



COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.



INTEGRATE · DIVERSIFY · PROGRESS

Annual Report 2019



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CONTENTS

OVERVIEW

- 02 Corporate Profile
- 03 Corporate Structure
- 04 Financial Highlights

KEY MESSAGE

- 06 Chairman and President's Statement

OPERATIONS AND FINANCIAL REVIEW

- 11 Operations Review
- 13 Group Financial Review

CORPORATE GOVERNANCE AND TRANSPARENCY

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

SUSTAINABILITY REPORT

- 47 Sustainability Report

FINANCIAL STATEMENTS

- 68 Directors' Statement
- 71 Independent Auditor's Report
- 76 Consolidated Statement of Profit or Loss
- 77 Consolidated Statement of Comprehensive Income
- 78 Balance Sheet - Group
- 79 Balance Sheet - Company
- 80 Consolidated Statement of Changes in Equity
- 81 Consolidated Statement of Cash Flows
- 83 Notes to the Financial Statements
- 160 Five-Year Summary

- 162 Shareholding Statistics
- 163 Other Information Required under the SGX-ST Listing Manual

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CORPORATE PROFILE



COSCO SHIPPING International (Singapore) Co., Ltd. (the “Company”) is focused on building our core strengths and businesses as well as a diversified business platform and pursuing new opportunities to ensure sustainable growth.

The Company aims to become one of the leading integrated logistics service providers in South and Southeast Asia. We are also involved in dry bulk shipping, ship repair and marine engineering as well as property management through various subsidiaries.

Cogent Holdings Pte. Ltd. (“Cogent”), a wholly-owned subsidiary acquired in 2018 has a broad based clientele ranging from local SMEs to multinational companies. As the owner of one of Singapore’s largest one-stop integrated logistics 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 container haulage, freight forwarding, container depot and warehousing in Malaysia.

The Company has also acquired 40% of PT Ocean Global Shipping Logistics in 2018, an Indonesian shipping logistics company which specialises in logistic services, freight forwarding, ship agency, bunkering and container depot services.

COSCO SHIPPING (Singapore) Pte. Ltd., a wholly-owned subsidiary of the Company is involved in bulk shipping and is mainly focused on voyage charter and time charter.

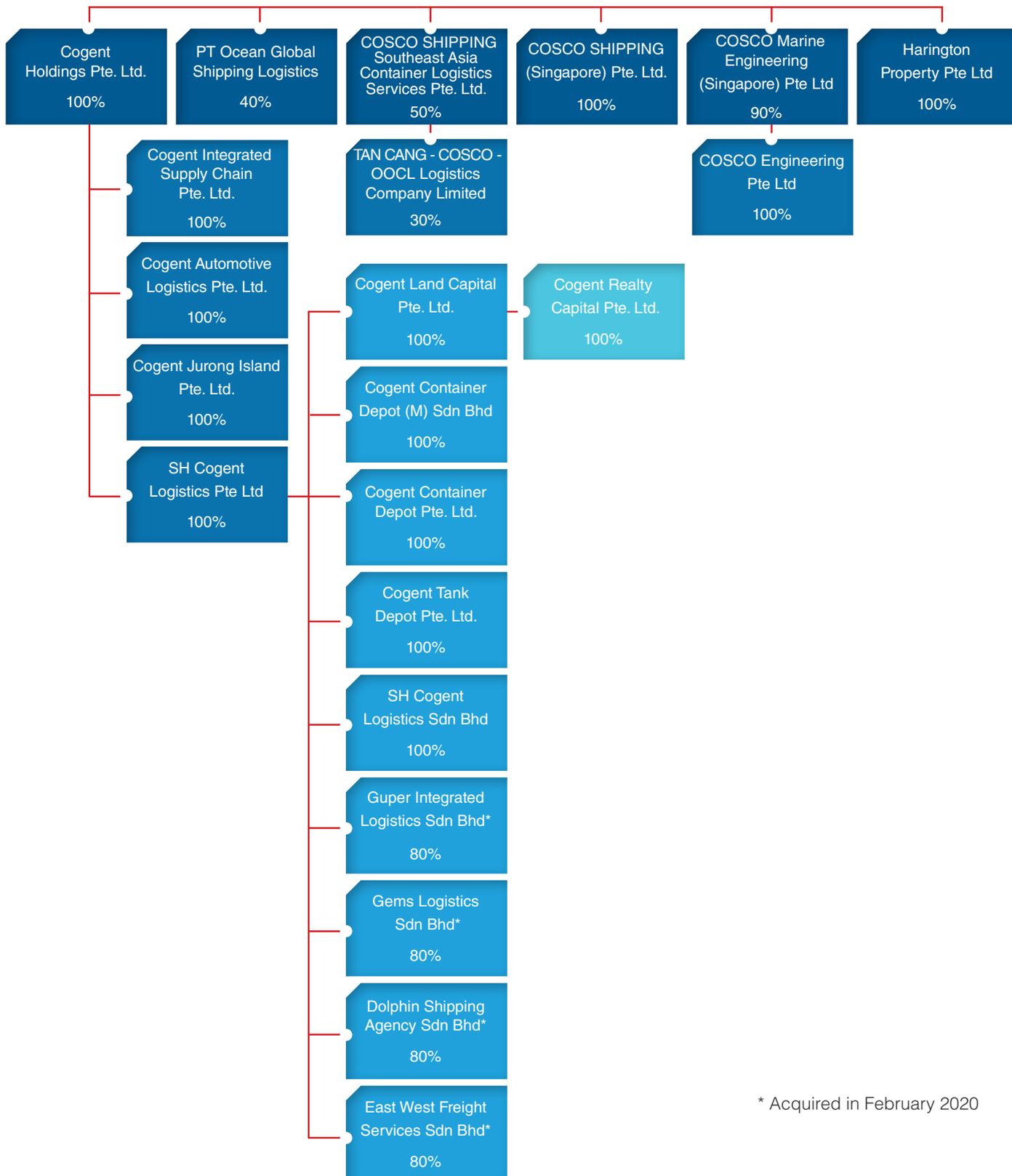
Through the subsidiary of the Company, COSCO Marine Engineering (Singapore) Pte Ltd, the Company is also involved in ship repair and marine engineering.

Cogent has redeveloped and transformed the former Turf Club, a 1 million square foot state-property into a vibrant lifestyle hub named The Grandstand. Harington Property Pte Ltd, a wholly-owned subsidiary of the Company also provides property management services.

The Company will continue to expand its logistical networks through strategic acquisitions and investments as it continues to build a regional logistics integrated network in the South and Southeast Asian region. The Company will also tap on our competitive advantages to actively build a diversified business platform.

The Company is ultimately controlled by China COSCO SHIPPING Corporation Limited (the “Parent Company”), a state-owned enterprise established in the People’s Republic of China (“PRC”).

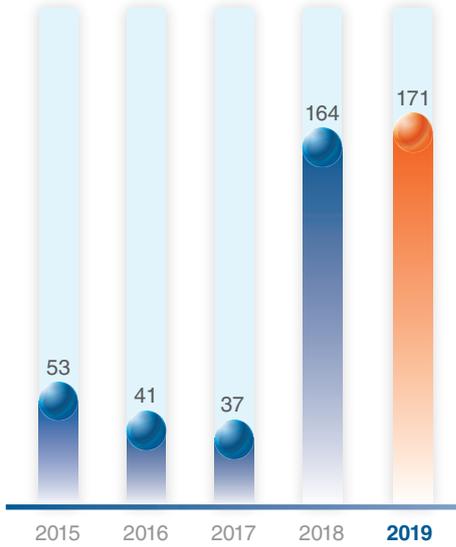
CORPORATE STRUCTURE



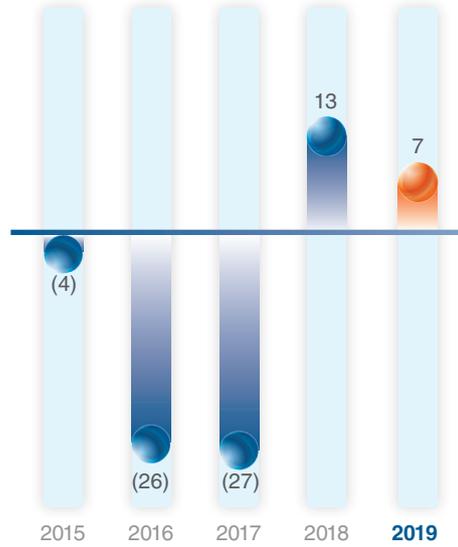
* Acquired in February 2020

FINANCIAL HIGHLIGHTS

Turnover from Continuing Operations (\$'million)

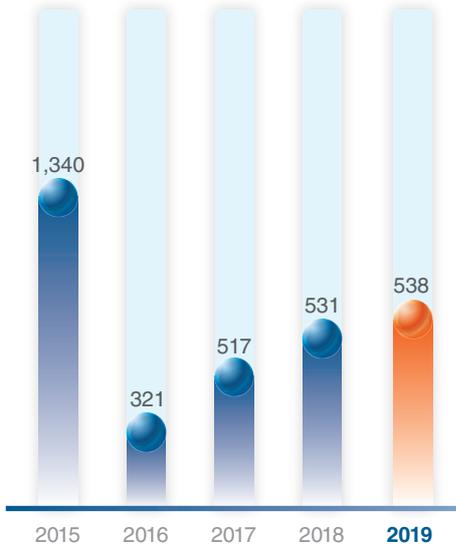


Net Profit Attributable to Equity Holders from Continuing Operations (\$'million)



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

Net Assets (\$'million)



Revenue from Continuing Operations by Activities (%)



FINANCIAL HIGHLIGHTS

5-YEAR PROFIT OR LOSS ACCOUNTS (\$'M)	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽²⁾	2018	2019
Turnover from continuing operations	53.1	40.5	37.2	163.7	171.5
Profit/(loss) from continuing operations	(3.4)	(26.0)	(27.1)	13.2	7.7
Profit/(loss) from discontinued operations	(911.4)	(950.1)	92.4	-	-
Total profit/(loss)	(914.8)	(976.1)	65.3	13.2	7.7
Profit/(loss) attributable to equity holders of the Company	(570.0)	(466.5)	189.4	13.0	7.4

OTHER KEY STATISTICS	2015	2016	2017 ⁽²⁾	2018	2019
Number of Shares (m)	2,239.2	2,239.2	2,239.2	2,239.2	2,239.2
Basic Earnings per Share (cents)	(25.5)	(20.8)	8.5	0.6	0.3
Net Tangible Assets per Share (cents)	36.3	14.6	23.0	17.6	18.1
Net Assets Value per Share (cents)	36.7	15.0	23.0	23.7	24.0
Gearing Ratio (net of cash)(times)	6.0	17.2	Net Cash	0.2	0.4
Return on Equity (%)	(52.1)	(80.6)	44.5	2.5	1.4
Return on Assets (%)	(5.6)	(4.6)	3.7	1.9	0.8

⁽¹⁾ The comparative figures for 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").

CHAIRMAN AND PRESIDENT'S STATEMENT



“In order to ensure sustainable growth, the Company will ensure that any potential investments have been studied extensively and will take into account economic trends as well as business and industrial development trends.”

Zhu Jian Dong
Chairman and President

CHAIRMAN AND PRESIDENT'S STATEMENT



Dear Shareholders

In the face of challenges and pressure on our business operations, the Company focused on strengthening cooperation with our key customers and improving service levels. For the year ended 31 December 2019, the Group recorded profit of \$7.7 million on turnover of \$171.5 million. Gross turnover for FY 2019 increased by \$7.8 million to \$171.5 million while gross margin fell as a result of competitive market conditions and higher operating costs. Overall, the Group recorded net profit attributable to equity holders of \$7.4 million for FY 2019 compared to \$13.0 million in FY 2018. The Group's net asset value per share at 31 December 2019 was 24.0 cents, compared to 23.7 cents at 31 December 2018.

A Year In Review

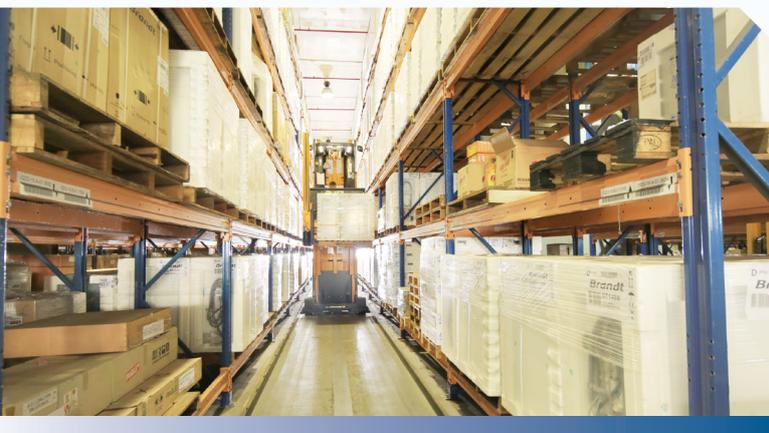
In 2019, trade policy uncertainty, geopolitical tensions and political developments such as the U.S.-China trade tensions and Brexit have negatively impacted global economic and trade growth. In the face of a decline in the logistics market and tougher competition, the logistics industry is seeing lower profitability.

Notwithstanding unfavourable market conditions, our wholly-owned subsidiary, Cogent Holdings Pte. Ltd., was able to tap on its comprehensive logistics capabilities and warehousing facilities to provide one-stop logistics solutions for our customers.

For dry bulk shipping, apart from efforts to improve operational efficiency and ensuring cost control, the Company has been focused on strengthening relationships with and retaining key charterers. For ship repair and marine engineering, the Company was able to expand its business networks beyond Singapore, providing ship repair and other services in numerous countries, increasing the number of customers it can serve due to network effect. For the property management segment, the Company continues to manage The Grandstand and rents out office units in Suntec City to a key tenant.

Our interests continue to be aligned with all our stakeholders. As such, the Company is committed to good corporate governance practices, effective and prompt information dissemination via the SGX platform and Company's website as well as strict compliance with regulatory requirements.

CHAIRMAN AND PRESIDENT'S STATEMENT



Expansion in Malaysia to create a consolidated logistics platform

Advancing on the Company's strategy to expand its logistics network in South and Southeast Asia, the Company has announced several new developments in Malaysia which will further strengthen and develop the Company's operations in Malaysia and to provide our customers with one-stop integrated logistics services.

In February 2020, the Company has completed the acquisition of 80% shares of Guper Integrated Logistics Sdn Bhd ('GIL'), Gems Logistics Sdn Bhd ('Gems'), Dolphin Shipping Agency Sdn Bhd ('DSA') and East West Freight Services Sdn Bhd ('EWF') for a sum of RM88 million. All four companies are incorporated in Malaysia. GIL, Gems and DSA are subsidiaries of Complete Logistic Services Berhad, a company listed on Bursa Malaysia.

GIL provides total logistic services with haulage, forwarding and other associated services, Gems is principally involved in the provision of warehousing services, DSA acts as a shipping agent for provision of freight services and EWF is engaged in the principal business of providing freight, warehousing and forwarding agency services.

GIL, Gems, DSA and EWF have good track records, strong customer base as well as experienced management teams, which are not only complementary to the Company's current business operations but are also potentially synergistic between themselves and with the other components of the Company's logistic businesses in Malaysia. This acquisition is in-line with the Company's overall growth and development strategy, and beneficial to the expansion of the logistics businesses in Malaysia.

The Company's subsidiary, SH Cogent Logistics Sdn Bhd has also announced the acquisition of assets comprising of open yard, machinery equipment and office block from Golden Logistics & Storage Sdn. Bhd. for a sum of RM8.35 million.

The Company also intends to construct a warehouse of approximately 300,000 square feet at Port Klang, Malaysia for the Group's operations and to fulfil the current market demand for quality and new warehousing facilities in Port Klang.

After the acquisition of Cogent Holdings Pte. Ltd. (formerly known as Cogent Holdings Limited) by the Company, the Company increased marketing efforts for Cogent Malaysia to improve business and operational efficiency. As a result of these efforts, Cogent Malaysia has achieved a better mix in its customer portfolio.

Upon completion of the above transactions, the Company will be able to create a consolidated platform to provide our customers with a one-stop integrated services, which will be expanded to include container haulage, freight forwarding, container depot and warehousing.

Future Outlook

Singapore is also expected to continue to be a key global logistics hub. Sea cargo throughput continued to increase in 2019. Total cargo tonnage handled by the Port of Singapore reached 626 million tonnes in 2019, a decline of 0.63% from 2018. The number of vessel arrival

CHAIRMAN AND PRESIDENT'S STATEMENT



tonnage reached 2.85 billion gross tonnes in 2019, a rise of 1.8% from 2.8 billion gross tonnes in 2018. Singapore remains as one of the highest-performing logistics hub and is one of the world's largest transshipment container ports.

In December 2019, the Asian Development Bank revised the growth projections for the South Asian countries downwards to 5.1% in 2019 and 6.1% in 2020 given that trade conflicts continue to weigh on sentiment and activity in the region.

The situation pertaining to the spread and containment of the recent outbreak of the COVID-19 remains uncertain. The Company will continue to monitor the situation and take appropriate measures to address any issues arising from it.

We remain cautious about the short-term market outlook but confident that our efforts to strengthen our core segments will allow us to weather through tougher market conditions and reap the benefits in the longer term.

We aim to build an integrated logistics network in the South and Southeast Asian region 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 economic growth. According to a report published by Google, Temasek and Bain, Southeast Asia has potential for further growth due to fundamental consumer behaviour changes and growing Internet connectivity.

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"). The Company will be able to leverage on the 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 seek to actively expand its logistical networks in South and Southeast Asia through strategic acquisitions and investments.

The Company plans to strengthen our key capabilities, increase marketing efforts and improving customer retention rate by increasing their satisfaction towards our services and our commitment towards them. We will also

CHAIRMAN AND PRESIDENT'S STATEMENT

seek to improve operational efficiency and strategic cost reduction; invest in our people and retain human talents, prioritizing the safety of our workplace and ensure appropriate risk management. As part of the Company's overall growth and development strategy, the Company will also ensure to give full play to existing advantages of our Parent Company, our current logistics platform, our newly acquired assets and businesses as well as external customers and business partners to create and maximise synergistic values.

In 2020, we are expecting the completion of construction of Jurong Island Chemical Logistics Facility ("JICLF") project on Jurong Island. The JICLF consists of 8-storey general warehouse building with mezzanine offices (vehicle ramp to 7th storey) comprising a chemical warehouse, container depots and an ISO tank depot. The JICLF will be able to cater to the growing demand for one-stop logistics services within Jurong Island, serving the needs of global petrochemical manufacturers located there. We have begun the marketing efforts for the JICLF and have seen interest from prospective customers.

For the Company's recent acquisition in Malaysia, the Company will ensure good cooperation and teamwork between the management as well the integration of business operations so as to create synergistic value. As the Company continues to expand and develop its logistics platform in Malaysia, it is essential that we have the abilities to provide our customers with end-to-end logistics services and it will remain our core focus while consolidating and strengthening our customer base.

Through 2017 and 2018, the Company has undergone transformation into the logistics sector and managed to turn to profitability – but this was only the first step. In order to thrive and capture growth in the longer term, we have to ensure that the company has a recurring revenue stream with sustainable growth. We recognise the importance of diversifying our

businesses and will seek to invest in other feasible and profitable businesses. In order to ensure sustainable growth, the Company will ensure that any potential investments have been studied extensively and will take into account economic trends as well as business and industrial development trends.

The Board underwent several changes in 2019. Mr Wang Yu Hang, appointed in 2016, retired as Chairman and Non-Independent and Non-Executive Director of the Company in August 2019. Mr Gu Jing Song was appointed as Vice-Chairman, President and Non-Independent Executive Director in 2016 and appointed as Chairman in August 2019. Mr Gu retired from his role as President in September 2019 and Chairman and Non-Independent Executive Director in November 2019.

On behalf of the Board, I would like to thank our former directors for their invaluable contributions to the Company and I look forward to working with the Board as we continue to drive our transformation and create sustainable growth.

I would also like to take this opportunity to express our appreciation to our employees, whose collective passion and commitment has enabled the Group to grow from strength to strength. To our shareholders, we would like to thank you for your steadfast support and unwavering confidence in the Group, as we look towards sustainable growth and value creation.

ZHU JIAN DONG

Chairman and President

OPERATIONS REVIEW

Logistics

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

In 2019, the U.S.-China trade tensions have negatively impacted global economic and trade growth, creating much uncertainty and led to unfavourable market conditions which placed the logistics sector under pressure. While we remain cautious on the short-term market outlook, the Company focused on improving cooperation with our key customers and driving customers’ satisfaction.

Construction works for the Jurong Island Chemical Logistics Facility (“JICLF”) project on Jurong Island has seen good progress and will be completed in 2020. The JICLF consists of 8-storey general warehouse building with mezzanine offices (vehicle ramp to 7th storey) comprising a chemical warehouse, container depots and an ISO tank depot. The JICLF is expected to cater to growing demand for one-stop logistics services within Jurong Island, driven by the presence of global petrochemical manufacturers located there. We have begun the marketing efforts for the JICLF and have seen great interest from prospective customers.

The Company has also expanded its logistics network in Malaysia through several new developments. The Company has acquired 80% shares of four logistics companies incorporated in Malaysia for a sum of RM88 million. The four logistics companies have strong customer base as well as highly experienced management teams, which are not only complementary to the Company’s current business operations but are also potentially synergistic between themselves and with the other components of the Company’s logistic businesses in Malaysia. This acquisition is in-line with the Company’s overall growth and development strategy, and beneficial to the expansion of the logistics businesses in Malaysia.



Other developments in Malaysia also include the acquisition of logistics assets comprising of open yard, machinery equipment and office block for a sum of RM8.35 million and plans to construct a warehouse of approximately 300,000 square feet at Port Klang.

These developments will allow the Company to create a consolidated logistics platform in Malaysia, offering 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 competitors and entrenching its customers.

Dry Bulk Shipping

With respect to the Group’s shipping business, the Company’s subsidiary, COSCO SHIPPING (Singapore) Pte. Ltd. currently has a total of 3 vessels with a total tonnage of 163,000 tonnes and an average age of 14 years. The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started the year at 1,282 points and ended 2019 at 1,090 points, averaging 1,353 points for the entire year, similar to 2018. The Company has been focused on retaining key charterers and will continue to strengthen relationships and cooperation.

OPERATIONS REVIEW

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. While the Company's ship repair network was originally concentrated in Singapore, Malaysia and Indonesia, the Company has expanded its business beyond the region due to customer demands. Together with its business partners, the Company now provides ship repair and other services in numerous countries including Indonesia, Malaysia, Philippines, Vietnam, Thailand, Sri Lanka, India and Bangladesh.

Property Management

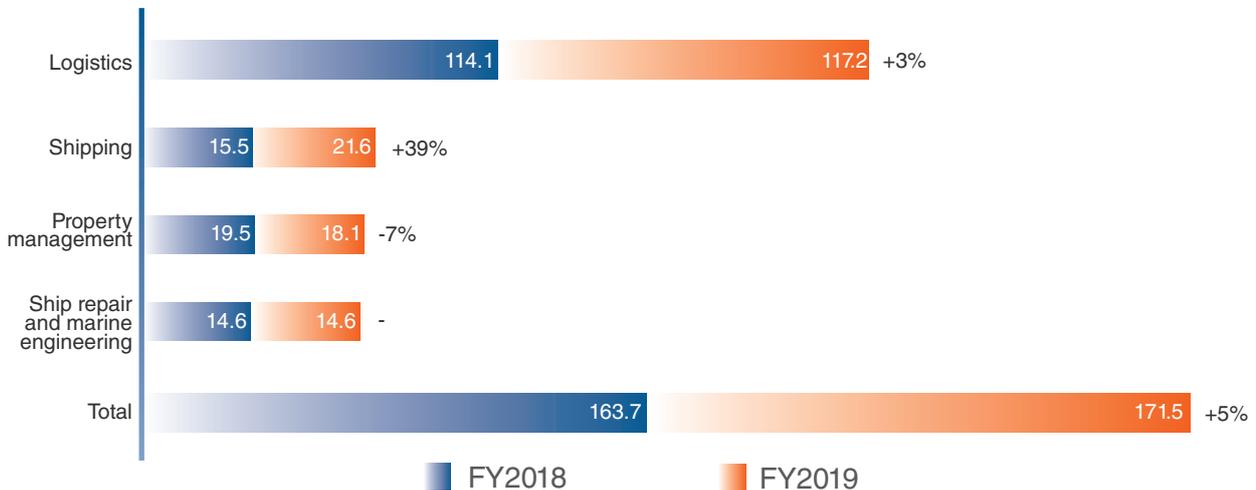
Cogent manages The Grandstand, a 1 million square foot state property and one of the largest shopping and lifestyle hub in Singapore. The Company's subsidiary, Harington Property Pte Ltd also owns office units in Suntec City, with a total floor area of 1,336 sqm and is currently rented out to a key tenant.

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

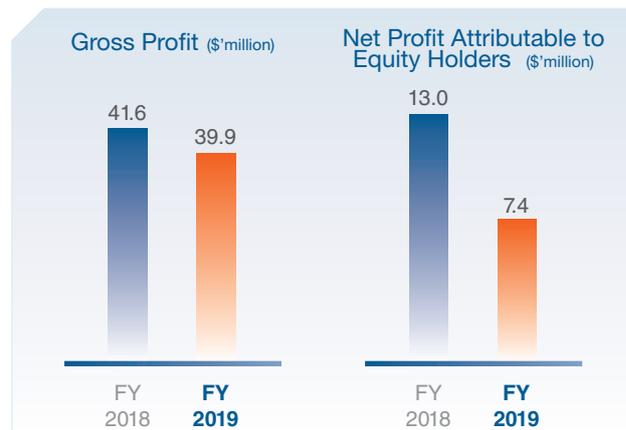
TURNOVER BY SEGMENT (\$'million)



TURNOVER

Turnover for FY 2019 increased by \$7.8 million from \$163.7 million to \$171.5 million mainly due to higher revenue from logistics and shipping activities. Logistics activities accounted for about 68% of the Group's turnover in FY 2019. Turnover from logistics activities increased mainly due to higher revenue from transportation, warehousing and automotive logistics management services, partially offset by lower revenue from container depot management services. Turnover from shipping activities increased mainly due to revenue contribution from additional bulk carriers that the Group had chartered in during FY 2019. Turnover from property management decreased by 7% to \$18.1 million mainly due to lower rental income. Turnover from ship repair and marine engineering remained almost unchanged as compared to the corresponding financial year in 2018.

PROFITABILITY



Gross profit decreased by 4% for FY 2019 mainly due to lower gross margins as a result of competitive market conditions and higher operating costs.

Other income decreased by 32% to \$2.0 million in FY 2019 mainly due to lower interest and rental income.

Other gains and losses comprised mainly foreign exchange gain and gain on disposal of property, plant and equipment. Other gains and losses decreased by \$4.0 million or 65% lower as compared to FY 2018 mainly due to lower foreign exchange gain and gain on disposal of property, plant and equipment.

GROUP FINANCIAL REVIEW

PROFITABILITY (continued)

Distribution expenses increased by 38% to \$2.7 million in FY 2019 mainly due to higher staff related costs resulted from an increase in headcount to support sales and marketing services.

Administrative expenses decreased by 4% to \$23.9 million in FY 2019 as compared to \$24.7 in FY 2018 mainly due to lower professional fees incurred.

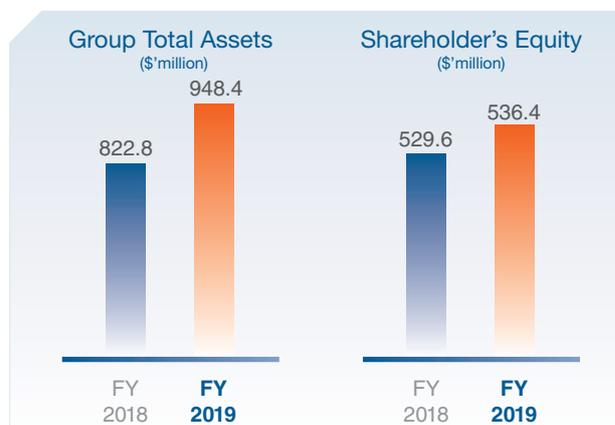
Finance costs decreased by 3% to \$8.9 million mainly due to lower average bank borrowings in FY 2019, partially offset by an increase in interest expense on lease liabilities as a result of the recognition of lease liabilities following the adoption of SFRS(I) 16 *Leases*.

Share of profit of associated companies of \$2.0 million was contributed by the Group's 40% shareholdings in PT Ocean Global Shipping Logistics and the newly acquired 30% shareholdings in TAN CANG-COSCO-OOCL Logistics Company Limited. The share of profit of associated companies was lower as compared to FY 2018 mainly due to lower profit from PT Ocean Global Shipping Logistics.

Overall, net profit attributable to equity holders was \$7.4 million, 43% lower than FY 2018.

BALANCE SHEET

(31 December 2019 vs 31 December 2018)



Group total assets increased by \$125.6 million from \$822.8 million as at 31 December 2018 to \$948.4 million as at 31 December 2019 mainly due to the recognition of right-of-use assets arising from the adoption of SFRS(I) 16 *Leases* which were classified within investment properties and property, plant and equipment and an increase in property, plant and equipment for the progressive construction of Jurong Island Chemical Logistics Facility.

Group total liabilities increased by \$118.4 million from \$291.7 million as at 31 December 2018 to \$410.1 million as at 31 December 2019 mainly due to the recognition of lease liabilities arising from the adoption of SFRS(I) 16 *Leases*. The lease liabilities of \$88.5 million as at 31 December 2019 were included in the Group's borrowings.

Shareholder's equity increased by \$6.8 million to \$536.4 million as at 31 December 2019. The increase was mainly due to retained profits, partially offset by a decrease in currency translation reserves for FY 2019.

GROUP FINANCIAL REVIEW

CASH FLOW

\$'million	2018	2019
Cash flow provided by/(used in):		
- Operating activities	15.4	51.8
- Investing activities	(13.0)	(64.9)
- Financing activities	9.9	7.9
Net change in cash and cash equivalents	12.3	(5.2)

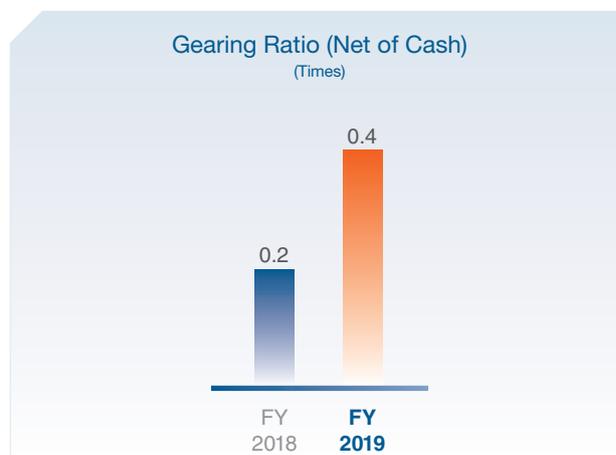
Net cash provided by operating activities for FY 2019 was \$51.8 million as compared to \$15.4 million in FY 2018. The improvement in cash provided by operating activities was mainly due to the adoption of SFRS(I) 16 *Leases* which operating lease payments, previously classified as operating activities, were classified as financing activities in 2019 for the principal and interest portion of the lease liabilities.

Net cash used in investing activities for FY 2019 was \$64.9 million. This was mainly attributable to progress payments for the construction of Jurong Island Chemical Logistics Facility and deferred consideration payment for acquisition of Cogent Holdings Pte. Ltd. (formerly known as Cogent Holdings Limited), partly offset by proceeds from the disposal of property, plant and equipment and dividend received from an associated company.

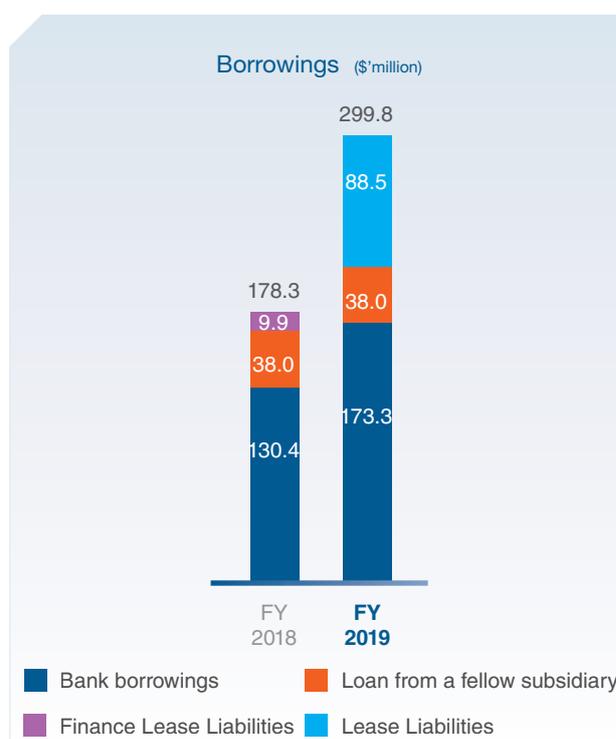
Net cash provided by financing activities for FY 2019 was \$7.9 million mainly due to proceeds from bank borrowings, partially offset by the repayment of principal and interest on bank borrowings and lease liabilities.

As at 31 December 2019, Group Cash and Cash equivalents was \$67.2 million.

GEARING



Total borrowings increased from \$178.3 million to \$299.8 million mainly due to recognition of lease liabilities arising from the adoption of SFRS(I) 16 *Leases* and additional funding procured for the construction of Jurong Island Chemical Logistics Facility. As a result, the Group's gearing ratio (net of cash) increased from 0.2 times at the end of 2018 to 0.4 times at the end of 2019.



CORPORATE GOVERNANCE

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

The Board of Directors (the “Board”), guided by the Singapore Code of Corporate Governance dated 6 August 2018 (the “Code”) 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 provisions 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 provisions set out in the Code. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.

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. Any Director who faces a conflict of interest or a possible conflict of interest, in relation to matter, must promptly declare his interest at a meeting of Directors or send a written notice to the Company containing details of his interest and the conflict and recuses himself from discussions and decisions on the matter.

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 other 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 held five (5) meetings and had on various occasions used circular resolutions in writing to address any specific matters that may arise. 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 2019 is set out in the table below:

Name	Type of Meetings					AGM
	Board	Committee			Strategic Development	
		Audit and Risk Management	Nominating	Remuneration		
	No. of Meetings held: 5	No. of Meetings held: 5	No. of Meeting held: 1	No. of Meeting held: 1	No. of Meeting held: 1	No. of Meeting held: 1
No. of Meetings Attended	No. of Meetings Attended	No. of Meeting Attended	No. of Meeting Attended	No. of Meeting Attended	No. of Meeting Attended	
Zhu Jian Dong ⁽¹⁾	1	NA	0 ⁽²⁾	NA	1	NA
Gu Jing Song ⁽³⁾	5	NA	1	NA	0	1
Li Xi Bei	4	NA	NA	NA	1	1
Ang Swee Tian	5	5	1	1	1	1
Wang Kai Yuen	5	5	1	1	1	1
Er Kwong Wah	5	5	1	1	1	1
Wang Yu Hang ⁽⁴⁾	0	NA	NA	NA	0	0
Li Man ⁽⁵⁾ (Alternate to Wang Yu Hang)	4	NA	NA	NA	0	1

NA - Not Applicable

Notes:

- (1) Mr Zhu Jian Dong was appointed as President and Non-Independent Executive Director on 19 September 2019. On 13 November 2019, Mr Zhu Jian Dong was appointed as Chairman of Board, Chairman of Strategic Development Committee and a member of the Nominating Committee.
- (2) Mr Zhu Jian Dong was appointed after the meeting of the Nominating Committee held on 1 March 2019.
- (3) Mr Gu Jing Song was appointed as Executive Chairman on 14 August 2019 and subsequently ceased as President of the Company on 19 September 2019. On 13 November 2019, Mr Gu Jing Song ceased as Executive Non-Independent Chairman and relinquished his role as Chairman of the Strategic Development Committee and a member of the Nominating Committee.
- (4) Mr Wang Yu Hang ceased as Non-Executive Non-Independent Chairman on 14 August 2019.
- (5) Mr Li Man ceased to be an Alternate Director to Mr Wang Yu Hang on 14 August 2019.

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

Directors are from time to time furnished with detailed information concerning the Group to support their decision making process. Prior to each Board meeting, members of the Board are each provided with the relevant documents and information necessary for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Such information includes budgets, forecasts, quarterly unaudited financial statements, related materials, facts, risk analysis, financial impact, expected outcomes, conclusions and recommendations.

CORPORATE GOVERNANCE

As a general rule, notices are sent to the Directors at least one week in advance of Board and Board Committees meetings, followed by the Board papers, in order for the Directors to be adequately prepared for the meetings.

BOARD COMPOSITION AND GUIDANCE

Principle 2

The Board has five (5) members: two (2) Executive Directors and three (3) Non-Executive Independent Directors. No individual or group of individuals dominates the Board's decision-making. Collectively, the 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, its substantial shareholders 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, its related corporation or its substantial shareholders.

The Board of COSCO SHIPPING comprises the following members:

Zhu Jian Dong	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 40 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 Provision 2.1 of the Code.

CORPORATE GOVERNANCE

All the Independent Directors had confirmed that they do not have any relationship and business dealing with the Management, its related corporations or its substantial shareholders.

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

The Board noted that gender diversity on the Board is also one of recommendations under the Code to provide an appropriate balance and diversity. Although there is currently no female director appointed to the Board, the Board is open to the possibility of appointing a female director if a suitable candidate is nominated for the Board's consideration.

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.

STRATEGIC DEVELOPMENT COMMITTEE

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

Zhu Jian Dong (Chairman)	Non-Independent Executive
Li Xi Bei	Non-Independent 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.

The SDC discussed its initial strategic planning and future development and had used circular resolutions in writing to approve the initial proposed strategic development plan.

CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

Mr Zhu Jian Dong, the Chairman, President and Non-Independent Executive Director of the Company, is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process and has full executive responsibilities over the business directions and operational decisions of the Group.

As the President and the most senior executive in the Company, Mr Zhu Jian Dong 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 for the long-term success of the Company.

Although the roles of the Chairman and President are not separated, the non-executive independent Directors make up majority of the Board and the Audit and Risk Management Committee (“ARMC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”) are chaired by independent Directors. Mr Ang Swee Tian has been appointed as the Non-Executive Lead Independent Director of the Company and is available to stakeholders should they have concerns which cannot be resolved through the normal channel of the Chairman or for which such contact is inappropriate. As such, the Board believes that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is independent and based on collective decision-making without any individual being able to exercise considerable concentration of power or influence.

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 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
Zhu Jian Dong	Chairman, President and Non-Independent Executive	19.09.2019	NA
Li Xi Bei	Non-Independent Executive	30.08.2016	20.04.2017
Ang Swee Tian	Non-Executive Lead Independent	13.11.2007	29.04.2019
Wang Kai Yuen	Non-Executive Independent	2.05.2001	20.04.2019
Er Kwong Wah	Non-Executive Independent	20.12.2002	27.04.2018

Note: NA - Not Applicable

NOMINATING COMMITTEE

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

Wang Kai Yuen (Chairman)	Non-Executive Independent
Zhu Jian Dong	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 the 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 were 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 Code. It also reviewed the composition of the Board and the Board Committees in relation to the needs of the Group.

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

CORPORATE GOVERNANCE

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 40 of this Annual Report.

The NC has recommended that the following directors be nominated for re-election at the forthcoming AGM:

- a) Li Xi Bei pursuant to Article 101; and
- b) Zhu Jian Dong pursuant to Article 105.

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

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.

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.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6

REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises all independent directors of the Company. 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;
- 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.

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

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

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

CORPORATE GOVERNANCE

LEVEL AND MIX OF REMUNERATION

Principle 7

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. The COSCO Group Employees' Share Option Scheme 2002 had expired on 8 May 2012. The Company is proposing to the shareholders for adoption of the new COSCO SHIPPING Group Executives Share Option Scheme 2020.

During the financial year under review, 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.

DISCLOSURE ON REMUNERATION

Principle 8

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 2019 is as follows:

	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Non-Independent Executive Directors in the Band of \$500,000 to \$750,000					
Gu Jing Song ⁽¹⁾	–	27	31	42	100
Li Xi Bei	–	36	27	37	100
Non-Independent Executive Directors in the Band of below \$250,000					
Zhu Jian Dong ⁽²⁾	–	69	–	31	100
Independent Directors in the Band of below \$250,000					
Wang Kai Yuen	100	–	–	–	100
Er Kwong Wah	100	–	–	–	100
Ang Swee Tian	100	–	–	–	100

Note:

(1) Gu Jing Song resigned as Non-Independent Executive Director on 13 November 2019.

(2) Zhu Jian Dong appointed as Non-Independent Executive Director on 19 September 2019.

CORPORATE GOVERNANCE

	Fees (%)	Salary (%)	Bonus (%)	Other Benefits (%)	Total (%)
Executives in the Band of between \$250,000 to \$500,000					
Li Man	–	35	25	40	100
Wang Kang Tian	–	39	27	34	100

During the year under review, there were only two 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 Provision 8.1 of the Code 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 who is an immediate family member of a director, the CEO or a substantial shareholder of the Company whose remuneration exceeded \$100,000 during the financial year ended 31 December 2019.

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 tax and other allowances and other benefits-in-kind.
- STOCK OPTION
The Company is proposing to the shareholders for adoption of the new COSCO SHIPPING Group Executives Share Option Scheme 2020.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9

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

CORPORATE GOVERNANCE

performance, position and prospects. Management provides the Board with management accounts and other financial statements on a quarterly 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.

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

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

The Group's key internal controls include:

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

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 145 to 151 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 received assurance from the President and Chief Financial Officer that the financial records as at 31 December 2019 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.

CORPORATE GOVERNANCE

The Board has also received assurance from the key management personnel that the Company's risk management and internal control systems are adequate and effective.

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, the Board and Board committees. The Board, with the concurrence of the Audit and Risk Management Committee, is of the view that the Group's framework of internal controls in relation to the financial, operational, compliance and information technology controls and risk management system is effective and adequate as at 31 December 2019 to provide reasonable assurance of the integrity and effectiveness of the Company in safeguarding its assets and shareholders' value.

The Board notes that the system of internal controls and risk management put in place by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen. In this regard, the Board also notes that no system of controls and risk management can provide absolute assurance against irregularities especially those arising from poor judgment in decision making, human error and fraud.

AUDIT AND RISK MANAGEMENT COMMITTEE

Principle 10

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;

CORPORATE GOVERNANCE

- (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;
- (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, effectiveness and independence of the scope and results of the external audit and the Company's internal audit function;
 - (g) review the assurance from the President and the CFO on the financial records and financial statements;
 - (h) 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;
 - (i) review the internal audit programme and ensure co-ordination between the internal auditors and external auditors and management;
 - (j) 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;
 - (k) 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;
 - (l) review significant findings and recommendations of the internal auditors and management's responses;
 - (m) ensure where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management; and
 - (n) 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.

CORPORATE GOVERNANCE

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 FY2019, 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 once a year. Ad-hoc meetings may be carried out from time to time, as circumstances require. The Company held five (5) 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 2019 are \$425,000 and \$241,000 respectively.

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

Financial reporting matters

In its review of the financial statements, the ARMC has discussed with management the accounting principles that were applied and its judgement of items that might affect the integrity of the financial statements. The following significant financial reporting matters impacting the financial statements were reviewed by the ARMC and discussed with the management and the external auditor:

Significant Financial Reporting Matters	How the ARMC reviewed these matters
Impairment assessment of goodwill	<p>The ARMC considered the approach and methodology used by management in determining the recoverable amount of the cash-generating unit (“CGU”) in which goodwill has been attributable to.</p> <p>The ARMC was satisfied that the approach and methodology used by management in this process was appropriate.</p> <p>Impairment assessment of goodwill was also an area of focus for the external auditors who have included this item as a key audit matter in their independent auditor’s report for the financial year ended 31 December 2019.</p>
Extension option on leases	<p>The ARMC considered the processes relating to the application of SFRS(I)16 <i>Leases</i> and the significant judgement applied by management in determining whether facts and circumstances created economic incentive for lease extension options to be exercised.</p> <p>Based on its understanding of the various lease agreements, the importance of the leased assets to the Group’s business, and the cost of obtaining replacement of assets. The ARMC was satisfied that the judgement applied by management in the inclusion of the lease extension options to be appropriate.</p> <p>Extension option on leases was also an area of focus for the external auditors who have included this item as a key audit matter in their independent auditor’s report for the financial year ended 31 December 2019.</p>

CORPORATE GOVERNANCE

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.

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

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.

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

SHAREHOLDER RIGHTS

Principle 11

COSCO SHIPPING 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.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12

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 holds analyst briefings upon the release of its financial results if necessary. In addition to the analyst briefings, the Company has taken part in various IR-related 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.

CORPORATE GOVERNANCE

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

DIVIDEND POLICY

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

The Board has resolved not to recommend payment of dividend for the financial year ended 31 December 2019 as the Company was evaluating various strategic moves to expand its businesses.

CONDUCT OF SHAREHOLDER MEETINGS

COSCO SHIPPING encourages shareholders to participate actively in general meetings. At general meetings of the Company, shareholders are given the equitable 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, Audit & 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. The attendance of the Directors at the AGM held on 29 April 2019 is set out on Page 18 of this Annual 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.

Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management, are available to shareholders upon their request.

CORPORATE GOVERNANCE

ENGAGEMENT WITH STAKEHOLDERS

Principle 13

The Company's engagement with all stakeholders is set out in details on Page 52 in the Sustainability Report on Pages 47 to 66.

INTERESTED PERSON TRANSACTIONS ("IPTs") POLICY

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

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

The 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.

CORPORATE GOVERNANCE

Name of interested person	Nature of relationship	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)	
		FY2019 \$'000	FY2019 \$'000	
<u>Between Subsidiaries and:</u>				
China Marine & Seamen Service Shanghai Corporation	Subsidiaries of Controlling Shareholders	–	1,097	
China Seafarers Management Limited		–	584	
COSCO (Nantong) Shipyard Co., Ltd		–	517	
COSCO (Qidong) Offshore Co., Ltd		–	2,081	
COSCO (Shanghai) Shipyard Co., Ltd		–	331	
COSCO Petroleum Pte Ltd		–	4,438	
COSCO SHIPPING Development Co., Ltd		–	1,796	
COSCO SHIPPING (Hong Kong) Insurance Brokers Limited		–	632	
COSCO SHIPPING (South East Asia) Pte. Ltd.		–	1,110	
COSCO SHIPPING Lines (Singapore) Pte Ltd		–	244	
COSCO SHIPPING Seafarer Management Co., Ltd.		–	1,416	
COSCO SHIPPING Specialized Carriers Co., Ltd		–	445	
COSCO SHIPPING Tanker (Shanghai) Co., Ltd		–	1,137	
COSCO SHIPPING Technology Co., Ltd.		–	208	
Golden Logistics & Storage Sdn. Bhd. ^[1]			2,749	158
Refined Success Limited			–	3,553
Shanghai Ocean Shipping Company			–	213
OOCL Logistics (Hong Kong) Limited ^[2]			416	–
Total			3,165	19,960

Note:

[1] This relates to the proposed acquisition of assets by SH Cogent Logistics Sdn Bhd from Golden Logistics & Storage Sdn. Bhd. as announced by the Company on 20 September 2019.

[2] This relates to the subscription of 30% interest in TAN CANG–COSCO–OOCL Logistics Company Limited by COSCO SHIPPING Southeast Asia Container Logistics Services Pte. Ltd. as announced by the Company on 20 September 2019.

CORPORATE GOVERNANCE

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

Zhu Jian Dong
*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*

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

Zhu Jian Dong
Er Kwong Wah
Ang Swee Tian

Strategic Development Committee

Zhu Jian Dong
Chairman

Li Xi Bei
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 ZHU JIAN DONG

*Chairman, President
and Non-Independent
Executive Director*

MR ZHU JIAN DONG

*Chairman, President
and Non-Independent Executive Director*

Mr Zhu Jian Dong was appointed as President and Non-Independent Executive Director on 19 September 2019 and Chairman on 13 November 2019. Mr Zhu also chairs the Strategic Development Committee and is a member of the Nominating Committee.

Mr Zhu has held key managerial roles before his appointment and he brings vast skills, knowledge and experience to his current role. Prior to his current appointment, Mr Zhu was Deputy Managing Director of COSCO SHIPPING Lines Co., Ltd, Deputy Managing Director of COSCO SHIPPING Holdings Co., Ltd and Director of The Orient Overseas Container Line Ltd.

Mr Zhu was Deputy Managing Director of COSCO Container Lines Co., Ltd from September 2013 to January 2016, Executive Vice President of COSCO Americas Co., Ltd from October 2010 to September 2013 and Executive Vice President of COSCO Container Lines (Americas) Co., Ltd. from March 2008 to September 2013.

Mr Zhu holds a Master of Business Administration (International) from The University of Hong Kong. Mr Zhu has also attended training courses in 2019 to familiarize himself with the roles and responsibilities of a director of a public listed company in Singapore.

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 LI XI BEI

Non-Independent Executive Director

Mr Li Xi Bei was appointed as Non-Independent Executive Director on 30 August 2016 and is a member of the Strategic Development Committee.

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 was appointed as Non-Executive Independent Director on 13 November 2007 and subsequently appointed as Non-Executive Lead Independent Director on 27 April 2018. 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 FirstClass 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 as 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 as 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.

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
Zhu Jian Dong	Nil
Li Xi Bei	Nil
Wang Kai Yuen	<ul style="list-style-type: none"> • ComfortDelGro Corporation Limited (Non-Executive Independent Director) • Ezion Holdings Limited (Non-Executive Independent Chairman) • Hong Lai Huat Group Limited (Chairman and Non-Executive Independent Director) • Emas Offshore Limited (Non-Executive Independent Director)
Er Kwong Wah	<ul style="list-style-type: none"> • CFM Holdings Limited (Non-Executive Independent Director) • The Place Holdings Limited (Non-Executive Lead Independent Director) • EcoWise Holdings Limited (Non-Executive Lead Independent Director) • Chaswood Resources Holdings Ltd. (Non-Executive Independent Director) • Luxking Group Holdings Limited (Non-Executive Independent Director)
Ang Swee Tian	<ul style="list-style-type: none"> • China JinJiang Environment Holding Company Limited (Non-Executive Lead Independent Director)

KEY MANAGEMENT

MR ZHU JIAN DONG

Chairman, President and Non-Independent Executive Director

Mr Zhu Jian Dong was appointed as President and Non-Independent Executive Director on 19 September 2019 and Chairman on 13 November 2019. Mr Zhu also chairs the Strategic Development Committee and is a member of the Nominating Committee.

Mr Zhu has held key managerial roles before his appointment and he brings vast skills, knowledge and experience to his current role. Prior to his current appointment, Mr Zhu was Deputy Managing Director of COSCO SHIPPING Lines Co., Ltd, Deputy Managing Director of COSCO SHIPPING Holdings Co., Ltd and Director of The Orient Overseas Container Line Ltd.

Mr Zhu was Deputy Managing Director of COSCO Container Lines Co., Ltd from September 2013 to January 2016, Executive Vice President of COSCO Americas Co., Ltd from October 2010 to September 2013 and Executive Vice President of COSCO Container Lines (Americas) Co., Ltd. from March 2008 to September 2013.

Mr Zhu holds a Master of Business Administration (International) from The University of Hong Kong.

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 on 14 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.

MR LI MAN

Vice President

Mr Li Man was appointed as Vice President on 18 October 2012.

Mr Li 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

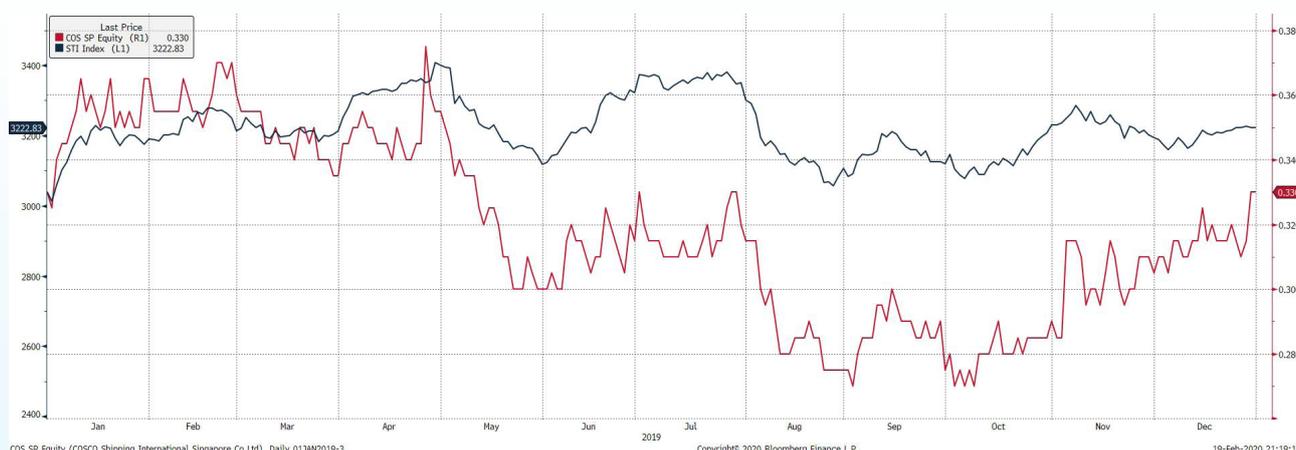
COSCO SHIPPING International (Singapore) Co., Ltd (“COSCO SHIPPING” or the “Company”) remains committed to the dissemination of price-sensitive materials in a timely, accurate and consistent basis. All news releases and company announcements are made available on the SGX-ST portal and updated on the company’s website. The senior management and investor relations team also continued to engage all stakeholders via multiple communication platforms, such as shareholders meeting, analysts’ briefings, corporate roadshows and press releases. Through these events, the Company was able to keep stakeholders informed of key developments and new business strategies through clear and timely communication and enable a transparent assessment on the value of the Company.

The Annual General Meeting and/or extraordinary general meetings will continue to be an important platform for the Board of Directors and the senior management to engage with shareholders, as well as to allow shareholders to gain a deeper understanding of the company’s business operations.

Major Investor Relations Events in 2019

Date	Organiser	Event
1 March 2019	COSCO SHIPPING	FY2018 Full Year Results Announcement, Analysts Briefing
14 March 2019	SGX, SPD Bank	SGX-SPD Bank Corporate Day – Chongqing, China
29 April 2019	COSCO SHIPPING	Annual General Meeting
14 May 2019	COSCO SHIPPING	FY2019 1 st Quarter Results Announcement, Media Release
23 May 2019	SGX, BOC Singapore	SGX-BOC Singapore Corporate Day – Shanghai, China
13 August 2019	COSCO SHIPPING	FY2019 2 nd Quarter Results Announcement, Media Release
12 November 2019	COSCO SHIPPING	FY2019 3 rd Quarter Results Announcement, Media Release

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 its 2012 Code of Corporate Governance. In the 2012 Corporate Governance Code, the CG Council introduced the revised Principle 11 to focus on Risk Management and Internal Controls. Immediately on 10 May 2012, a Risk Governance Guidance for Listed Boards was also released by CG Council. The revised Code of Corporate Governance 2018 (the “Code”) was announced in August 2018 and relevant provisions on Risk Management and Internal Controls have also been further amended. 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. (“COSCO SHIPPING” or the “Company”), 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 Audit and Risk Management Committee (“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 SHIPPING’s risks;
- enable a uniform approach in prioritizing, managing, monitoring and mitigating COSCO SHIPPING’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's 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 policies, guidelines and control procedures to manage and report exposure to such risks.

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

A detailed disclosure of the Group's financial risks can be found on pages 145 to 151 in the Notes to the Financial Statements.

SUSTAINABILITY REPORT

CONTENTS

48	Board Statement
48	About this Sustainability Report
49	Human Resources of the Group
51	Sustainability Governance
52	Stakeholder Engagement
53	Reporting Scope and Boundaries
54	Material Topics and Boundaries
64	GRI Content Index

BOARD STATEMENT

The COSCO SHIPPING International (Singapore) Co., Ltd. (“COSCO SHIPPING” or the “Company”) Board of Directors (“The Board”) has assigned responsibility for overseeing the Company’s sustainability initiatives to the Sustainability Committee. The Board is 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 responsible for the long-term success of the Group and considers sustainability issues as part of its strategy formulation. It has determined COSCO SHIPPING’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 third sustainability report issued and it provides an update of the Group’s performance and targets on sustainability which was set out in the FY2018 SR dated 8 March 2019.

The EESG topics selected in the FY2018 report have been re-evaluated for its materiality to the Group in FY2019. The Board is of the view that for FY2019, the material topics continued to be the same as those in FY2018.

The Company is committed to integrate and improve sustainability practices throughout our business operations, to become a better service provider for its customers, better partner for its suppliers and having a better career development platform for its employees. COSCO SHIPPING is focused on maintaining a safe working environment, including a zero workplace fatality target, good corporate governance with zero tolerance for corruption or fraud and will further our environmental conservation efforts.

ABOUT THIS SUSTAINABILITY REPORT

This Sustainability Report summarises COSCO SHIPPING’s sustainability efforts for FY2019, for the period 1 January 2019 to 31 December 2019. The previous Sustainability Report was published on 8 March 2019.

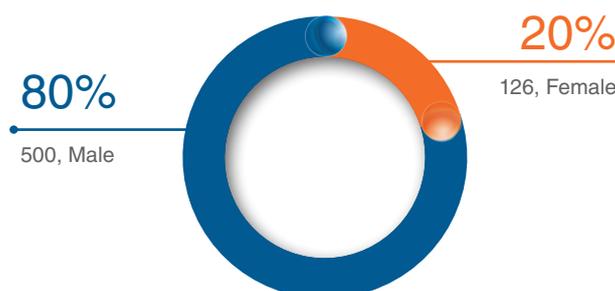
The information in this section is organised and presented in accordance with the GRI Standards: Core option published in 2016, established by the Global Reporting Initiative (“GRI”).

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.

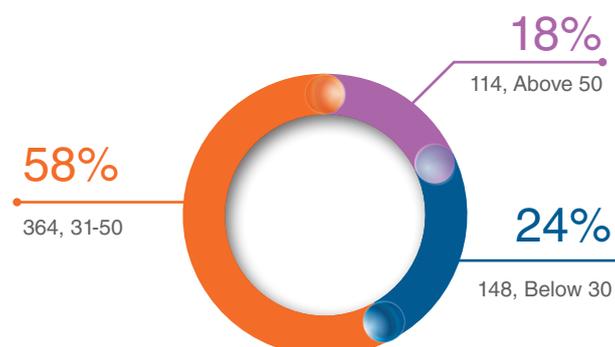
HUMAN RESOURCES OF THE GROUP

The Group has 626 employees (full-time) under its employment in the Singapore and Malaysia offices who fall under the following categories:

Employees by Gender



Employees by Age Group



At COSCO SHIPPING, our employees are our most valuable assets: They form the pillars of strength 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

COSCO SHIPPING requires a highly-skilled talent pool to lead and execute complex and specialised job scopes.

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.

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, COSCO SHIPPING 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 (“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 (“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 logistics, dry bulk shipping, ship repair & marine engineering and property management business of COSCO SHIPPING’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, suggestion or feedback related to COSCO SHIPPING’s sustainability initiatives, please reach out to us at enquiry@cosco.com.sg.

STAKEHOLDER ENGAGEMENT

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.

We are committed to expand our engagement methods and to use any subsequent outputs in our future disclosures. COSCO SHIPPING's management is very much determined to continuously improve by engaging with key stakeholder groups with these methods as follows:

Employees	<ul style="list-style-type: none"> • Monthly management meetings are held to discuss day to day operational issues. • Newsletters are circulated on a daily basis to keep employees updated. • Regular training sessions and transitional assistance programs are conducted.
Industry and Government	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Customer related surveys and engagement activities are conducted to collect feedback.
Suppliers and Contractors	<ul style="list-style-type: none"> • Safety briefings are conducted regularly for employees and contractors working on site.
Local Communities and NGOs	<ul style="list-style-type: none"> • Regular dialogues are held with our endorsed charity organisations which shape our community outreach initiatives.
Shareholders and Investors	<ul style="list-style-type: none"> • 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") conducted a formal materiality assessment workshop with the Sustainability Team to identify potential sustainability matters most relevant and significant to the Company in FY2018.

The list of potential sustainability matters was identified through (i) identifying internal and external stakeholders and (ii) discussion with the Working Committee to understand their concerns and the concerns of key external stakeholders they communicate with on a regular basis.

The sustainability matters were compiled into a questionnaire by the Consultants using an online survey tool to identify the EESG topics that the Group considered important to internal and external stakeholders in FY2018. The significance of each matter is determined by (i) relevance to COSCO SHIPPING's business model, strategies and outcome and (ii) likelihood and impact of the business.

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 Working Committee.

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

The Working Committee aims to conduct an annual review of the Group's material topics as well as monitor the performance of the topics as part of COSCO SHIPPING's sustainability strategy.

There were no significant changes in the business and operating environment so we are of the view we can continue to rely on the survey results from FY2018.

MATERIAL TOPICS AND BOUNDARIES

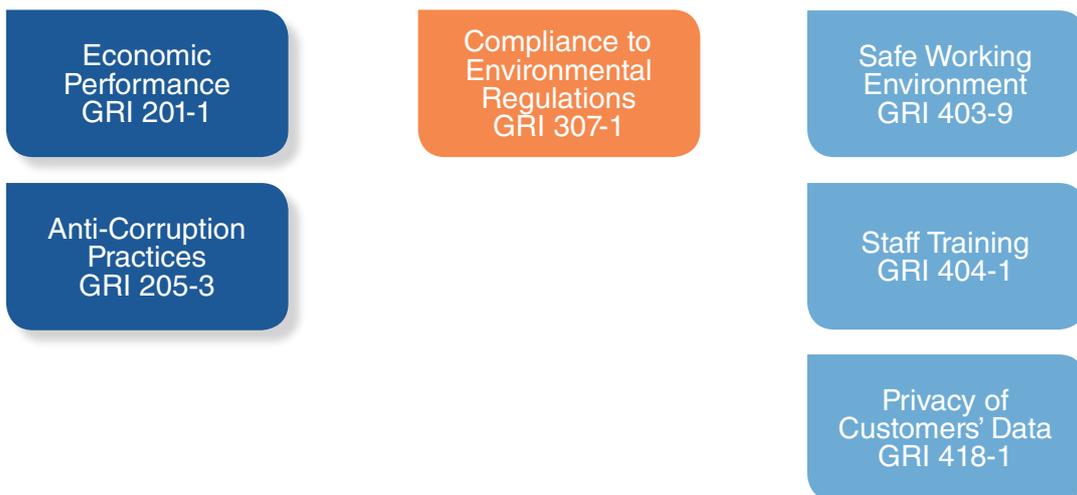
The Group adopts a four-step process to define the material topics:



Material Topics and Boundaries

The topics from FY2018 were re-evaluated and all topics were deemed to be material to the Group.

The Steering Committee re-evaluated the topics from FY2018 and all topics were deemed to be material to the Group. As such, the steering Committee recommended to the Board the same six topics to be the material topics to be reported in FY2019 which was subsequently approved.



MATERIAL TOPICS AND BOUNDARIES

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 COSCO SHIPPING, 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 FY2019 with a net equity position of \$536.4 million. This ensures long-term viability of the Group and enables execution of sustainability strategies.

For a detailed breakdown of our financial results, please refer to the Group's Financial Statements for FY2019.

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 and Risk Management 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.

For FY2019, the Group has met the target set in FY2018 and there were no incidents of corruption and the Group has a target of zero incidents perpetually.

	FY2018 Performance	FY2019 Performance	FY2020 Target
Total number of confirmed incidents of corruption	One incident	Zero incidents	Zero incidents

MATERIAL TOPICS AND BOUNDARIES

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 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 further improve, subsidiaries of Cogent, SH Cogent Logistics Pte Ltd and Cogent Land Capital Pte. Ltd. embarked on establishing Environmental Management System ISO 14001:2015 and will strive to achieve accreditation in the near future. The Group will continue to track any changes to the laws and regulations and will take steps to implement any new measures accordingly.

For FY2019, the Group has met the target set in FY2018 and there were zero legal cases, fines or sanctions against any companies of the Group and the target will be to maintain this performance perpetually.

	FY2018 Performance	FY2019 Performance	FY2020 Target
Legal cases or significant fines and non-monetary sanctions against the Group	Zero	Zero	Zero

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 for all employees which includes proper incident investigations and reporting procedures due to the environment that COSCO SHIPPING operates in.

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 purchasing insurance and 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.

MATERIAL TOPICS AND BOUNDARIES

- 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.

Cogent has a Quality, Environmental, Health and Safety Policy which sets out the goals for their subsidiaries as follows:

- Provide a safe and healthy working environment for all stakeholders
- Prevent injuries, ill health and pollution to the environment
- Minimise wastes and environmental, health and safety risks
- Promote recycling, re-using and reduction of materials and resources
- Promote environmental and workplace health and safety awareness, responsibility, provide relevant training and suitable protective equipment all our employees

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 and employees are encouraged to voice out any concerns during these meetings / briefings.

Safety 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
- Workplace Safety & Health Legal Requirements Training
- Regulatory, Technical & Safety Requirement of ISO Tank Containers
- Assess Confined Space For Safety Entry and Work
- Supervise Work in Confined Space Operation
- Perform Work in Confined Space Operation
- Supervise Construction Work for WSH
- Drills and related trainings such as
 - Fire-fighting
 - Chemical spillage control,
 - CPR, AED and First Aider courses

MATERIAL TOPICS AND BOUNDARIES

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.

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.

As per guidelines established by the Ministry of Manpower (“MOM”), a work-related accident is any unintended event that occurs in the course of work that leads to an injury or condition. The accident is reportable to MOM, within 10 days of the accident, if the employee is hospitalised for at least 24 hours or given medical leave for more than 3 days.

For FY2019, there were seven cases of recordable work-related injuries that were reported to MOM. Although the Company did not achieve its target of zero injuries as set out in the FY2018 SR Report, six cases were minor injuries and one case was more severe but was due to the fault of a third party. Internal investigations were carried out for all cases and the Company has enhanced our safety policies. The policies were communicated to all employees to ensure they are more alert to hazards at the workplace.

In the long run, the Company hopes to achieve zero injury cases and zero man hours lost by having more supervision on the ground and for key personnel to take greater ownership for safety, and to integrate safety into all operational activities so as to improve the safety culture of the Company. This will increase productivity and the safety records will appeal to potential customers and lead to future possible expansion.

	FY2018 Performance	FY2019 Performance	FY2020 Target
Number of fatalities as a result of work-related injury	Zero	Zero	Zero
Number of high-consequence work-related injuries (excluding fatalities)	Zero	Zero	Zero
Number of recordable work-related injuries	Seven	Six	Zero

MATERIAL TOPICS AND BOUNDARIES

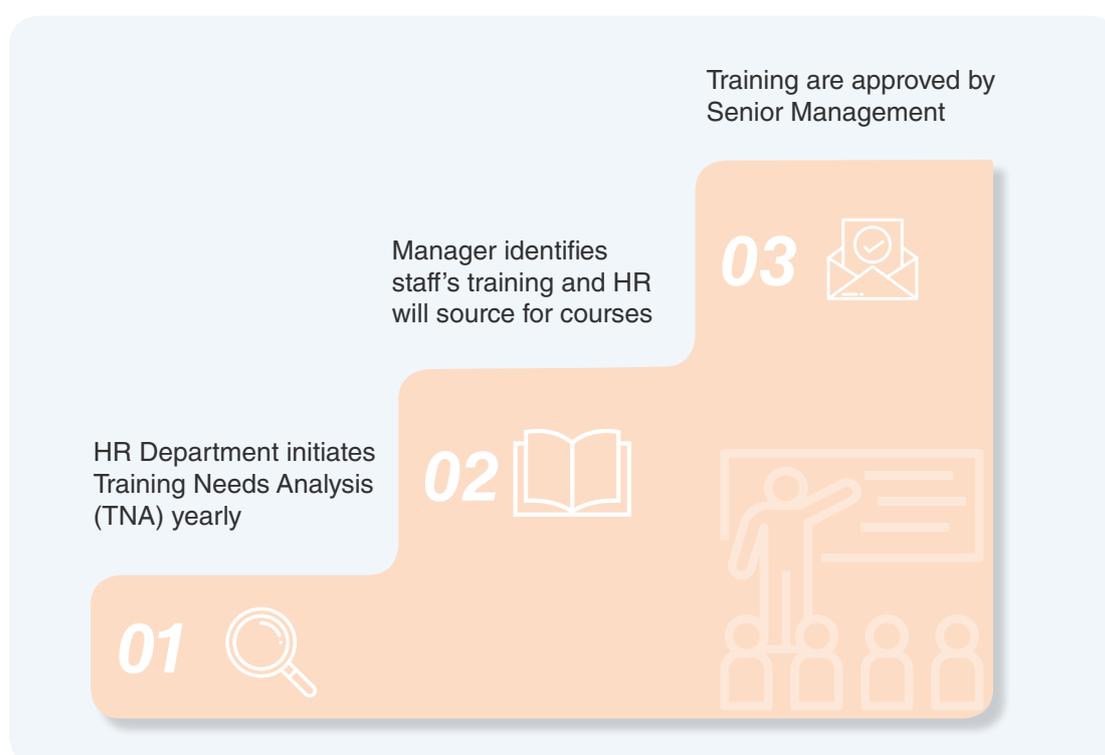
Staff Training GRI 404-1

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 COSCO SHIPPING, 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 to enable employees to keep up with market practices and for them to upgrade their skills. The training process is as follows:

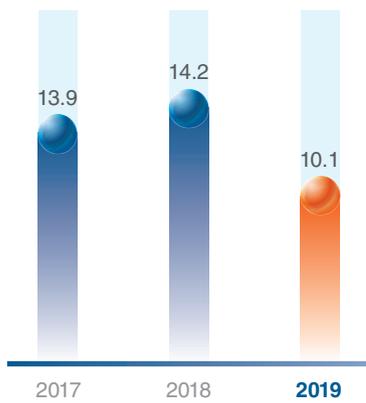


Technical employees are also required to undergo annual assessment conducted in simulated environments to ensure that they remain equipped and competent in meeting the necessary standards and safety measures at the worksite. Training evaluation forms are provided to employees for their feedback on the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

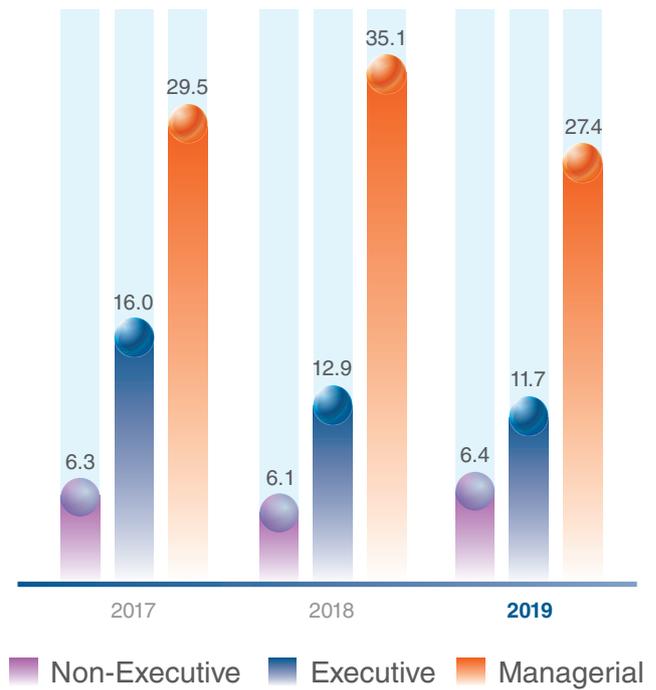
MATERIAL TOPICS AND BOUNDARIES

With the aim to enhance employees' proficiency levels in their respective fields so as to expand on employees' knowledge of existing and potential new businesses, COSCO SHIPPING 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:

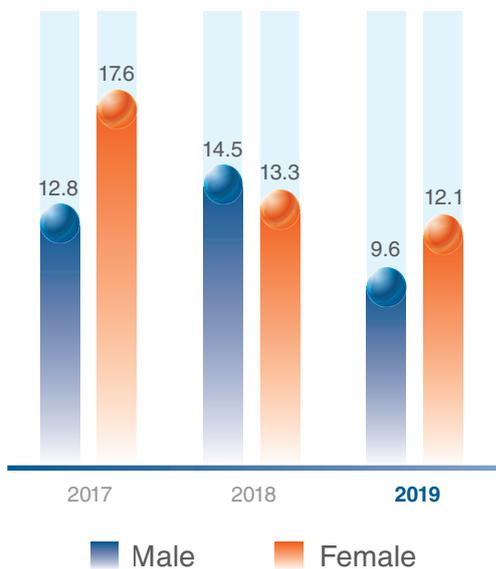
Average Training Hours per Employee



Average Training Hours per Employee, by Category



Average Training Hours per Employee, by Gender



Total average training hours per employee fell from 14.2 hours in FY2018 to 10.1 hours in FY2019 due to the reduction of soft skills training and regulatory updates for managers due to the managers being sent for adequate training in FY2018. Average training hours for executives decreased due to more new hires during the year in which those new employees were not sent for training. 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
 - Understanding of ISO 22000:2018 Internal Auditor Course
 - Apply Workplace Safety and Health in Metal Work
- Soft skills
 - Communicate & Relate Effectively at the Workplace
 - Effective Cash Flow Management, Budgeting and Analysis
 - Effective Business Report Writing Skills
 - Manage Resource Planning

For FY2019, the Group has met the target of an average of 8.0 hours of training per employee set in FY2018 and the target will be to maintain this performance for FY2020.

	FY2018 Performance	FY2019 Performance	FY2020 Target
Average hours of training for employees	14.2 hours per employee	10.8 hours per employee	8.0 hours per employee

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. However, The Group currently does not have a PDPA policy in place and has not issued any policies for Cogent to accord to. Cogent has appointed a Data Protection Officer ("DPO") and has sent the DPO for the necessary PDPA courses accordingly. The DPO will oversee data protection responsibilities and ensure compliance with the PDPA.

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.

For FY2019, the Group has met the target set in FY2018 and there were zero complaints of breach of customer privacy and the target will be to maintain this performance perpetually.

	FY2018 Performance	FY2019 Performance	FY2020 Target
Substantiated complaints received concerning breaches of customer privacy	Zero	Zero	Zero

GRI CONTENT INDEX

Disclosure Guidelines	Disclosure Title	Header	Page Reference
Organizational Profile			
102-1	Name of the organization	Corporate Profile	02
102-2	Primary brands, product and services	Corporate Profile, Operations Review	02, 11-12
102-3	Location of Headquarters	Corporate Profile	02
102-4	Location of operations	Corporate Profile, Operations Review	02, 11-12
102-5	Ownership and legal form	Corporate Profile	02
102-6	Market served	Corporate Profile, Operations Review	02, 11-12
102-7	Scale of the organization	Corporate Profile	11-12
102-8	Workforce figures	Human Resources of the Group	49-50
102-9	Organisation's supply chain	Corporate Profile	11-12
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	52
Strategy			
102-14	Statement from senior decision-maker	Board Statement	48
Ethics and Integrity			
102-16	Values, principles, standards, and norms of behaviour	Board Statement	48
Governance			
102-18	Governance structure	Sustainability Governance	51
Stakeholders Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	52
102-41	Collective bargaining agreements	Not Applicable	Not Applicable
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	52
102-43	Approach to stakeholder engagement	Stakeholder Engagement	52
102-44	Key topics and concerns raised through stakeholder engagement	Materiality Assessment	53
		Material Topics and Boundaries	54-63
Reporting Practice			
102-45	Entities included in the organisation's consolidated financial statements	Corporate Structure	03
102-46	Defining report content and topic boundaries	About This Sustainability Report Reporting Scope and Boundaries	48
102-47	List of material topics	Material Topics and Boundaries	54-63

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	48
102-50	Reporting Period	About This Sustainability Report	48
102-51	Date of previous report	About This Sustainability Report	48
102-52	Reporting cycle	About This Sustainability Report	48
102-53	Contact point	Reporting Framework	51
102-54	Claims of reporting in accordance with GRI Standards	About This Sustainability Report	48
102-55	GRI Content Index	GRI Content Index	64-66
102-56	Assurance	About This Sustainability Report	48
Management Approach			
103-1	Explanation of the material topic and its Boundary	Materiality Assessment	53
103-2	The management approach and its components	Material Topics and Boundaries	54-63
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	55
GRI 205 Anti-Corruption			
205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption Practices	55
GRI 307 Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	Compliance to Environmental Regulations	56-58
GRI 403 Occupational Health and Safety			
403-1	Occupational health and safety management system	Safe Working Environment	58-60
403-2	Hazard identification, risk assessment, and incident investigation	Safe Working Environment	58-60
403-3	Occupational health services	Safe Working Environment	58-60
403-4	Worker participation, consultation, and communication on occupational health and safety	Safe Working Environment	58-60
403-5	Worker training on occupational health and safety	Safe Working Environment	58-60

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	58-60
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safe Working Environment	58-60
403-9	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Safe Working Environment	58-60
GRI 404 Training and Education			
404-1	Average hours of training per year per employee	Staff Training	61-63
GRI 418 Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Privacy of Customers' Data	63

FINANCIAL STATEMENTS

CONTENTS

68	Directors' Statement
71	Independent Auditor's Report
76	Consolidated Statement of Profit or Loss
77	Consolidated Statement of Comprehensive Income
78	Balance Sheet - Group
79	Balance Sheet - Company
80	Consolidated Statement of Changes in Equity
81	Consolidated Statement of Cash Flows
83	Notes to the Financial Statements
160	Five-Year Summary
162	Shareholding Statistics
163	Other Information Required under the SGX-ST Listing Manual

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

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 76 to 159 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 2019 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:

Zhu Jian Dong (appointed on 19 September 2019)
Li Xi Bei
Wang Kai Yuen
Er Kwong Wah
Ang Swee Tian

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.

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 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Directors' interests in shares or debentures (continued)

	Number of unissued ordinary shares under option held by director	
	At 31.12.2019	At 1.1.2019 or date of appointment, if later
Related corporations		
COSCO SHIPPING Holdings Co., Ltd.		
- Share Option Incentive Scheme		
Zhu Jian Dong	754,000	754,000

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

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 2019 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 2019

Independent auditor

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

On behalf of the directors

ZHU JIAN DONG
Director

LI XI BEI
Director

6 March 2020

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2019

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 2019 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 2019;
- 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 2019;
- the balance sheet of the Company as at 31 December 2019;
- 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.

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements (continued)

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.

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 2019. 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
<p>Impairment assessment of goodwill</p> <p><i>Refer to Note 3.1 (Critical accounting estimates and assumptions) and Note 24(a) to the financial statements</i></p> <p>As at 31 December 2019, goodwill amounted to \$98,989,000.</p> <p>The goodwill relates to the Group's 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.</p> <p>We focused on this area because of the significant judgements required in estimating the revenue growth rate, terminal growth rate and discount rate applied in computing the recoverable amount of the CGU.</p>	<p>We evaluated the reasonableness of management's estimate of revenue growth by taking into consideration the past performance, and the CGU's expected future operating performance.</p> <p>With the assistance of our valuation specialists, we assessed the reasonableness of the terminal growth rate and the discount rate used by management.</p> <p>We found management's estimate of future cash flows and the rates used by management to be reasonable.</p> <p>We performed sensitivity analysis to assess the impact on the recoverable amount of the CGU by reasonable possible changes in the revenue growth rate, terminal growth rate and the discount rate. We found that the estimates used by management were appropriate.</p> <p>We also found the disclosure on the sensitivity analysis in Note 3.1 to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT

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

For the financial year ended 31 December 2019

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Extension option on leases</p> <p><i>Refer to Note 3.2 (Critical judgement in applying the entity's accounting policies) and Note 27 to the financial statements</i></p> <p>The Group adopted SFRS(I) 16 <i>Leases</i> on 1 January 2019.</p> <p>As at 31 December 2019, lease liabilities amounted to \$88,467,000 of which \$15,180,000 arose from extension options.</p> <p>The lease liabilities were initially measured by discounting the lease payments over the lease terms. For leases with extension options, the Group applied judgement in determining whether such extension options should be reflected in measuring the lease liabilities.</p> <p>We focus on this area because of the significant judgement required in determining whether the facts and circumstances created an economic incentive for the Group to exercise the lease extension option.</p>	<p>We assessed the reasonableness of management's expectation of exercising the extension option on leases through evaluating the importance of the leased asset to the Group's business and whether the cost of obtaining replacement asset would be significant.</p> <p>We tested the calculation of the lease liabilities balances based on lease payments over the expected lease terms.</p> <p>We found the judgement applied by management in the inclusion of the lease extension options to the lease terms to be reasonable.</p> <p>We also found the disclosure on the critical judgement applied by management in the determination of the lease terms in Note 3.2 to be appropriate.</p>

Other Information

Management is responsible for the other information. The other information comprises the Overview, Key Messages, Operations and Financial Review, Corporate Governance and Transparency, 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 2019

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 2019

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

6 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 December 2019

	Note	The Group	
		2019 \$'000	2018 \$'000
Sales	4	171,495	163,673
Cost of sales	5	(131,615)	(122,090)
Gross profit		39,880	41,583
Other income	7	2,012	2,948
Other gains and losses	8	2,159	6,187
Expenses			
- Distribution	5	(2,668)	(1,939)
- Administrative	5	(23,854)	(24,748)
- Finance	9	(8,924)	(9,217)
Share of profit of associated companies	18	2,036	2,126
Profit before income tax		10,641	16,940
Income tax expense	10	(2,933)	(3,719)
Profit for the year		7,708	13,221
Profit attributable to:			
Equity holders of the Company		7,380	12,977
Non-controlling interests		328	244
		7,708	13,221
Earnings per share for profit attributable to equity holders of the Company (expressed in cents per share)			
Basic earnings per share	11	0.33	0.58
Diluted earnings per share	11	0.33	0.58

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Profit for the year		7,708	13,221
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation - (Losses)/gains	31(b)(ii)	(635)	1,440
Other comprehensive (loss)/income, net of tax		(635)	1,440
Total comprehensive income		7,073	14,661
Total comprehensive income attributable to:			
Equity holders of the Company		6,750	14,417
Non-controlling interests		323	244
		7,073	14,661

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

BALANCE SHEET

- GROUP

As at 31 December 2019

	Note	The Group	
		31 December 2019 \$'000	31 December 2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	12	67,165	72,814
Restricted cash	12	–	257
Trade and other receivables	13	40,856	35,460
Inventories	14	858	661
Income tax receivables		1,160	–
		110,039	109,192
Non-current assets classified as held-for-sale	15	–	741
		110,039	109,933
Non-current assets			
Trade and other receivables	16	477	812
Investments in associated companies	18	16,209	15,171
Investment properties	20	22,872	13,637
Property, plant and equipment	21	672,412	550,012
Intangible assets	24	126,352	131,033
Deferred expenditure	25	–	2,212
Deferred income tax assets	29	6	–
		838,328	712,877
Total assets		948,367	822,810
LIABILITIES			
Current liabilities			
Trade and other payables	26	49,035	48,056
Current income tax liabilities		1,549	4,884
Borrowings	27	32,312	25,715
Provisions	28	1,505	350
		84,401	79,005
Non-current liabilities			
Trade and other payables	26	988	4,468
Borrowings	27	267,465	152,619
Provisions	28	389	1,198
Deferred income tax liabilities	29	56,845	54,420
		325,687	212,705
Total liabilities		410,088	291,710
NET ASSETS		538,279	531,100
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	270,608	270,608
Statutory and other reserves	31	35,365	35,995
Retained earnings		230,395	223,015
		536,368	529,618
Non-controlling interests		1,911	1,482
Total equity		538,279	531,100

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

BALANCE SHEET

- COMPANY

As at 31 December 2019

		The Company	
	Note	31 December 2019 \$'000	31 December 2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	12	8,548	18,301
Restricted cash	12	–	257
Trade and other receivables	13	103	116
		8,651	18,674
Non-current assets			
Investment in an associated company	18	13,953	13,953
Investments in subsidiaries	19	614,589	614,183
Property, plant and equipment	21	62	100
		628,604	628,236
Total assets		637,255	646,910
LIABILITIES			
Current liabilities			
Trade and other payables	26	41,092	48,123
Current income tax liabilities		20	107
Borrowings	27	–	13,580
		41,112	61,810
Non-current liabilities			
Trade and other payables	26	988	4,468
Borrowings	27	72,069	58,489
		73,057	62,957
Total liabilities		114,169	124,767
NET ASSETS		523,086	522,143
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	30	270,608	270,608
Other reserves	31	45,105	45,105
Retained earnings		207,373	206,430
Total equity		523,086	522,143

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to equity holders of the Company				Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Statutory and other reserves \$'000	Retained earnings \$'000	Total \$'000		
2019						
Balance at 1 January 2019	270,608	35,995	223,015	529,618	1,482	531,100
Total comprehensive (loss)/income for the year	–	(630)	7,380	6,750	323	7,073
Non-controlling interest share of increase in registered capital of a subsidiary	–	–	–	–	406	406
Dividend declared by a subsidiary to non-controlling interest of a subsidiary	–	–	–	–	(300)	(300)
Balance as at 31 December 2019	270,608	35,365	230,395	536,368	1,911	538,279
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 a subsidiary	–	–	–	–	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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Profit for the year		7,708	13,221
Adjustments for:			
- Amortisation of deferred expenditure		-	64
- Amortisation of intangible assets		4,681	5,692
- Depreciation of property, plant and equipment		31,928	19,334
- Depreciation of investment properties		10,387	523
- Income tax expense		2,933	3,719
- Interest expense		8,924	9,217
- Interest income		(591)	(1,281)
- Gain on modification of lease		(65)	-
- Loss on disposal of transferable club memberships		-	165
- Impairment of trade and other receivables		315	193
- Gain on disposal of property, plant and equipment		(1,843)	(2,706)
- Share of profit of associated companies		(2,036)	(2,126)
- Exchange differences		(79)	(3,022)
		62,262	42,993
Changes in working capital:			
- Inventories		(197)	(467)
- Trade and other receivables		(5,515)	(6,234)
- Trade and other payables		(13)	(13,883)
- Provisions		274	(596)
Cash provided by operations		56,811	21,813
Income tax paid		(5,007)	(6,390)
Net cash provided by operating activities		51,804	15,423
Cash flows from investing activities			
Deferred consideration paid for acquisition of a subsidiary		(6,500)	(9,000)
Additions to property, plant and equipment (Note A)		(63,245)	(30,181)
Acquisition of a subsidiary, net of cash acquired	17	-	(410,306)
Decrease in amount due from a fellow subsidiary		-	293,165
Disposal of transferable club memberships		-	18
Disposal of property, plant and equipment		2,723	3,868
Disposal of a subsidiary, net cash outflow	12	-	(68)
Acquisition of an associated company		(416)	(13,953)
Decrease in restricted cash balance		257	140,401
Interest received		664	1,231
Dividends received		1,665	11,807
Net cash used in investing activities		(64,852)	(13,018)
Cash flows from financing activities			
Proceeds from borrowings		51,972	328,649
Repayments of borrowings		(9,040)	(306,795)
Principal payment of lease liabilities (Note B)		(24,657)	(3,716)
Decrease in bank deposits pledged		24	-
Proceeds from non-controlling interest for increase in registered capital of a subsidiary		406	-
Interest paid		(10,502)	(8,096)
Dividend paid to non-controlling interest of a subsidiary		(300)	(150)
Net cash provided by financing activities		7,903	9,892
Net (decrease)/increase in cash and cash equivalents		(5,145)	12,297
Cash and cash equivalents at beginning of financial year		71,605	58,504
Effects of currency translation on cash and cash equivalents		(480)	804
Cash and cash equivalents at end of financial year	12	65,980	71,605

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

Note A – Reconciliation of property, plant and equipment

	Consideration paid for purchase of property, plant and equipment \$'000	Provision for reinstatement costs \$'000	Unpaid purchase consideration \$'000	Additions arising from SFRS(I) 16 \$'000	Non-cash changes			Property, plant and equipment additions (Note 21) \$'000
					Property, plant and equipment acquired under financing arrangement \$'000	Depreciation of right-of-use assets capitalised during the year (Note 22) \$'000	Finance expenses capitalised during the year (Note 9) \$'000	
2019	63,245	72	4,446	4,399	2,093	505	1,141	75,901
2018	30,181	–	4,597	–	788	–	–	35,566

Note B – Reconciliation of liabilities arising from financing activities

	1 January 2019 \$'000	Principal and interest payments \$'000	Non-cash changes					31 December 2019 \$'000
			Interest expense \$'000	Additions arising from SFRS(I) 16 \$'000	Derecognition of lease liabilities due to early termination \$'000	Property, plant and equipment acquired under financing arrangement \$'000	Foreign exchange movement \$'000	
Borrowings	168,384	42,932	–	–	–	–	(6)	211,310
Lease Liabilities	9,950	(24,657)	–	104,712	(3,609)	2,093	(22)	88,467
Interest payable	754	(10,502)	9,937	–	–	–	5	194

	1 January 2018 \$'000	Principal and interest payments \$'000	Non-cash changes						31 December 2018
			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 2019

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 19 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.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

Adoption of SFRS(I) 16 *Leases*

(a) *When the Group is the lessee*

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group’s accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.16 (b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) 16 Leases (continued)

(a) When the Group is the lessee (continued)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
- ii) On a lease-by-lease basis, the Group has:
 - a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
 - d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- (i) On a lease-by-lease basis, the Group chose to measure its ROU assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 January 2019).
- (ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) 16 Leases (continued)

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor (Note 2.1(c)).

(c) When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset.

On 1 January 2019, the Group has reassessed the classification of the sublease based on the remaining contractual terms and condition of the head lease. Based on this assessment, all the subleases of space remained as operating leases.

The accounting policy for subleases are disclosed in Note 2.16.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase/ (decrease) \$'000
Property, plant and equipment	82,963
Investment properties	19,603
Deferred expenditure	(2,212)
Trade and other receivables	(64)
Borrowings	100,290

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	\$'000
Operating lease commitment disclosed as at 31 December 2018	110,071
Less: Short-term leases	(1,169)
Less: Discounting effect using weighted average incremental borrowing rate of 3.3%	(8,612)
Lease liabilities recognised as at 1 January 2019	<u>100,290</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 output method depending on progress of the contract work, where the outcome of the contract can be estimated reliably. The customers are invoiced when they acknowledge the services rendered are to their satisfaction.

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

(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. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(a) *Rendering of services* (continued)

(ii) *Shipping – charter hire* (continued)

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. As a practical expedient, the Group will recognise the pre-voyage expenses as expenses when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

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 management services*

The Group renders logistics management services for customers. Such services include logistic handling and storage services.

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.

Revenue generated from storage services include rental of space at container depot, warehouses and open yards and are recognised over the agreed storage period (i.e. over time), 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.

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

(iv) *Property management services*

Property management services include rental income from operating leases and ad-hoc administrative services rendered to customers.

Rental income from operating leases is recognised on a straight-line basis over the lease term. Ad-hoc administrative services is recognised as and when the services are rendered to customers.

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 2019

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.3 Group accounting (continued)

(c) Associated companies (continued)

(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) Leasehold land and buildings

Leasehold land and buildings are initially recognised at cost. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Motor vessels

Motor vessels are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of motor vessels includes actual interest incurred on borrowings used to finance the motor vessels while under construction and other direct relevant expenditure incurred in bringing the vessels into operation. For this purpose, the interest rate applied to funds provided for constructing the motor vessels is arrived at by reference to the actual rate payable on borrowings for construction purposes. The capitalisation of interest charges will cease upon the completion and delivery of the motor vessels.

(iii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iv) Components of costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land and buildings	2 - 58 years
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

No depreciation is provided for construction-in-progress.

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

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

(c) Subsequent expenditure

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

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

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 intangible assets

Customer relationships 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 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 or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction. 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 constructions.

Borrowing costs may include interest in respect of lease liabilities recognised in accordance with SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.7 Investment properties

Investment properties comprise of right-of-use assets relating to leasehold buildings, office units and residential property that are held for long-term rental yields.

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 2 – 50 years for office units and residential property, and over the lease terms for right-of-use assets. 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

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

2.9 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 2019

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 intangible assets
Contract-based intangible assets
Right-of-use assets

Property, plant and equipment, investment properties, investments in subsidiaries and associated companies, customer relationships intangible assets, contract-based intangible assets and right-of-use assets 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

The Group classifies its financial assets as amortised cost.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

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.

At subsequent measurement

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

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

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.

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, 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.12 Financial guarantees (continued)

Prior to 1 January 2019, 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.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.16 Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

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

The Group leases land, motor vehicles and certain plant and equipment under finance leases and leases land, office space and retail stores under operating leases from non-related parties.

- *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.

- *Lessee – Operating leases*

Leases 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.

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

(ii) *When the Group is the lessor:*

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

Lessor – Operating leases

Leases 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 assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.16 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows:

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

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment".

Right-of-use asset which meets the definition of an investment property is presented within "Investment properties" and accounted for in accordance with Note 2.7.

Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.16 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(i) *When the Group is the lessee:* (continued)

Lease liabilities (continued)

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

(ii) *When the Group is the lessor:*

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.16 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(ii) *When the Group is the lessor:* (continued)

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease retains in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Sales". The right-of-use asset relating to the head lease is not derecognised.

Based on management assessment, all subleases in current period are operating leases.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.18 Income taxes (continued)

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

Deferred income tax is measured:

- (a) 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
- (b) 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

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 value of the employee services received in exchange for the grant of the options under an equity-settled share-based compensation plan is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) are credited to share capital account when new ordinary shares are issued.

2.21 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.21 Currency translation (continued)

(b) Transactions and balances

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

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

Foreign exchange gains and losses that 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 with loss of control of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

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.

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;
- (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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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.

3.1 Critical accounting estimates and assumptions

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 and are fully attributable to the logistics CGU of the Group. Significant judgements are used to estimate the revenue growth rates, terminal growth rate and pre-tax discount rate applied in computing the recoverable amount of the CGU. In making these estimates, management has relied on past performance, its expectations of market and industry developments in Singapore and other Southeast Asia countries. The carrying amount of the goodwill as at 31 December 2019 was \$98,989,000 disclosed in Note 24.

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 2019:

	Higher/(lower)	Impairment
Discount rate	0.5%	\$28,600,000
Terminal growth rate	(0.3%)	\$1,000,000

3.2 Critical judgement in applying the entity's accounting policies

Critical judgement over the lease terms

As at 31 December 2019, the Group's lease liabilities, which are measured with reference to an estimate of the lease term, amounted to \$88,467,000 of which \$15,180,000 arose from extension options. Extension option is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option.

For leases of land and building, the following factors are considered to be most relevant:

- If the property, plant and equipment or leasehold improvements are expected to have a significant remaining value, the Group typically includes the extension option in lease liabilities;
- If the land and building are located in strategic locations that will contribute to the continued profitability, the Group typically includes the extension option in lease liabilities;
- Otherwise, the Group considers other factors including its historical lease periods for similar assets, costs required to obtain replacement assets, and business disruptions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue from contracts with customers

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>2019</u>				
i)	Ship repair and marine engineering - Singapore	–	14,535	14,535
		–	14,535	14,535
ii)	Shipping - charter hire - Worldwide	–	21,626	21,626
		–	21,626	21,626
iii)	Logistics management services			
	- Singapore	67,826	40,630	108,456
	- Malaysia	5,909	2,836	8,745
		73,735	43,466	117,201
iv)	Property management services			
	- Singapore	2,652	15,481	18,133
		2,652	15,481	18,133
	Total sales	76,387	95,108	171,495

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue from contracts with customers (continued)

Disaggregation of revenue from contracts with customers (continued)

	Revenue recognised		
	At a point in time \$'000	Over time \$'000	Total \$'000
<u>2018</u>			
i) Ship repair and marine engineering - Singapore	–	14,573	14,573
	–	14,573	14,573
ii) Shipping - charter hire - Worldwide	–	15,508	15,508
	–	15,508	15,508
iii) Logistics management services			
- Singapore	52,388	55,188	107,576
- Malaysia	4,292	2,262	6,554
	56,680	57,450	114,130
iv) Property management services			
- 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. Lease income is approximately within the range of 30% to 35% (2018: 30% to 50%) of the total contract value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. Expenses by nature

	The Group	
	2019 \$'000	2018 \$'000
Impairment of trade and other receivables	315	193
Amortisation of deferred expenditure	–	64
Amortisation of intangible assets (Note 24)	4,681	5,692
Audit fee	425	475
Raw materials, finished goods, consumables and other overheads	2,184	2,238
Changes in inventories and work-in-progress	(197)	(462)
Crew overheads	3,941	3,127
Depreciation of investment properties (Note 20)	10,387	523
Depreciation of property, plant and equipment (Note 21 and 22)	31,928	19,334
Director and employee compensation (Note 6)	41,425	37,773
Insurance	1,633	1,434
Non-audit service fees paid/payable to auditor of the Company	241	71
Professional fees	1,521	3,814
Rental expense on operating leases (Note 22)	12,174	29,470
Repairs and maintenance	6,553	5,496
Sub-contractor expenses	15,441	17,751
Vessel overheads	3,990	2,992
Storage and handling charges	8,147	4,939
Fuels and utilities	7,192	7,420
Property tax	2,293	2,302
Other expenses	3,863	4,131
Total cost of sales, distribution and administrative expenses	158,137	148,777

6. Director and employee compensation

	The Group	
	2019 \$'000	2018 \$'000
Wages, salaries and staff benefits	38,257	34,710
Employer's contribution to defined contribution plans	2,983	2,753
Directors' fees of the Company	184	204
Directors' fees of the subsidiaries	1	106
	41,425	37,773

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. Other income

	The Group	
	2019	2018
	\$'000	\$'000
Government grants	609	289
Interest income	591	1,281
Rental income	329	761
Sale of scrap materials	71	80
Sundry income	412	537
	2,012	2,948

8. Other gains and losses

	The Group	
	2019	2018
	\$'000	\$'000
Currency exchange gains - net	90	3,409
Gain on modification of lease	65	–
Gain on disposal of property, plant and equipment	1,843	2,706
Gain on sale of bunker stock	161	72
	2,159	6,187

9. Finance expenses

	The Group	
	2019	2018
	\$'000	\$'000
Interest expense		
- Bank borrowings	5,453	7,677
- Loans from a fellow subsidiary	1,110	904
- Lease liabilities/finance lease liabilities	3,374	269
	9,937	8,850
Unwinding of discount for deferred consideration for acquisition of a subsidiary	128	367
	10,065	9,217
Less: Amounts capitalised in property, plant and equipment	(1,141)	–
Amount recognised in profit or loss	8,924	9,217

Finance expenses on specific financing were capitalised at a rate of 3.03% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Income taxes

(a) Income tax expense

	The Group	
	2019	2018
	\$'000	\$'000
Tax expense attributable to profit or loss is made up of:		
- Profit or loss for the financial year:		
Current income tax		
- Singapore	1,649	4,892
- Foreign	180	78
	1,829	4,970
Deferred income tax (Note 29)		
- Singapore	1,523	(966)
- Foreign	(31)	213
	1,492	(753)
	3,321	4,217
- (Over)/under provision in prior financial years:		
Current income tax		
- Singapore	(1,315)	(511)
Deferred income tax (Note 29)		
- Singapore	927	13
Income tax expense	2,933	3,719

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

	The Group	
	2019	2018
	\$'000	\$'000
Profit before tax	10,641	16,940
Share of profit of associated companies, net of tax	(2,036)	(2,126)
Profit before tax and share of profit of associated companies	8,605	14,814
Tax calculated at a tax rate of 17% (2018: 17%)	1,463	2,518
Effects of:		
- different tax rates in other countries	(72)	224
- tax incentives	(805)	(895)
- income not subject to tax	(34)	(427)
- expenses not deductible for tax purposes	2,645	2,677
- utilisation of previously unrecognised tax losses	(45)	(81)
- deferred tax assets not recognised	169	201
- over provision of current income tax in prior years	(1,315)	(511)
- under provision of deferred income tax in prior years	927	13
Tax charge	2,933	3,719

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. Income taxes (continued)

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

	2019		2018			
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After Tax \$'000
Currency translation differences arising from consolidation	(635)	–	(635)	1,440	–	1,440
Other comprehensive (loss)/income	(635)	–	(635)	1,440	–	1,440

11. Earnings per share

(a) Basic earnings per share

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

	The Group	
	2019	2018
Net profit attributable to equity holders of the Company (\$'000)	7,380	12,977
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,239,245	2,239,245
Basic earnings per share (cents per share)	0.33	0.58

(b) Diluted earnings per share

There were no dilutive ordinary potential shares in 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Cash and cash equivalents

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

	The Group		The Company	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	40,675	56,412	3,164	18,301
Short-term bank deposits	26,490	16,402	5,384	–
	67,165	72,814	8,548	18,301

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	The Group	
	31 December	
	2019	2018
	\$'000	\$'000
Cash and bank balances (as above)	67,165	72,814
Less: Bank deposits pledged	(1,185)	(1,209)
Cash and cash equivalents per consolidated statement of cash flows	65,980	71,605

Cash and cash equivalents of the Group amounting to \$1,185,000 (2018: \$1,209,000) 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 Nil (2018: \$257,000) has been classified as "restricted cash" in the balance sheet.

Acquisition of a subsidiary

Please refer to Note 17 for the effects of acquisition of a subsidiary on the cash flows of the Group for the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12. Cash and cash equivalents (continued)

Disposal of a subsidiary

On 28 December 2018, the Group disposed of its 51%-owned subsidiary, Greeting 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 21)	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 Greeting 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 2019

13. Trade and other receivables - current

	The Group		The Company	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade receivables:				
- Non-related parties	30,170	26,798	–	–
- Fellow subsidiaries	3,584	3,305	–	–
	33,754	30,103	–	–
Less: Allowance for impairment of receivables – Non-related parties	(615)	(316)	–	–
Trade receivables – net	33,139	29,787	–	–
Other receivables:				
- Non-related parties	591	584	10	10
Staff advances	41	9	–	1
Deposits	4,832	2,103	8	17
Prepayments	2,253	2,977	85	88
Total	40,856	35,460	103	116

Trade receivables due from fellow subsidiaries are unsecured, interest-free and repayable on demand.

14. Inventories

	The Group	
	31 December	
	2019	2018
	\$'000	\$'000
Raw materials	858	661

The cost of inventories recognised as expense amounted to \$1,987,000 (2018: \$1,776,000).

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

	The Group	
	31 December	
	2019	2018
	\$'000	\$'000
Leasehold properties	–	741

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. Non-current assets classified as held-for-sale (continued)

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.

16. Trade and other receivables - non-current

	The Group	
	31 December	
	2019	2018
	\$'000	\$'000
Trade receivables from non-related parties ⁽ⁱ⁾	308	671
Less: Current portion	(308)	(336)
Trade receivables – non-related parties	–	335
Other receivables – non-related parties ⁽ⁱⁱ⁾	477	477
	477	812

⁽ⁱ⁾ Trade receivables amounting to \$308,000 (2018: \$671,000) were unsecured, interest-free with monthly instalment payments commencing in March 2018 and would be repayable in full by December 2020.

⁽ⁱⁱ⁾ Other receivables due 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 3.21% (2018: 3.47%) per annum which the directors expected to borrow as and when required by the Group.

17. 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 2019

17. 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	<u>487,544</u>
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 2019

17. 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.

18. Investments in associated companies

	The Group	
	2019 \$'000	2018 \$'000
Beginning of financial year	15,171	–
Additions	416	13,953
Currency translation differences	251	(275)
Share of profits after tax	2,036	2,126
Dividends received, net of tax	(1,665)	(633)
End of financial year	16,209	15,171

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. Investments in associated companies (continued)

	The Company	
	31 December	
	2019	2018
	\$'000	\$'000
Equity investment at cost	13,953	13,953
Beginning of financial year	13,953	–
Additions	–	13,953
End of financial year	13,953	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	
			2019	2018
			%	%
PT Ocean Global Shipping Logistics ⁽ⁱ⁾	Logistic service, freight forwarding and container depot services	Indonesia	40	40
TAN CANG – COSCO – OOCL Logistics Company Limited ⁽ⁱⁱ⁾	Storage and warehouse services, container station and depot service, maintenance and repair of equipment and freight transport agency services	Vietnam	30	–

(i) Audited by Anwar & Rekan Indonesia.

(ii) Audited by PricewaterhouseCoopers firm outside Singapore.

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.

On 20 September 2019, the Group made a capital contribution of \$416,000 for 30% interest in TAN CANG – COSCO – OOCL Logistics Company Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. Investments in associated companies (continued)

Summarised financial information of associated companies

Summarised balance sheet

	PT Ocean Global Shipping Logistics		TAN CANG – COSCO – OOCL Logistics Company Limited
	31 December		31 December
	2019	2018	2019
	\$'000	\$'000	\$'000
Current assets	34,296	37,634	2,884
Current liabilities	(13,745)	(18,586)	(1,079)
Non-current assets	6,244	6,534	245
Non-current liabilities	(982)	(863)	–
Non-controlling interests	(474)	(438)	–
Share capital and reserves attributable to shareholders	(25,339)	(24,281)	(2,050)

Summarised statement of comprehensive income

	PT Ocean Global Shipping Logistics		TAN CANG – COSCO – OOCL Logistics Company Limited
	31 December		31 December
	2019	2018	2019
	\$'000	\$'000	\$'000
Revenue	16,972	17,785	2,223
Profit before income tax	6,583	8,063	908
Net profit for the year	4,794	5,537	726
Total comprehensive income	4,794	5,537	726
Dividends received from associated company	1,665	633	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. Investments in associated companies (continued)*Reconciliation of summarised financial information*

Reconciliation of the above summarised financial information presented, to the carrying amount of the Group's interest in associated companies, is as follows:

	PT Ocean Global Shipping Logistics		TAN CANG – COSCO – OOCL Logistics Company Limited		Total	
	31 December		31 December		31 December	
	2019	2018	2019	2019	2018	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Net assets of associate	25,339	24,281	2,050	27,389	24,281	
Group's equity interest	40%	40%	30%			
Group's share of net assets	10,136	9,713	615	10,751	9,713	
Goodwill	5,458	5,458	–	5,458	5,458	
	15,594	15,171	615	16,209	15,171	

19. Investments in subsidiaries

	The Company	
	2019	2018
	\$'000	\$'000
<i>Unquoted equity shares</i>		
Beginning of financial year	630,151	142,607
Acquisition of subsidiaries	–	487,544
Increase in investment in a subsidiary	406	–
	630,557	630,151
Accumulated impairment losses	(15,968)	(15,968)
End of financial year	614,589	614,183

Movement in accumulated impairment losses are as follows:

	2019	2018
	\$'000	\$'000
Beginning and end of financial year	15,968	15,968

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Investments in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2019 and 31 December 2018:

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	
			2019	2018	2019	2018	2019	2018	2019	2018
			\$'000	\$'000	%	%	%	%	%	%
COSCO SHIPPING (Singapore) Pte. Ltd. ⁽ⁱ⁾	Ship owning, ship chartering and investment holding	Singapore	87,664	87,664	100	100	100	100	-	-
COSCO Marine Engineering (Singapore) Pte Ltd ⁽ⁱ⁾	Ship repairing, marine engineering, container repairs and services, fabrication works services and production of marine outfitting components	Singapore	2,242	2,242	90	90	90	90	10	10
Harington Property Pte Ltd ⁽ⁱ⁾	Trading and investing in properties, provide property management services and investment holding	Singapore	52,701	52,701	100	100	100	100	-	-
COSCO SHIPPING Southeast Asia Container Logistics Services Pte. Ltd. ^{(i) and (v)}	Investment holding and provision of logistics, storage, forwarding and shipping services and other services	Singapore	406	*	50	50	50	50	50	50
Cogent Holdings Pte. Ltd. ⁽ⁱ⁾	Investment holding	Singapore	487,544	487,544	100	100	100	100	-	-

* denotes less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. 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		31 December		31 December		31 December	
			2019	2018	2019	2018	2019	2018	2019	2018
			\$'000	\$'000	%	%	%	%	%	%
SH Cogent Logistics Pte Ltd ^{(i) and (iv)}	Provision of warehousing management services, container depot management services and transportation and cargoes	Singapore	-	-	-	-	100	100	-	-
Cogent Jurong Island Pte. Ltd. ^{(i) and (iv)}	Provision of warehousing services	Singapore	-	-	-	-	100	100	-	-
Cogent Integrated Supply Chain Pte. Ltd. ^{(i) and (iv)}	Provision of freight management and warehouse rental services	Singapore	-	-	-	-	100	100	-	-
Cogent Automotive Logistics Pte. Ltd. ^{(i) and (iv)}	Export processing, transportation and storage of motor vehicles	Singapore	-	-	-	-	100	100	-	-
Cogent Land Capital Pte. Ltd. ^{(i) and (iv)}	Provision of automotive logistics management services, warehousing and property management services	Singapore	-	-	-	-	100	100	-	-
Cogent Container Depot Pte. Ltd. ^{(i) and (iv)}	Provision of container depot management services	Singapore	-	-	-	-	100	100	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. 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		31 December		31 December		31 December	
			2019	2018	2019	2018	2019	2018	2019	2018
			\$'000	\$'000	%	%	%	%	%	%
Cogent Realty Capital Pte. Ltd. ^{(i) and (iv)}	Provision of hostel management services	Singapore	-	-	-	-	100	100	-	-
Cogent Tank Depot Pte. Ltd. ^{(i) and (iv)}	Provision of ISO tank and container depot management services	Singapore	-	-	-	-	100	-	-	-
Cogent Container Depot (M) Sdn. Bhd. ^{(ii) and (iv)}	Provision of container depot management services	Malaysia	-	-	-	-	100	100	-	-
SH Cogent Logistics Sdn. Bhd. ^{(ii) and (iv)}	Provision of container depot management services and warehousing management services	Malaysia	-	-	-	-	100	100	-	-
COSCO Engineering Pte Ltd ^{(i) and (iii)}	Ship repairing, marine engineering, container repairs and services, fabrication works services and production of marine outfitting components	Singapore	-	-	-	-	90	90	10	10
			630,557		630,151					

(i) Audited by PricewaterhouseCoopers LLP, Singapore.

(ii) Audited by PricewaterhouseCoopers firms outside Singapore.

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

(iv) These entities are controlled by the Company's direct subsidiary, Cogent Holdings Pte. Ltd.

(v) 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 director representation in COSCO SHIPPING Southeast Asia Container Logistics Services Pte. Ltd..

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Investments in subsidiaries (continued)

Carrying value of non-controlling interests

	31 December	
	2019	2018
	\$'000	\$'000
Subsidiaries with immaterial non-controlling interests	1,911	1,482

20. Investment properties

	The Group	
	2019	2018
	\$'000	\$'000
<i>Cost</i>		
Beginning of financial year	23,552	22,853
Adoption of SFRS(I) 16	19,603	–
Currency translation differences	(8)	–
Additions	23	–
Reclassification from property, plant and equipment (Note 21)	–	699
End of financial year	43,170	23,552
<i>Accumulated depreciation</i>		
Beginning of financial year	9,915	9,067
Currency translation differences	(4)	–
Depreciation charge (Note 5)	10,387	523
Reclassification from property, plant and equipment (Note 21)	–	325
End of financial year	20,298	9,915
Net book value	22,872	13,637
Fair values	43,431	33,090

Investment properties comprise of:

- (i) three office units and one unit of residential property leased to non-related parties under leasing arrangements; and
- (ii) right-of-use assets (Note 22) for commercial properties which the Group leases and further sub-lease out to third parties for monthly lease payments.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Investment properties (continued)

The following amounts are recognised in profit or loss:

	The Group	
	2019 \$'000	2018 \$'000
Rental income	28,134	1,104
Direct operating expenses arising from investment properties that generate rental income	20,618	796

Fair value hierarchy - Recurring fair value measurements

<u>Description</u>	<u>Fair value measurements using</u>		
	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable Inputs (Level 3) \$'000
31 December 2019			
- Office units and residential property	-	-	33,510
- Right-of-use assets	-	-	9,921
At 31 December 2018			
- Office units and residential property	-	-	33,090

Valuation techniques and inputs used in Level 3 fair value measurements

Level 3 fair values of the investment properties have been derived based on the followings:

- (i) Office units and residential property

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. A higher selling price per square metre will result in a higher valuation.

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 2019 and 2018, the fair values of the properties have been determined by CBRE Private Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

(i) Office units and residential property (continued)

The finance division of the Group includes a team that performs the valuation required for financial reporting purposes. At each financial year end the finance division:

- verifies all major inputs to the independent valuation reports;
- assesses property valuation movements compared to the prior year valuation reports; and
- holds discussions with the independent valuer.

(ii) Right-of-use assets

Fair values of the investment properties have been derived based on the present value of future lease payments for the leased assets over the contractual lease terms, discounted at the incremental borrowing rate of the lessee. The most significant input into this valuation approach is the discount rate. The higher the discount rate the lower the valuation.

21. 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
2019							
<i>Cost</i>							
Beginning of financial year	445,931	10,962	26,746	21,391	83,281	32,258	620,569
Adoption of SFRS(I) 16 (Note 2.1)	79,521	138	–	3,304	–	–	82,963
Currency translation differences	(47)	120	4	(4)	(1,047)	–	(974)
Additions	3,597	1,518	1,455	5,038	833	63,460	75,901
Disposals	(4,322)	(293)	(1)	(207)	(550)	(15)	(5,388)
Reclassification	7,796	1,236	2,197	23	–	(11,252)	–
End of financial year	532,476	13,681	30,401	29,545	82,517	84,451	773,071
<i>Accumulated depreciation and impairment losses</i>							
Beginning of financial year	13,828	2,128	3,855	3,850	46,896	–	70,557
Currency translation differences	–	–	(1)	(2)	(621)	–	(624)
Depreciation charge	21,320	1,889	1,815	4,350	3,059	–	32,433
Disposals	(1,024)	(92)	(2)	(39)	(550)	–	(1,707)
End of financial year	34,124	3,925	5,667	8,159	48,784	–	100,659
Net book value							
End of financial year	498,352	9,756	24,734	21,386	33,733	84,451	672,412

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. 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	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 a subsidiary (Note 17)	439,624	10,170	22,438	16,160	–	6,338	494,730
Disposal of a subsidiary (Note 12)	–	(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 (Note 15)	(1,398)	–	–	–	–	–	(1,398)
Reclassification to investment properties (Note 20)	(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 12)	–	–	(5)	(7)	–	–	(12)
Reclassification to assets held-for-sale (Note 15)	(657)	–	–	–	–	–	(657)
Reclassification to investment properties (Note 20)	(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 2019

21. Property, plant and equipment (continued)The Company

	Office renovations, furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Total \$'000
2019			
<i>Cost</i>			
Beginning of financial year	536	366	902
Additions	1	–	1
End of financial year	537	366	903
<i>Accumulated depreciation</i>			
Beginning of financial year	533	269	802
Depreciation charge	3	36	39
End of financial year	536	305	841
Net book value			
End of financial year	1	61	62
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

- (a) Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 22.
- (b) Included within additions in the current year financial statements are addition to right-of-use assets amounting to \$6,672,000. Included within additions in the prior year are motor vehicles acquired under finance leases amounting to \$574,000.
- (c) As at 31 December 2018, the carrying amounts of plant and equipment and motor vehicles held under finance leases are \$10,941,000 and \$5,730,000 respectively.
- (d) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of \$428,635,000 (31 December 2018: \$435,111,000) (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Leases - The Group as a lessee

Right-of-use (“ROU”) assets

Nature of the Group’s leasing activities

Land and building

The Group leases land and building for purpose of its ship repair and engineering and logistics operations. The Group also leases a commercial property, which it further sub-leases out to third parties for monthly lease payments. The lease of commercial property has been classified within investment properties (Note 20).

Equipment and vehicles

The Group leases equipment and motor vehicles for purpose of its back office operations and rendering of logistics services.

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	The Group	
	31 December 2019	1 January 2019
	\$'000	\$'000
Leasehold land and buildings	68,122	79,521
Equipment	274	138
Motor vehicles	20,452	20,094
	88,848	99,753

ROU assets classified within Investment properties

The right-of-use asset relating to leasehold land and buildings presented under investment properties (Note 20) is stated at cost less accumulated depreciation and has a carrying amount at balance sheet date of \$9,771,000 (1 Jan 2019: \$19,603,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Leases - The Group as a lessee (continued)**Right-of-use ("ROU") assets** (continued)(b) *Depreciation charge during the year*

	2019 \$'000
Investment properties (Note 20)	9,854
Leasehold land and buildings	11,675
Equipment	67
Motor vehicles	2,269
	<u>23,865</u>
Less: Amount capitalised in property, plant and equipment	(505)
Amount recognised in profit or loss	<u>23,360</u>
(c) Interest expense on lease liabilities (Note 9)	<u>3,374</u>
(d) Lease expense not capitalised in lease liabilities	
Lease expense - Short term leases (Note 5)	<u>12,174</u>
(e) Total income from sub-leasing ROU assets	<u>27,004</u>
(f) Total cash outflow for all the leases	<u>40,205</u>
(g) Addition of ROU assets during the financial year was \$6,695,000. During the current financial year, ROU assets with carrying amounts of \$3,544,000 was derecognised due to early termination of certain leases.	

23. Leases - The Group as a lessor**Nature of the Group's leasing activities - Group as an intermediate lessor**

Subleases - classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it subleases out retail stores to third parties for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as the operating leases.

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	31 December 2019 \$'000	1 January 2019 \$'000
Less than one year	36,624	38,368
One to two years	3,799	28,446
Two to three years	2,290	59
Three to four years	147	-
Total undiscounted lease payment	<u>42,860</u>	<u>66,873</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Intangible assets

	The Group	
	31 December	
	2019	2018
	\$'000	\$'000
Goodwill arising on consolidation (Note (a))	98,989	98,989
Club memberships (Note (b))	92	92
Contract-based intangible asset (Note (c))	877	1,755
Customer relationships intangible asset (Note (d))	26,394	30,197
	126,352	131,033

(a) Goodwill arising on consolidation

	The Group	
	2019	
	2019	2018
	\$'000	\$'000
<i>Cost</i>		
Beginning of financial year	98,989	–
Acquisition of subsidiary (Note 17)	–	98,989
End of financial year	98,989	98,989
Net book value	98,989	98,989

Impairment tests for goodwill

During the year ended 31 December 2018, the Group acquired Cogent Holdings Limited and recorded goodwill of \$98,989,000.

This goodwill was allocated to the Group's logistics cash-generating unit ("CGU") which 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 CGU operates.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Intangible assets (continued)

(a) Goodwill arising on consolidation (continued)

Impairment tests for goodwill (continued)

Key assumptions used in value-in-use calculations:

	2019	2018
Revenue growth rate	4.1% to 19.0%	5.8% to 20.3%
Terminal growth rate ¹	2.6%	2.6%
Discount rate ²	9.1%	9.7%

¹ Weighted average growth rate used to extrapolate cash flows beyond the budget period² 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.

(b) Club memberships

	The Group	
	31 December	
	2019	2018
	\$'000	\$'000
Transferable club memberships, at cost	92	92

(c) Contract-based intangible assets

	The Group	
	2019	2018
	\$'000	\$'000
<i>Cost</i>		
Beginning of financial year	3,644	–
Acquisition of a subsidiary (Note 17)	–	3,644
End of financial year	3,644	3,644
<i>Accumulated amortisation</i>		
Beginning of financial year	1,889	–
Amortisation charge	878	1,889
End of financial year	2,767	1,889
Net book value	877	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 2019

24. Intangible assets (continued)

(d) Customer relationships intangible assets

	The Group	
	2019 \$'000	2018 \$'000
<i>Cost</i>		
Beginning of financial year	34,000	–
Acquisition of a subsidiary (Note 17)	–	34,000
End of financial year	<u>34,000</u>	<u>34,000</u>
<i>Accumulated amortisation</i>		
Beginning of financial year	3,803	–
Amortisation charge	3,803	3,803
End of financial year	<u>7,606</u>	<u>3,803</u>
Net book value	<u>26,394</u>	<u>30,197</u>

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

25. Deferred expenditure

	The Group	
	31 December	
	2019 \$'000	2018 \$'000
Prepaid lease rental	2,212	2,212
Less: Reclass to right-of-use assets on initial adoption of SFRS(I) 16	<u>(2,212)</u>	<u>–</u>
	<u>–</u>	<u>2,212</u>

Deferred expenditure as at 31 December 2018 related to prepaid rental for leasehold land on operating leases. The amount was amortised on a straight-line basis over the lease period.

On 1 January 2019, the balance has been reclassified to right-of-use assets due to the adoption of SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. Trade and other payables

	The Group		The Company	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<i>Current</i>				
Trade payables:				
- Non-related parties	8,037	7,921	-	-
- Fellow subsidiaries	2,335	696	-	-
	10,372	8,617	-	-
Advances from non-related parties	440	1,317	-	-
Non-trade payables:				
- Non-related parties	3,654	6,537	3,654	6,537
- Subsidiaries	-	-	35,191	38,630
- A fellow subsidiary	39	39	-	-
	3,693	6,576	38,845	45,167
Deposits received	9,224	9,938	-	-
Other accruals for operating expenses	25,112	20,854	2,230	2,220
Interest payable	194	754	17	736
	34,530	31,546	2,247	2,956
Total current trade and other payable	49,035	48,056	41,092	48,123
<i>Non-current</i>				
Non-trade payables to:				
- Non-related parties	988	4,468	988	4,468
Total trade and other payable	50,023	52,524	42,080	52,591

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. Borrowings

	The Group		The Company	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<i>Current</i>				
Bank borrowings (unsecured)	200	200	–	–
Bank borrowings (secured)	11,429	22,413	–	13,580
Finance lease liabilities	–	3,102	–	–
Lease liabilities	20,683	–	–	–
	32,312	25,715	–	13,580
<i>Non-current</i>				
Bank borrowings (unsecured)	34,069	–	34,069	–
Bank borrowings (secured)	127,612	107,771	–	20,489
Loan from a fellow subsidiary (unsecured)	38,000	38,000	38,000	38,000
Finance lease liabilities	–	6,848	–	–
Lease liabilities	67,784	–	–	–
	267,465	152,619	72,069	58,489
Total borrowings	299,777	178,334	72,069	72,069

The borrowings of the Group and of the Company amounting to \$211,310,000 and \$72,069,000 respectively (2018: \$168,384,000 and \$72,069,000) have variable interest rates that are contractually repriced within 1 to 12 months (2018: 1 to 12 months) from the balance sheet date.

(a) Security granted

At the balance sheet date, total borrowings include secured liabilities of \$227,508,000 (2018: \$140,134,000) for the Group.

Secured bank borrowings are secured by:

- (i) certain bank deposits (Note 12), and
- (ii) certain property, plant and equipment (Note 21)

(b) Fair values of non-current borrowings

As at 31 December 2019 and 2018, the carrying amounts of non-current borrowings, which are at variable rates, approximated their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28. Provisions

	The Group	
	31 December	
	2019	2018
	\$'000	\$'000
Provision for off hire claim (Note (a))	337	341
Provision for reinstatement costs (Note (b))	1,557	1,207
	1,894	1,548
Current	1,505	350
Non-current	389	1,198
	1,894	1,548

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

	The Group	
	2019	2018
	\$'000	\$'000
Beginning of financial year	341	–
Provision made during the financial year	–	337
Currency translation differences	(4)	4
End of financial year	337	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 reinstatement costs are as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Beginning of financial year	1,207	–
Acquisition of a subsidiary (Note 17)	–	2,144
Provision made during the financial year	350	18
Provision utilised during the financial year	–	(825)
Reversal of prior year overprovision	–	(130)
End of financial year	1,557	1,207

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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	
	2019	2018
	\$'000	\$'000
Deferred income tax assets	(6)	–
Deferred income tax liabilities	56,845	54,420
Net deferred tax liabilities	56,839	54,420

Movement in the deferred income tax account is as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Beginning of financial year	54,420	132
Acquisition of subsidiaries	–	55,028
Deferred tax charged to profit or loss	2,419	(740)
End of financial year	56,839	54,420

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of \$1,444,000 (2018: \$728,000) and capital allowance of \$32,000 (2018: \$769,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The unrecognised tax losses and capital allowances have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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*The Group

	Accelerated tax depreciation \$'000	Right-of-use assets \$'000	Undistributed profits of foreign associated companies \$'000	Total \$'000
2019				
Beginning of financial year	54,207	–	213	54,420
Adoption of SFRS(I) 16	–	17,768	–	17,768
At 1 January 2019	54,207	17,768	213	72,188
Charged/(credited) to income statement	2,590	(3,521)	(28)	(959)
Currency translation differences	–	(7)	3	(4)
End of financial year	56,797	14,240	188	71,225
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

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

	The Group 31 December	
	2019 \$'000	2018 \$'000
Total deferred income tax liabilities	71,225	54,420
Offsetting of deferred income tax assets from the same tax jurisdiction	(14,380)	–
Total deferred income tax liabilities after appropriate offsetting from the same tax jurisdiction	56,845	54,420

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. Deferred income taxes (continued)

Deferred income tax assets

	The Group Lease liabilities \$'000
2019	
Beginning of financial year	–
Adoption of SFRS(I) 16	(17,768)
At 1 January 2019	(17,768)
Charged to income statement	3,378
Currency translation differences	4
End of financial year	<u>(14,386)</u>

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

	The Group 31 December 2019 \$'000
Total deferred income tax assets	(14,386)
Offsetting of deferred income tax liabilities from the same tax jurisdiction	14,380
Total deferred income tax assets after appropriate offsetting from the same tax jurisdiction	<u>(6)</u>

30. Share capital

	Issued share capital	
	No. of ordinary shares '000	Amount \$'000
2019		
Beginning and end of financial year	<u>2,239,245</u>	<u>270,608</u>
2018		
Beginning and end of financial year	<u>2,239,245</u>	<u>270,608</u>

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 2019

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 2008 known as "2008 Options" were set out in the Directors' Report for the financial year ended 31 December 2008.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. Share capital (continued)

Share options (continued)

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

The Scheme 2002 had expired on 8 May 2012. 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 2019 and 2018. All the share options that were not exercised had lapsed since 23 March 2018.

31. Statutory and other reserves

	The Group		The Company	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
(a) Composition:				
Share option reserve	44,578	44,578	44,578	44,578
Currency translation reserve	(9,282)	(8,652)	–	–
Other reserve	69	69	527	527
	35,365	35,995	45,105	45,105
	The Group		The Company	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
(b) Movements:				
(i) Share option reserve				
Beginning and end of financial year	44,578	44,578	44,578	44,578

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Statutory and other reserves (continued)

	The Group		The Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(ii) Currency translation reserve				
Beginning of financial year	(8,652)	(10,092)	–	–
Net currency translation differences of financial statements of foreign subsidiaries and associated companies	(635)	1,440	–	–
Non-controlling interests	5	–	–	–
	(630)	1,440	–	–
End of financial year	(9,282)	(8,652)	–	–
(iii) Other reserve				
Beginning and ending of financial year	69	69	527	527

Other reserve is non-distributable.

32. Dividends

No dividend will be recommended at the next Annual General Meeting to be convened. No dividend was declared for the financial year ended 31 December 2019 and 31 December 2018.

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	
	2019 \$'000	2018 \$'000
Property, plant and equipment	28,209	76,361
Commitment for an acquisition	28,936	–
	57,145	76,361

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. Commitments (continued)

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

The Group leases land, warehouse premises and commercial property from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

As at 31 December 2018, 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
	2018
	\$'000
Not later than 1 year	26,008
Later than 1 year but not later than 5 years	29,907
Later than 5 years	54,156
	<u>110,071</u>

(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.

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 23.

As at 31 December 2018, 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
Not later than 1 year	39,889
Later than 1 year but not later than 5 years	32,266
Later than 5 years	–
	<u>72,155</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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*

The Group is not exposed to significant currency risk as the Group's transactions are largely denominated in Singapore dollars. Foreign currency sensitivity analysis has not been performed as management does not expect any reasonable changes to foreign currency rates to have significant impact on the results of the Group.

(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.

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 interest rates had been lower or higher by 0.5% (2018: 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 \$875,000 (2018: \$699,000) and \$299,000 (2018: \$299,000) respectively as a result of lower or higher interest expense on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 risks 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.

Cash and cash equivalents, other receivables, restricted cash and deposits are subject to immaterial credit loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

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.

Based on the above assessment, trade receivables are subject to immaterial credit loss.

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS(I) 9 are as follows:

	← Past due →					Total \$'000
	Current \$'000	1 to 90 days \$'000	91 to 180 days \$'000	181 to 365 days \$'000	More than 1 year \$'000	
The Group						
As at 31 December 2019						
Ship repair and marine engineering						
Trade receivable	4,737	290	559	1,232	287	7,105
Charter hire						
Trade receivable	3,551	–	–	–	–	3,551
Logistics services						
Trade receivable	14,959	4,553	358	208	147	20,225
Property management						
Trade receivable	1,136	246	263	77	536	2,258
As at 31 December 2018						
Ship repair and marine engineering						
Trade receivable	2,365	1,123	1,551	747	171	5,957
Charter hire						
Trade receivable	1,569	–	–	–	–	1,569
Logistics services						
Trade receivable	13,506	6,043	381	70	30	20,030
Property management						
Trade receivable	1,220	297	194	58	797	2,566

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

As at 31 December 2019 and 2018, management has identified a group of debtors to be credit impaired and assessed the recoverability of the outstanding balances separately.

	2019	2018
	\$'000	\$'000
Gross carrying amount	615	316
Less: Loss allowance	(615)	(316)
	–	–

The movements in credit loss allowance are as follows:

	2019	2018
	\$'000	\$'000
<u>The Group</u>		
Balance at beginning of year	316	–
Loss allowance recognised in profit or loss during the year on:		
- Assets acquired/originated	–	299
- Reversal of unutilised amounts	(16)	(176)
- Changes in credit risk	315	193
Balance at end of year	615	316

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables (continued)

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

As at 31 December 2019 and 31 December 2018, the Company did not have any loss allowance arising from its financial assets.

Cash at bank, staff advances, deposits and other receivables are subject to immaterial credit loss.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Financial risk management (continued)

(c) Liquidity risk (continued)

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 2019			
Other financial liabilities	(50,100)	(1,377)	–
Borrowings	(41,585)	(162,234)	(190,847)
<hr/>			
At 31 December 2018			
Other financial liabilities	(47,089)	(5,666)	–
Borrowings	(31,562)	(114,300)	(54,505)
<hr/>			
<u>The Company</u>			
At 31 December 2019			
Other financial liabilities	(41,092)	(988)	–
Borrowings	(2,163)	(74,147)	–
<hr/>			
At 31 December 2018			
Other financial liabilities	(48,123)	(4,468)	–
Borrowings	(16,149)	(60,473)	–
<hr/>			

(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 1.4% per annum for the current financial year ended 31 December 2019 (2018: 2.5% per annum).

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

The Group and the Company were in compliance with all externally imposed capital requirements for the financial year ended 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Financial risk management (continued)

(e) Fair value measurements

The following table presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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 aggregate carrying amounts of loans and receivables, financial assets and financial liabilities at amortised cost are as follows:

	The Group		The Company	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Financial assets at amortised cost	106,245	106,366	8,566	18,586
Financial liabilities at amortised cost	351,254	229,541	114,149	124,660

(g) Offsetting financial assets and financial liabilities

The financial assets and liabilities of the Group and the Company are not subject to enforceable master netting arrangements or similar agreement. Financial assets and liabilities are settled on a gross basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. Immediate and ultimate holding corporation

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

36. Related party transactions

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

COSCO Shipping itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. In accordance with amendment to 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 party 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 2019

36. Related party transactions (continued)

(a) (continued)

	The Group	
	2019 \$'000	2018 \$'000
<u>Revenue</u>		
Sales to fellow subsidiaries	10,852	6,565
Sales to related parties	–	734
Rental income received/receivable from related parties	–	80
Service income received from fellow subsidiaries	3,541	2,837
Service income received from a related party	–	120
Commission received/receivable from fellow subsidiaries	65	54
<u>Expenditure</u>		
Purchases from fellow subsidiaries	7,342	5,111
Rental paid/payable to fellow subsidiaries	1,358	1,245
Rental paid/payable to a related party	–	4
Vessel rental paid to a fellow subsidiary	3,553	–
Crew wages paid/payable to fellow subsidiaries	3,097	2,594
Service expenses paid/payable to a related party	–	221
Service expenses paid/payable to fellow subsidiaries	902	144
Interest paid/payable to a fellow subsidiary	1,110	904
Insurance premium paid/payable to a fellow subsidiary	738	765
Commission paid/payable to fellow subsidiaries	5	8

Outstanding balances as at 31 December 2019, arising from sales or purchases of goods and services and receivables/payables from/to fellow subsidiaries, are set out in Note 13 and 26 respectively.

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

There were no share options granted to key management and non-executive directors of the Group during 2019 and 2018. 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 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. Related party transactions (continued)

(c) Key management personnel compensation

Key management personnel compensation is as follows:

	The Group	
	2019	2018
	\$'000	\$'000
Salaries and other short-term benefits	2,218	1,891
Directors' fees of the Company	184	204
Employer's contribution to defined contribution plans including Central Provident Fund	–	4
	2,402	2,099

Included in the above was total compensation to directors of the Company amounting to \$1,444,000 (2018: \$1,762,000).

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 operations relate to segments which derive revenue from shipping, ship repair and marine engineering activities, logistics and property management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 \$'000
2019						
<u>The Group</u>						
Sales						
- External sales	21,626	14,535	117,201	18,133	-	171,495
- Inter-segment sales	-	-	-	-	10,486	10,486
	21,626	14,535	117,201	18,133	10,486	181,981
Elimination						(10,486)
						171,495
Segment results*	4,054	2,574	14,627	2,373	(6,690)	16,938
Interest income						591
Finance expense						(8,924)
Share of profit of associated companies						2,036
Profit before income tax						10,641
Income tax expense						(2,933)
Net profit						7,708
Other segment items						
Additions to property, plant and equipment	833	391	74,499	177	1	75,901
Additions to investment properties	-	-	-	23	-	23
Amortisation of intangible assets	-	-	3,802	879	-	4,681
Depreciation of property, plant and equipment	3,088	669	27,205	927	39	31,928
Depreciation of investment properties	14	-	3,143	7,230	-	10,387
Impairment of trade and other receivables	-	-	325	(10)	-	315
Segment assets	63,334	17,197	813,180	29,331	9,110	932,152
Associated companies						16,209
Deferred income tax assets						6
Consolidated total assets						948,367
Segment liabilities	4,953	2,003	18,314	19,754	6,893	51,917
Borrowings						299,777
Current income tax liabilities						1,549
Deferred income tax liabilities						56,845
Consolidated total liabilities						410,088
Consolidated net assets						538,279

* See Note 37(b) below for details regarding the impact of changes in the Group's accounting policies on segment information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Segment information (continued)

	Shipping \$'000	Ship repair, and marine engineering activities \$'000	Logistics \$'000	Property management \$'000	All other segments \$'000	Total \$'000
2018						
<u>The Group</u>						
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						
Additions to property, plant and equipment	1,865	166	32,902	633	–	35,566
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 company						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 2019

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.

(a) Geographical information

The Group's business segment mainly operate in Singapore. The operations in this area are principally in shipping, ship repair and marine engineering activities, logistics and property management. The operations in Malaysia are principally in logistics activities.

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

	Sales		Non-current assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Singapore *	162,750	157,119	811,059	697,744
Malaysia	8,745	6,554	27,269	15,133
	171,495	163,673	838,328	712,877

* 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 \$31,790,000 (2018: \$23,494,000) are derived from one (2018: one) single external customer. These revenues are attributable to the Singapore Logistics segment.

(b) Changes in accounting policy

(i) The adoption of the new leasing standard described in Note 2.1 had the following impact on the adjusted segment results in the current year:

	Segment results before adoption of SFRS(I) 16 \$'000	Depreciation after adoption of SFRS(I) 16 \$'000	Rental expenses under SFRS(I) 1-17, when the Group is a lessee \$'000	Segment results after adoption of SFRS(I) 16 \$'000
Ship repair and marine engineering activities	2,603	(290)	261	2,574
Logistics	13,129	(15,052)	16,550	14,627
Property management	2,130	(6,712)	6,955	2,373

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. Segment information (continued)

(b) Changes in accounting policy (continued)

- (ii) The adoption of the new leasing standard resulted in the recognition of ROU assets and lease liabilities, which increased segment assets and liabilities as at 31 December 2019 as follows:

	Segment assets \$'000	Segment liabilities \$'000
Ship repair and marine engineering activities	500	510
Logistics	71,526	72,429
Property management	6,629	6,727
	<hr/>	<hr/>

- (iii) The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	Depreciation \$'000	Finance expense \$'000
Ship repair and marine engineering activities	290	18
Logistics	15,052	2,305
Property management	6,712	340
	<hr/>	<hr/>

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

38. Events occurring after balance sheet date

- (a) On 13 August 2019, the Group entered into a Share Sale and Purchase Agreements to acquire 80% equity interest in Guper Integrated Logistics Sdn. Bhd., Gems Logistics Sdn. Bhd., Dolphin Shipping Agency Sdn. Bhd. and East West Freight Services Sdn. Bhd. (collectively "Malaysia Companies") for a total consideration RM88,000,000 (equivalent to \$28,936,000).

On 11 February 2020, the Group entered into a credit facility with Bank of China Limited for an amount of up to \$35,200,000 to partially finance the purchase consideration. On 13 February 2020, the credit facility was drawn down partially for an amount of \$23,600,000.

On 14 February 2020, the Group completed the acquisition of the Malaysia Companies.

- (b) On 20 September 2019, the Group entered into a Sale and Purchase Agreements with a fellow subsidiary, Golden Logistics & Storage Sdn. Bhd. ("Golden Logistics") to acquire certain property, plant and equipment for a consideration of RM8,350,000 (equivalent to \$2,749,000). The transaction was completed on 20 January 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

39. New or revised accounting standards and interpretations

Amendments to SFRS(I) 3 *Business Combination* (effective for 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 or 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 arising from applying these amendments.

40. 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 6 March 2020.

FIVE-YEAR SUMMARY

	2015 ⁽¹⁾	2016 ⁽¹⁾	2017 ⁽²⁾	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
PROFIT OR LOSS					
Continuing operations					
Sales	53,137	40,505	37,186	163,673	171,495
(Loss)/profit before income tax	(2,560)	(25,471)	(26,649)	16,940	10,641
Income tax expense	(880)	(522)	(406)	(3,719)	(2,933)
(Loss)/profit from continuing operations	(3,440)	(25,993)	(27,055)	13,221	7,708
Discontinued operations					
(Loss)/profit from discontinued operations	(911,395)	(950,091)	92,440	–	–
Total (loss)/profit	(914,835)	(976,084)	65,385	13,221	7,708
(Loss)/profit attributable to:					
Equity holders of the Company	(569,958)	(466,499)	189,441	12,977	7,380
Non-controlling interests	(344,877)	(509,585)	(124,056)	244	328
	(914,835)	(976,084)	65,385	13,221	7,708
(Loss)/profit attributable to equity holders of the Company relates to:					
(Loss)/profit from continuing operations	(3,812)	(26,128)	(27,248)	12,977	7,380
(Loss)/profit from discontinued operations	(566,146)	(440,371)	216,689	–	–
	(569,958)	(466,499)	189,441	12,977	7,380

Notes:

1. The comparative figures for 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").

FIVE-YEAR SUMMARY

	Note	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000
BALANCE SHEET						
Share capital		270,608	270,608	270,608	270,608	270,608
Statutory and other reserves		328,838	290,937	34,555	35,995	35,365
Retained earnings/(accumulated loss)		222,586	(225,485)	210,038	223,015	230,395
Non-controlling interests		517,951	(15,546)	1,421	1,482	1,911
Total equity		<u>1,339,983</u>	<u>320,514</u>	<u>516,622</u>	<u>531,100</u>	<u>538,279</u>
Trade and other receivables		–	102,556	–	812	477
Available-for-sale financial assets		4,890	4,599	–	–	–
Investment in associated companies		4,854	4,185	–	15,171	16,209
Investment properties		10,579	14,675	13,786	13,637	22,872
Property, plant and equipment		2,307,323	2,527,363	40,638	550,012	672,412
Intangible assets		9,894	9,816	147	131,033	126,352
Deferred expenditure		2,980	2,799	766	2,212	–
Deferred income tax assets		236,932	140,598	–	–	6
Current assets		7,777,241	6,974,136	508,799	109,933	110,039
Current liabilities		(6,467,535)	(6,441,623)	(47,382)	(79,005)	(84,401)
Non-current liabilities		(2,547,175)	(3,018,590)	(132)	(212,705)	(325,687)
Net assets		<u>1,339,983</u>	<u>320,514</u>	<u>516,622</u>	<u>531,100</u>	<u>538,279</u>
RATIOS						
Basic earnings per share from continuing operations (cents)	1	(0.2)	(1.1)	(1.2)	0.6	0.3
Basic earnings per share from discontinued operations (cents)	2	(25.3)	(19.7)	9.7	–	–
Net tangible assets per share (cents)		36.3	14.6	23.0	17.6	18.1
Gearing ratio (Net of Cash)	3	6.0	17.2	Net cash	0.2	0.4

Notes:

- 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.
- 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.
- Gearing ratio (Net of Cash) is derived by taking total borrowings, net of cash and cash equivalents, over the shareholders' funds.

SHAREHOLDING STATISTICS

As at 26 March 2020

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 SHAREHOLDERS AS AT 26 MARCH 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	28	0.10	789	0.00
100 - 1,000	2,251	7.68	2,175,137	0.10
1,001 - 10,000	16,001	54.58	90,353,825	4.03
10,001 - 1,000,000	10,971	37.42	570,732,091	25.49
1,000,001 and above	66	0.22	1,575,983,112	70.38
Total	29,317	100.00	2,239,244,954	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 26 MARCH 2020

Name of substantial shareholders	Direct Interest		Indirect Interest	
	No. of Shares	%	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.

TWENTY LARGEST SHAREHOLDERS AS AT 26 MARCH 2020

	SHAREHOLDER'S NAME	NO. OF SHARES	%
1	CHINA OCEAN SHIPPING COMPANY LIMITED	1,194,565,488	53.35
2	CITIBANK NOMINEES SINGAPORE PTE LTD	66,155,455	2.95
3	DBS NOMINEES PTE LTD	54,794,754	2.45
4	DBSN SERVICES PTE LTD	30,119,105	1.35
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	28,723,346	1.28
6	UOB KAY HIAN PTE LTD	16,967,900	0.76
7	OCBC SECURITIES PRIVATE LTD	16,245,924	0.73
8	OCBC NOMINEES SINGAPORE PTE LTD	14,791,669	0.66
9	RAFFLES NOMINEES (PTE) LIMITED	14,753,085	0.66
10	PHILLIP SECURITIES PTE LTD	10,969,400	0.49
11	LEE FOOK CHOY	7,366,000	0.33
12	CHUA LIAK CHNG	7,064,000	0.32
13	HSBC (SINGAPORE) NOMINEES PTE LTD	6,854,580	0.31
14	MAYBANK KIM ENG SECURITIES PTE. LTD	6,084,471	0.27
15	SEE SEE MENG	5,514,800	0.25
16	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	4,578,110	0.20
17	ESTATE OF HUI SHUNE MING @ HUI SHUN MENG, DECEASED	4,500,000	0.20
18	LEE KEE HONG	3,708,200	0.17
19	LIM AND TAN SECURITIES PTE LTD	3,426,900	0.15
20	TAN SOON TECK JIMMY	3,200,000	0.14
	TOTAL	1,500,383,187	67.02

SHARES HELD BY PUBLIC

Based on the information available and to the best knowledge of the Company as at 26 March 2020, 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.

OTHER INFORMATION REQUIRED UNDER THE SGX-ST LISTING MANUAL

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Li Xi Bei and Zhu Jian Dong are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company (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:

	Li Xi Bei	Zhu Jian Dong
Date of Appointment	30 August 2016	19 September 2019
Date of last re-appointment (if applicable)	20 April 2017	N.A.
Age	58	56
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 2019 Annual Report	Please refer to the Corporate Governance section in the Company’s 2019 Annual Report.
Whether appointment is executive, and if so, the area of responsibility	Executive	Executive
Job Title	Executive Non-Independent Director	Chairman, President and Executive Non-Independent Director
Working experience and occupation(s) during the past 10 years	Please refer to the Board of Directors section in the Company’s 2019 Annual Report	Please refer to the Board of Directors section in the Company’s 2019 Annual Report
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
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 Past (for the last 5 years) Present	Please refer to the Board of Directors section in the Company’s 2019 Annual Report	Please refer to the Board of Directors section in the Company’s 2019 Annual Report

OTHER INFORMATION REQUIRED UNDER THE SGX-ST LISTING MANUAL

	Li Xi Bei	Zhu Jian Dong
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) (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

OTHER INFORMATION REQUIRED UNDER THE SGX-ST LISTING MANUAL

	Li Xi Bei	Zhu Jian Dong
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

OTHER INFORMATION REQUIRED UNDER THE SGX-ST LISTING MANUAL

	Li Xi Bei	Zhu Jian Dong
<p>j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(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</p> <p>(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</p> <p>(vi) 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?</p>	No	No
<p>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?</p>	No	No



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