,536)	180,282
Allowance utilised	(31,679)	(42,905)
Disposal of subsidiaries	(410,340)	—
End of financial year	<u>—</u>	<u>543,335</u>

Further information relating to the allowance for impairment of trade and other receivables is given in Note 4 and Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(c) Liquidity risk

The Group adopts prudent liquidity risk management by maintaining sufficient cash and having an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit facilities available.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Less than 1 year \$'000	Between 1 and 5 years \$'000	Over 5 years \$'000
<u>The Group</u>			
At 31 December 2018			
Other financial liabilities	(47,089)	(5,666)	—
Borrowings	(31,562)	(114,300)	(54,505)
At 31 December 2017			
Other financial liabilities	(46,234)	—	—
At 1 January 2017			
Other financial liabilities	(1,871,330)	—	—
Borrowings	(4,466,748)	(3,105,886)	—
<u>The Company</u>			
At 31 December 2018			
Other financial liabilities	(48,123)	(4,468)	—
Borrowings	(16,149)	(60,473)	—
At 31 December 2017			
Other financial liabilities	(89,125)	—	—
At 1 January 2017			
Other financial liabilities	(17,585)	—	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. 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 2.5% per annum for the current financial year ended 31 December 2018 (31 December 2017: 44.5% per annum; 1 January 2017: -80.6% per annum).

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

Except as disclosed in Note 27 (c), the Group and the Company were in compliance with all externally imposed capital requirements for the financial year ended 31 December 2018 and as at 1 January 2017.

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

(e) Fair value measurements

The following table presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>The Group</u>				
1 January 2017				
Assets				
Financial assets, available-for-sale				
- Quoted equity shares	657	—	—	657
Total assets	657	—	—	657

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. Financial risk management (continued)

(e) Fair value measurements (continued)

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

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

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

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximates their fair values.

(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 18 to the financial statements, except for the following:

	The Group			The Company		
	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000	31 December 2018 \$'000	2017 \$'000	1 January 2017 \$'000
Financial assets at amortised cost	106,366	508,116	2,164,627	18,586	477,760	87,734
Financial liabilities at amortised cost	229,541	46,234	9,080,402	124,660	89,125	17,585

(g) Offsetting financial assets and financial liabilities

The financial assets and liabilities of the Group and the Company are not subject to enforceable master netting arrangements or similar agreement. Financial assets and liabilities are settled on a gross basis.

35. Immediate and ultimate holding corporation

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. Related party transactions

- (a) The Company is controlled by China COSCO Shipping Corporation Limited (“COSCO Shipping”), the parent group and a state-owned enterprise established in the PRC.

COSCO Shipping itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with amendment to SFRS(I) 1-24, other government-related entities and their subsidiaries (other than COSCO Shipping group companies), directly or indirectly controlled, jointly-controlled or significantly influenced by the PRC government are also defined as related parties of the Group. On that basis, related parties include COSCO Shipping and its subsidiaries, other government-related entities and their subsidiaries directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO Shipping as well as their close family members. For the purpose of the related party transactions disclosures, the Group applies the exemption on disclosure of related parties transactions as allowed under SFRS(I) 1-24.

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

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. Related party transactions (continued)

(a) (continued)

Continuing operations

	The Group	
	2018	2017
	\$'000	\$'000
<u>Revenue</u>		
Sales to fellow subsidiaries	6,565	2,630
Sales to related parties	734	—
Sales of property, plant and equipment to a fellow subsidiary	—	103
Rental income received/receivable from fellow subsidiaries	—	386
Rental income received/receivable from related parties	80	62
Time charter revenue received/receivable from a fellow subsidiary	—	395
Service income received from fellow subsidiaries	2,837	772
Service income received from a related party	120	—
Commission received/receivable from fellow subsidiaries	54	14
<u>Expenditure</u>		
Purchases from fellow subsidiaries	5,111	2,690
Purchases from associated companies	—	19
Rental paid/payable to fellow subsidiaries	1,245	979
Rental paid/payable to a related party	4	—
Crew wages paid/payable to fellow subsidiaries	2,594	4,429
Service expenses paid/payable to a related party	221	—
Service expenses paid/payable to fellow subsidiaries	144	93
Interest paid/payable to a fellow subsidiary	904	—
Insurance premium paid/payable to a fellow subsidiary	765	144
Commission paid/payable to fellow subsidiaries	8	119

Outstanding balances as at 31 December 2018, arising from sales or purchases of goods and services and receivables/payables from/to fellow subsidiaries, are set out in Notes 14 and 26 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. Related party transactions (continued)

(a) (continued)

Discontinued operations

	The Group	
	2018	2017
	\$'000	\$'000
<u>Revenue</u>		
Sales to fellow subsidiaries	—	49,058
Sales to associated companies	—	43
Rental income received/receivable from fellow subsidiaries	—	1,203
Rental income received/receivable from associated companies	—	5
Service income received from ultimate holding corporation	—	842
Service income received from fellow subsidiaries	—	395
Interest received/receivable from a fellow subsidiary	—	1,186
<u>Expenditure</u>		
Purchases from fellow subsidiaries	—	20,729
Purchases from associated companies	—	517
Rental paid/payable to fellow subsidiaries	—	19,951
Sub-contractor costs paid/payable to fellow subsidiaries	—	13,352
Sub-contractor costs paid/payable to associated companies	—	1,199
Service expenses paid/payable to fellow subsidiaries	—	10
Service expenses paid/payable to an associated company	—	5
Interest paid/payable to a fellow subsidiary	—	10,780

(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 2018 and 2017. The share options granted previously were given on the same terms and conditions as those offered to other employees of the Company (Note 30). There were no outstanding number of share options granted to key management of the Group at the end of the financial years 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

36. Related party transactions (continued)

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2018	2017
	\$'000	\$'000
Salaries and other short-term benefits	1,891	1,631
Directors' fees of the Company	204	244
Employer's contribution to defined contribution plans including Central Provident Fund	4	8
	2,099	1,883

Included in the above was total compensation to directors of the Company amounting to \$1,762,000 (31 December 2017: \$ 1,631,000).

37. Segment information

The President is the Group's chief operating decision maker ("CODM"). Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions.

The key management considers the business from the business segment perspective. The continuing operations relate to segments in Singapore which derive revenue from shipping, ship repair and marine engineering related activities, logistics and property management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. Segment information (continued)

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

	Shipping \$'000	Ship repair, and marine engineering activities \$'000	Logistics \$'000	Property management \$'000	All other segments \$'000	Total for continuing operations \$'000
2018						
The Group						
Sales						
- External sales	15,508	14,573	114,130	19,462	–	163,673
- Inter-segment sales	–	–	–	–	14,339	14,339
	15,508	14,573	114,130	19,462	14,339	178,012
Elimination						(14,339)
						163,673
Segment results	4,057	2,556	13,403	5,687	(2,953)	22,750
Interest income						1,281
Finance expense						(9,217)
Share of profit of an associated company						2,126
Profit before income tax						16,940
Income tax expense						(3,719)
Net profit						13,221
Other segment items						
Capital expenditure						
- Property, plant and equipment	1,865	166	32,903	633	–	35,567
Amortisation of deferred expenditure	–	37	27	–	–	64
Amortisation of intangible assets	–	–	3,803	1,889	–	5,692
Depreciation of property, plant and equipment	2,854	409	15,578	437	56	19,334
Depreciation of investment properties	5	–	–	518	–	523
Net allowance/(reversal) for impairment of trade and other receivables	206	–	13	(26)	–	193
Segment assets	59,065	17,506	685,658	26,638	18,772	807,639
Associated companies						15,171
Consolidated total assets						822,810
Segment liabilities	2,344	1,973	24,039	11,756	13,960	54,072
Borrowings						178,334
Current income tax liabilities						4,884
Deferred income tax liabilities						54,420
Consolidated total liabilities						291,710
Consolidated net assets						531,100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. Segment information (continued)

	Shipping \$'000	Ship repair, and marine engineering activities \$'000	Logistics \$'000	Property management \$'000	All other segments \$'000	Total for continuing operations \$'000
2017						
The Group						
Sales						
- External sales	26,739	9,880	—	567	—	37,186
- Inter-segment sales	—	1	—	201	45,706	45,908
	26,739	9,881	—	768	45,706	83,094
Elimination						(45,908)
						37,186
Segment results	(14,494)	2,271	—	(177)	(15,318)	(27,718)
Interest income						1,069
Loss before income tax						(26,649)
Income tax expense						(406)
Net loss						(27,055)
Other segment items						
Capital expenditure						
- Property, plant and equipment	6	45	—	3	13	67
- Investment property	—	—	—	148	—	148
Amortisation of deferred expenditure	—	37	—	—	—	37
Depreciation of property, plant and equipment	4,373	436	—	94	92	4,995
Depreciation of investment properties	—	—	—	432	—	432
Segment assets/ Consolidated total assets	53,910	16,990	—	14,814	478,422	564,136
Segment liabilities	2,481	2,166	—	378	41,745	46,770
Current income tax liabilities						612
Deferred income tax liabilities						132
Consolidated total liabilities						47,514
Consolidated net assets						516,622

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

37. Segment information (continued)

Sales between segments are carried out at terms agreed between the relevant parties. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated profit or loss.

Geographical information

The Group's continuing business segment mainly operate in Singapore. In 2018, the operations in this area were principally in shipping, ship repair and marine engineering related activities, logistics and property management. In 2017, the operations in this area were principally in shipping, ship repair and marine engineering related activities and property management.

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

	Sales from continuing operations		Non-current assets	
	31 December		31 December	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Singapore *	157,119	37,186	697,744	55,337
Malaysia	6,554	—	15,133	—
	163,673	37,186	712,877	55,337

* The Group's shipping companies operate in worldwide shipping routes. Hence, it would not be meaningful to allocate sales to any geographical segments for shipping activities.

Revenue of approximately \$23,494,000 (2017: Nil) are derived from one (2017: Nil) single external customer. These revenues are attributable to the Singapore Logistics segment.

38. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019) (continued)

As at 31 December 2018, the Group has non-cancellable operating lease commitments of \$110,071,000 (Note 33).

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately \$94,231,000 on 1 January 2019, lease liabilities of \$94,231,000 (after adjustments for prepayments and accrued lease payments recognised).

The Group expects that net profit after tax will decrease by approximately \$1,490,000 for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately \$25,587,000, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately \$25,587,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

SFRS(I) INT 23 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect any material impact to the financial statements on the adoption of the interpretation on 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

Amendments to SFRS(I) 3 *Business Combinations* (effective or annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements of integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact be recognised arising from applying these amendments.

39. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of COSCO SHIPPING International (Singapore) Co., Ltd. on 8 March 2019.

FIVE-YEAR SUMMARY

	Note	2014 ⁽¹⁾ \$'000	2015 ⁽¹⁾ \$'000	2016 ⁽¹⁾ \$'000	2017 ⁽²⁾ \$'000	2018 \$'000
PROFIT OR LOSS						
Continuing operations						
Sales		70,846	53,137	40,505	37,186	163,673
Profit/(loss) before income tax		8,108	(2,560)	(25,471)	(26,649)	16,940
Income tax expense		(627)	(880)	(522)	(406)	(3,719)
Profit/(loss) from continuing operations		7,481	(3,440)	(25,993)	(27,055)	13,221
Discontinued operations						
Profit/(loss) from discontinued operations		18,796	(911,395)	(950,091)	92,440	—
Total profit/(loss)		26,277	(914,835)	(976,084)	65,385	13,221
Profit/(loss) attributable to:						
Equity holders of the Company		20,893	(569,958)	(466,499)	189,441	12,977
Non-controlling interests		5,384	(344,877)	(509,585)	(124,056)	244
		26,277	(914,835)	(976,084)	65,385	13,221
Profit/(loss) attributable to equity holders of the Company relates to:						
Profit/(loss) from continuing operations		7,110	(3,812)	(26,128)	(27,248)	12,977
Profit/(loss) from discontinued operations		13,783	(566,146)	(440,371)	216,689	—
		20,893	(569,958)	(466,499)	189,441	12,977
Dividend	3	11,196	—	—	—	—

Notes:

1. The comparative figures for 2014, 2015 and 2016 have been restated as a result of the disposal of subsidiaries in the financial year ended 31 December 2017.
2. The comparative figures for 2017 have been restated following the adoption of the new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)s").
3. No dividend has been declared/recommended for the financial year ended 31 December 2018.

FIVE-YEAR SUMMARY

	Note	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000
BALANCE SHEET						
Share capital		270,608	270,608	270,608	270,608	270,608
Statutory and other reserves		284,328	328,838	290,937	34,555	35,995
Retained earnings/(accumulated loss)		812,819	222,586	(225,485)	210,038	223,015
Non-controlling interests		861,750	517,951	(15,546)	1,421	1,482
Total equity		2,229,505	1,339,983	320,514	516,622	531,100
Trade and other receivables		4,377	—	102,556	—	812
Available-for-sale financial assets		4,841	4,890	4,599	—	—
Club memberships		303	311	—	—	—
Investment in associated companies		4,736	4,854	4,185	—	15,171
Investment properties		10,990	10,579	14,675	13,786	13,637
Property, plant and equipment		2,267,057	2,307,323	2,527,363	40,638	550,012
Intangible assets		9,564	9,583	9,816	147	131,033
Deferred expenditure		3,029	2,980	2,799	766	2,212
Deferred income tax assets		267,901	236,932	140,598	—	—
Current assets		7,372,499	7,777,241	6,974,136	508,799	109,933
Current liabilities		(5,172,565)	(6,467,535)	(6,441,623)	(47,382)	(79,005)
Non-current liabilities		(2,543,227)	(2,547,175)	(3,018,590)	(132)	(212,705)
Net assets		2,229,505	1,339,983	320,514	516,622	531,100

RATIOS

Basic earnings per share from continuing operations (cents)	1	0.3	(0.2)	(1.1)	(1.2)	0.6
Basic earnings per share from discontinued operations (cents)	2	0.6	(25.3)	(19.7)	9.7	—
Dividend per share (cents)		0.5	—	—	—	—
Dividend cover (times)	3	1.9	—	—	—	—
Net tangible assets per share (cents)		60.7	36.3	14.6	23.0	17.6
Gearing ratio (Net of cash)	4	2.5	6.0	17.2	Net cash	0.2

Notes:

1. Basic earnings per share from continuing operations is calculated as net profit/(loss) from continuing operations attributable to equity holders of the company divided by the weighted average number of ordinary shares issued in the financial year.
2. Basic earnings per share from discontinued operations is calculated as net profit/(loss) from discontinued operations attributable to equity holders of the company divided by the weighted average number of ordinary shares issued in the financial year.
3. The dividend cover is calculated as net profit attributable to equity holders of the Company divided by the amount of equity dividend.
4. Gearing ratio is derived by taking total borrowings (net of cash) over the shareholders' funds.

SHAREHOLDING STATISTICS

As at 14 March 2019

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
Number of Treasury Shares	:	Nil
Number of Subsidiary Holdings	:	Nil

DISTRIBUTION OF HOLDERS OF SHARES BY SIZE OF SHAREHOLDINGS AS AT 14 MARCH 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	27	0.09	692	0.00
100 - 1,000	2,331	7.59	2,255,837	0.10
1,001 - 10,000	16,836	54.81	95,258,603	4.25
10,001 - 1,000,000	11,464	37.32	572,047,902	25.55
1,000,001 and above	59	0.19	1,569,681,920	70.10
	30,717	100.00	2,239,244,954	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 14 MARCH 2019

Name of substantial shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of shares	%
China Ocean Shipping Company Limited	1,194,565,488	53.35	—	—
China COSCO Shipping Corporation Limited*	—	—	1,194,565,488	53.35

* China COSCO Shipping Corporation Limited is deemed interested in the shares held by China Ocean Shipping Company Limited.

TOP TWENTY HOLDERS OF SHARES AS AT 14 MARCH 2019

	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	CHINA OCEAN SHIPPING COMPANY LIMITED	1,194,565,488	53.35
2	CITIBANK NOMINEES SINGAPORE PTE LTD	63,410,313	2.83
3	DBS NOMINEES PTE LTD	50,950,674	2.28
4	UNITED OVERSEAS BANK NOMINEES PTE LTD	26,195,046	1.17
5	OCBC SECURITIES PRIVATE LTD	22,172,624	0.99
6	UOB KAY HIAN PTE LTD	21,779,400	0.97
7	DBSN SERVICES PTE LTD	21,726,819	0.97
8	RAFFLES NOMINEES (PTE) LIMITED	18,501,485	0.83
9	OCBC NOMINEES SINGAPORE PTE LTD	15,070,269	0.67
10	PHILLIP SECURITIES PTE LTD	14,714,600	0.66
11	HSBC (SINGAPORE) NOMINEES PTE LTD	9,030,495	0.40
12	MAYBANK KIM ENG SECURITIES PTE.LTD.	8,551,982	0.38
13	CHUA LIAK CHNG	7,064,000	0.32
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,611,850	0.25
15	SEE SEE MENG	5,601,800	0.25
16	LEE FOOK CHOY	5,366,000	0.24
17	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	5,267,542	0.24
18	HUI SHUNE MING @ HUI SHUN MENG	4,500,000	0.20
19	LIM AND TAN SECURITIES PTE LTD	3,986,000	0.18
20	LEE KEE HONG	3,708,200	0.17
	TOTAL:	1,507,774,587	67.35

Note: The percentages are computed based on 2,239,244,954 ordinary shares as at 14 March 2019.

SHARES HELD BY PUBLIC

Based on the information available and to the best knowledge of the Company as at 14 March 2019, approximately 46.57% 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 Monday, 29 April 2019 at 2:00 p.m. for the purpose of transacting the following businesses:

Ordinary Business:

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018 and the Directors' Statement and the Auditors Report thereon. **(Resolution 1)**
2. To approve payment of Directors' Fees of S\$203,070 for the year ended 31 December 2018. (last year: S\$244,000) **(Resolution 2)**
3. To re-elect the following directors, on recommendation of the Nominating Committee and endorsement of the Board of Directors, who are retiring in accordance with Article 101 of the Constitution of the Company and who, being eligible, offer themselves for re-election:
 - a. Dr Wang Kai Yuen (*See Explanatory Note 1*) **(Resolution 3)**
 - b. Mr Ang Swee Tian (*See Explanatory Note 2*) **(Resolution 4)**
4. To re-appoint Messrs. PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

Special Business:

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

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

"That pursuant to Section 161 of the Companies Act (Cap 50) and the Listing Rules of the Singapore Exchange Securities Trading Limited (the "Listing Rules"), authority be and is hereby given to the Directors to:

 - (a) issue shares in the capital of the Company (whether by way of bonus, rights or otherwise); or
 - (b) make or grant offers, agreements or options that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, options, debentures or other instruments convertible into Shares;

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

 - (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 50% of the issued shares in the capital 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

NOTICE OF ANNUAL GENERAL MEETING

- (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 3*)

6. The Proposed Renewal of the Shareholders’ Mandate for Interested Person Transactions **(Resolution 7)**

- (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 2018 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 ARMC 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 SGX-ST from time to time;
- (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 interest 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 4*)

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

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

Lee Wei Hsiung
Company Secretary

Singapore, 8 April 2019

Explanatory Notes:

1. Wang Kai Yuen will, upon re-election as a Director, remain as the Chairman of the Nominating Committee and a member of the ARMC, Remuneration Committee and Strategic Development Committee of the Company; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
2. Ang Swee Tian will, upon re-election as a Director, remain as the Chairman of the ARMC and a member of the Remuneration, Nominating and Strategic Development Committees of the Company; and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
3. Ordinary Resolution 6 is to empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or convertible securities in the capital of the Company up to an amount not exceeding in aggregate 50% of the issued shares in the capital 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.
4. Ordinary Resolution 7 is to renew the General Mandate to allow the Company, its subsidiaries and associated companies or any of them to enter into certain Interested Persons Transactions with person who are considered "Interested Persons" (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

The Company's ARMC has confirmed that the methods and procedures for determining the transaction process have not changed since the last adoption of the Shareholders' Mandate on 27 April 2018 in respect of transaction described in Section 2 of Schedule 2 of the Appendix A; and that the said methods and procedures are sufficient to ensure that the 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.

NOTES:

- i. A member of the Company entitled to attend and vote at a meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
- ii. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- iii. Pursuant to Section 181 of the Companies Act, Cap. 50 of Singapore, any member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

***Relevant Intermediary is:**

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

- iv. A corporation which is a member may also authorise by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting in accordance with Section 179 of the Companies Act (Cap 50).
- v. This instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of any attorney duly authorised.
- vi. Where an instrument appointing a proxy is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- vii. The instrument appointing a proxy or proxies must be deposited at Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not later than 72 hours before the time fixed for holding the Annual General Meeting.

Personal data privacy:

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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Wang Kai Yuen and Ang Swee Tian are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2019 (collectively, the “**Retiring Directors**” and each a “**Retiring Director**”).

Pursuant to Rule 720(6) of the Listing Manual, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual:

	Wang Kai Yuen	Ang Swee Tian
Date of Appointment	2 May 2001	13 November 2007
Date of last re-appointment (if applicable)	20 April 2017	22 April 2016
Age	72	71
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Please refer to the Corporate Governance section in the Company's 2018 Annual Report	Please refer to the Corporate Governance section in the Company's 2018 Annual Report.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title	Non-Executive Independent Director	Non-Executive Lead Independent Director
Working experience and occupation(s) during the past 10 years	Please refer to the Board of Directors section in the Company's 2018 Annual Report	Please refer to the Board of Directors section in the Company's 2018 Annual Report
Shareholding interest in the listed issuer and its subsidiaries	Direct: 900,000 shares Indirect: 100,000 shares	Direct: 130,000 shares Indirect: 5,000 shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# (for the last 5 years) Present		

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Wang Kai Yuen	Ang Swee Tian
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Wang Kai Yuen	Ang Swee Tian
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Wang Kai Yuen	Ang Swee Tian
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

**COSCO SHIPPING INTERNATIONAL
(SINGAPORE) CO., LTD.**

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

**ANNUAL GENERAL MEETING
PROXY FORM****Important:**

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

I/We _____ NRIC/Passport No. _____

of _____

being a member of COSCO SHIPPING International (Singapore) Co., Ltd. (the "**Company**"), hereby appoint

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

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf 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 Monday, 29 April 2019 at 2:00 p.m. and at any adjournment thereof.

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

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	To receive and adopt the Audited Financial Statements for the year ended 31 December 2018 and the Directors' Statement and the Auditors Report thereon.		
2.	To approve payment of Directors' Fees.		
3.	To re-elect Dr Wang Kai Yuen, who is retiring under Article 101 of the Constitution of the Company.		
4.	To re-elect Mr Ang Swee Tian, who is retiring under Article 101 of the Constitution of the Company.		
5.	To re-appoint Messrs. PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
	SPECIAL BUSINESS		
6.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap 50.		
7.	The Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions.		

Dated this _____ day of _____ 2019

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

Signature of member(s) or Common Seal



IMPORTANT: Please Read Notes for This Proxy Form.

NOTES:

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

“Relevant Intermediary” means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board (“CPF Board”) established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The instrument appointing a proxy or proxies must be deposited at the Company’s Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02, Singapore 068898 not less than 72 hours before the time set for holding the annual general meeting. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the annual general meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.
 5. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
 6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
 7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the annual general meeting, in accordance with section 179 of the Companies Act, Chapter 50 of Singapore.
 8. An investor who buys shares using CPF monies (“**CPF Investor**”) and/or SRS monies (“**SRS Investor**”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2019.



30 Cecil Street
#26-01 Prudential Tower
Singapore 049712
Telephone: 6885 0888
Facsimile: 6885 0858

www.cosco.com.sg