



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

Unaudited Second Quarter Financial Statement Announcement for the Financial Period Ended 30 June 2015

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

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

(i) Consolidated Income Statement

	Group					
	S\$'000		%	S\$'000		%
	Q2 2015	Q2 2014		Change	1H 2015	
Turnover	853,526	1,146,522	(26)	1,844,698	2,185,908	(16)
Cost of sales	(794,476)	(1,054,545)	(25)	(1,712,643)	(1,998,212)	(14)
Gross profit	59,050	91,977	(36)	132,055	187,696	(30)
Other income (net) [1]	19,895	30,764	(35)	40,005	56,067	(29)
Other gains and losses [1]	(818)	4,649	NM	5,777	(162)	NM
Expenses						
- Distribution	(17,030)	(19,268)	(12)	(34,681)	(38,225)	(9)
- Administrative	(32,835)	(35,869)	(8)	(68,755)	(76,573)	(10)
- Finance	(40,180)	(35,315)	14	(78,959)	(62,889)	26
Share of profit/(loss) of associated companies [2]	28	65	(57)	(8)	139	NM
(Loss)/profit before income tax [3]	(11,890)	37,003	NM	(4,566)	66,053	NM
Income tax credit /(expense) [4]	1,595	(6,820)	NM	(1,477)	(12,883)	(89)
<b>Net (loss)/profit</b>	<b>(10,295)</b>	<b>30,183</b>	<b>NM</b>	<b>(6,043)</b>	<b>53,170</b>	<b>NM</b>
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	<b>(4,762)</b>	<b>14,302</b>	<b>NM</b>	<b>(3,996)</b>	<b>26,927</b>	<b>NM</b>
Non-controlling interests	(5,533)	15,881	NM	(2,047)	26,243	NM
Net profit	(10,295)	30,183	NM	(6,043)	53,170	NM
<b>Earnings per share for profit attributable to the equity holders of the Company</b> (expressed in cents per share)						
- basic	(0.21)	0.64	NM	(0.18)	1.20	NM
- diluted	(0.21)	0.64	NM	(0.18)	1.20	NM

(ii) Consolidated Statement of Comprehensive Income

	Group					
	S\$'000		%	S\$'000		%
	Q2 2015	Q2 2014	Change	1H 2015	1H 2014	Change
<b>Net (loss)/profit</b>	(10,295)	30,183	NM	(6,043)	53,170	NM
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets - Fair value gains	164	9	1,722	128	3	4,167
Currency translation differences arising from consolidation	(40,297)	(13,471)	199	36,455	(71,904)	NM
<b>Total comprehensive income for the period</b>	(50,428)	16,721	NM	30,540	(18,731)	NM
<b>Total comprehensive income attributable to:</b>						
<b>Equity holders of the Company</b>	<b>(28,493)</b>	<b>6,278</b>	NM	<b>17,633</b>	<b>(13,804)</b>	NM
Non-controlling interests	(21,935)	10,443	NM	12,907	(4,927)	NM
	(50,428)	16,721	NM	30,540	(18,731)	NM

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Q2 2015	Q2 2014	Change	1H 2015	1H 2014	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Compensation received from customers	1,838	-	NM	1,838	753	144
Dividend income	-	644	NM	-	644	NM
Government grants	474	718	(34)	1,402	2,466	(43)
Interest income	7,841	11,913	(34)	19,654	25,006	(21)
Rental income	844	657	28	1,430	973	47
Sale of scrap materials	7,626	14,522	(47)	13,279	23,490	(43)
Sundry income	1,272	2,310	(45)	2,402	2,735	(12)
Other income	19,895	30,764	(35)	40,005	56,067	(29)
Currency exchange (loss)/gain	(481)	623	NM	7,322	535	1,269
Fair value gain/(loss) on forward currency contracts	-	3,984	NM	-	(820)	NM
(Loss)/gain on disposal of property, plant and equipment	(2)	40	NM	(39)	147	NM
(Loss)/gain on sale of bunker stock	(335)	2	NM	(1,506)	(24)	6,175
Other gains and losses	(818)	4,649	NM	5,777	(162)	NM
Other income and Other gains and losses	19,077	35,413	(46)	45,782	55,905	(18)

NM denotes not meaningful.

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

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

	Q2 2015	Q2 2014	Change	1H 2015	1H 2014	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest on borrowings	(40,180)	(35,315)	14	(78,959)	(62,889)	26
Amortisation of deferred expenditure	(22)	(21)	5	(44)	(43)	2
Depreciation of property, plant and equipment and investment properties	(37,426)	(35,635)	5	(73,525)	(73,132)	1
Net reversal of impairment of trade and other receivables	218	1,880	(88)	255	1,840	(86)
Write-down of inventories	(5,014)	(12,899)	(61)	(5,694)	(12,460)	(54)
Write-off of property, plant and equipment	-	(165)	NM	-	(217)	NM
Allowance for impairment in of property, plant and equipment	-	(162)	NM	-	(162)	NM
Provision for an onerous contract	-	-	-	-	(25)	NM
(Allowance for)/Reversal of expected losses recognised on construction contracts	(34,051)	1,106	NM	(35,777)	4,087	NM

[4] Income tax (credit)/expense attributable to:

	Q2 2015	Q2 2014	Change	1H 2015	1H 2014	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
- Current financial period's results						
Current income tax	31,159	20,449	52	36,492	55,999	(35)
Deferred income tax	(29,295)	(13,014)	125	(31,571)	(42,376)	(25)
	1,864	7,435		4,921	13,623	
- (Over)/under provision in prior financial years						
Current income tax	(30,708)	(615)	4,893	(30,693)	(740)	4,048
Deferred income tax	27,249	-	NM	27,249	-	NM
	(3,459)	(615)		(3,444)	(740)	
	(1,595)	6,820	NM	1,477	12,883	(89)

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

	Group		Company	
	S\$'000	S\$'000	S\$'000	S\$'000
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
<b>Current assets</b>				
Cash and cash equivalents	1,463,483	1,560,803	32,025	46,434
Trade and other receivables	5,190,265	4,563,805	31,682	31,141
Inventories	1,158,969	1,041,695	-	-
Construction contract work-in-progress	161,648	177,515	-	-
Income tax receivables	8,688	7,252	-	-
Other current assets	22,962	21,429	49	164
	8,006,015	7,372,499	63,756	77,739
<b>Non-current assets</b>				
Trade and other receivables	1,507	4,377	-	-
Available-for-sale financial assets	5,097	4,841	-	-
Club memberships	305	303	82	82
Investments in associated companies	4,810	4,736	-	-
Investments in subsidiaries	-	-	371,973	371,644
Investment properties	10,769	10,990	-	-
Property, plant and equipment	2,318,996	2,267,057	586	647
Intangible assets	9,582	9,564	-	-
Deferred expenditure	3,022	3,029	-	-
Deferred income tax assets	276,323	267,901	-	-
	2,630,411	2,572,798	372,641	372,373
<b>Total assets</b>	10,636,426	9,945,297	436,397	450,112
<b>Current liabilities</b>				
Trade and other payables	2,674,074	2,632,163	17,190	17,378
Current income tax liabilities	30,582	53,932	1,585	1,569
Borrowings	3,290,582	2,430,304	-	-
Provision for other liabilities	67,109	56,166	-	-
	6,062,347	5,172,565	18,775	18,947
<b>Non-current liabilities</b>				
Borrowings	2,324,888	2,542,390	-	-
Deferred income tax liabilities	342	837	-	704
	2,325,230	2,543,227	-	704
<b>Total liabilities</b>	8,387,577	7,715,792	18,775	19,651
<b>Net assets</b>	2,248,849	2,229,505	417,622	430,461
<b>Equity</b>				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	308,046	284,328	45,105	45,105
Retained earnings	795,538	812,819	101,909	114,748
Shareholders' equity	1,374,192	1,367,755	417,622	430,461
Non-controlling interests	874,657	861,750	-	-
<b>Total equity</b>	2,248,849	2,229,505	417,622	430,461

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

**Amount repayable in one year or less, or on demand**

<b>As at 30/06/2015</b>		<b>As at 31/12/2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
1,680,402,000	1,610,180,000	1,034,950,000	1,395,354,000

**Amount repayable after one year**

<b>As at 30/06/2015</b>		<b>As at 31/12/2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
414,455,000	1,910,433,000	744,945,000	1,797,445,000

**Details of any collateral**

The collaterals for secured borrowings comprise the Group's trade receivables with net book value totalling \$2,094,857,000 (2014: \$1,779,895,000).

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

	<b>Group</b>	
	<b>S\$'000</b>	
	<b>Q2 2015</b>	<b>Q2 2014</b>
<u>Cash flows from operating activities</u>		
Net (loss)/profit	(10,295)	30,183
Adjustments for:		
Income tax (credit)/expense	(1,595)	6,820
Amortisation of deferred expenditure	22	21
Depreciation of property, plant and equipment and investment properties	37,426	35,635
Net reversal of impairment of trade and other receivables	(218)	(1,880)
Net allowance for inventory write-down	5,014	12,899
Net loss/(gain) on disposal of property, plant and equipment	2	(40)
Net allowance for/(reversal of) expected losses recognised on construction contracts	34,051	(1,106)
Write-off for property, plant and equipment	-	165
Impairment in value of property, plant and equipment	-	162
Net fair value gain on forward currency contracts	-	(3,984)
Share of profit of associated companies	(28)	(65)
Dividend income	-	(644)
Interest expense (financing)	40,180	35,315
Interest income (investing)	(7,841)	(11,913)
	96,718	101,568
Changes in working capital:		
Inventories and construction contract work-in-progress	39,858	(340)
Trade and other receivables	(330,311)	(532,687)
Trade and other payables	(161,502)	238,278
Other current assets	4,220	(2,739)
Provision for other liabilities	1,565	(4,003)
Exchange differences	(57,154)	(8,852)
Cash used in operations	(406,606)	(208,775)
Income tax paid	(23,225)	(10,021)
<b>Net cash used in operating activities</b>	<b>(429,831)</b>	<b>(218,796)</b>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(32,698)	(17,857)
Proceeds from disposal of property, plant and equipment	2,010	86
Dividend received	(1)	670
Interest received	18,161	24,187
<b>Net cash (used in)/provided by investing activities</b>	<b>(12,528)</b>	<b>7,086</b>
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	1,253,287	714,099
Repayments of borrowings	(841,867)	(353,374)
Decrease in bank deposits pledged	10	2,254
Interest paid	(36,483)	(30,855)
Dividends paid to shareholders of the Company	(11,196)	(22,392)
Dividend paid to non-controlling interests of subsidiaries	-	(269)
<b>Net cash provided by financing activities</b>	<b>363,751</b>	<b>309,463</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(78,608)</b>	<b>97,753</b>
Cash and cash equivalents at beginning of financial period	1,569,665	1,924,747
Effects of currency translation on cash and cash equivalents	(30,310)	(12,792)
<b>Cash and cash equivalents at end of financial period</b>	<b>1,460,747</b>	<b>2,009,708</b>

<b>Cash and cash equivalents represented by:</b>		
Cash at bank and on hand	445,481	507,395
Short-term bank deposits	1,018,002	1,504,901
Less: Bank deposits pledged	(2,736)	(2,588)
	<b>1,460,747</b>	<b>2,009,708</b>

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

	<b>Share capital S\$'000</b>	<b>Statutory and other reserves S\$'000</b>	<b>Retained earnings S\$'000</b>	<b>Non-controlling interests S\$'000</b>	<b>Total S\$'000</b>
<b>The Group</b>					
<b>At 1 April 2015</b>	270,608	329,800	813,473	896,592	2,310,473
Total comprehensive income for the period	-	(23,731)	(4,762)	(21,935)	(50,428)
Dividend for 2014	-	-	(11,196)	-	(11,196)
Transfer from retained earnings to statutory reserves	-	1,977	(1,977)	-	-
<b>At 30 June 2015</b>	<b>270,608</b>	<b>308,046</b>	<b>795,538</b>	<b>874,657</b>	<b>2,248,849</b>
<b>At 1 April 2014</b>					
Total comprehensive income for the period	-	(8,024)	14,302	10,443	16,721
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(678)	(678)
Dividend for 2013	-	-	(22,392)	-	(22,392)
Transfer from asset revaluation reserve to retained earnings	-	(804)	804	-	-
Transfer from retained earnings to statutory reserves	-	141	(141)	-	-
<b>At 30 June 2014</b>	<b>270,608</b>	<b>202,940</b>	<b>826,030</b>	<b>833,702</b>	<b>2,133,280</b>
<b>The Company</b>					
<b>At 1 April 2015</b>	270,608	45,105	115,815	-	431,528
Total comprehensive income for the period	-	-	(2,710)	-	(2,710)
Dividend for 2014	-	-	(11,196)	-	(11,196)
<b>At 30 June 2015</b>	<b>270,608</b>	<b>45,105</b>	<b>101,909</b>	<b>-</b>	<b>417,622</b>
<b>At 1 April 2014</b>					
Total comprehensive income for the period	-	-	16,960	-	16,960
Dividend for 2013	-	-	(22,392)	-	(22,392)
<b>At 30 June 2014</b>	<b>270,608</b>	<b>45,105</b>	<b>114,173</b>	<b>-</b>	<b>429,886</b>

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

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

During Q2 2015, 300,000 share options granted under the Cosco Group Employees' Share Option Scheme 2002 ("Scheme 2002") were lapsed.

The outstanding share options under the Scheme 2002 as at 30 June 2015 were 11,280,000 (30 June 2014: 13,110,000).

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

As at 30 June 2015, share capital of the Company comprised 2,239,244,954 ordinary shares (31 December 2014: 2,239,244,954).

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

The Company does not have any treasury shares.

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

The figures have not been audited or reviewed.

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

Not applicable.

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

Except as disclosed in Paragraph 5 below, the Group has adopted the same accounting policies and method of computation in the financial statements for the current financial period as compared with the audited financial statements for the financial year ended 31 December 2014.



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

On 1 January 2015, the Group and the Company adopted the following amended financial reporting standards ("FRS") which are effective for annual periods beginning on or after 1 July 2014.

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

- (i) Amendments to FRS 24 *Related Party Disclosures*
- (ii) Amendments to FRS 40 *Investment Property*
- (iii) Amendments to FRS 102 *Share-based Payment*
- (iv) Amendments to FRS 103 *Business Combinations*
- (v) Amendments to FRS 108 *Operating Segments*
- (vi) Amendments to FRS 113 *Fair Value Measurement*

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

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

	Group			
	Q2 2015	Q2 2014	1H 2015	1H 2014
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	(0.21)	0.64	(0.18)	1.20
Weighted average number of ordinary shares('000)	2,239,245	2,239,245	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	(0.21)	0.64	(0.18)	1.20
Adjusted weighted average number of ordinary shares ('000)	2,239,245	2,239,245	2,239,245	2,239,245

**NOTES:**

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

The fully diluted earnings per share is arrived at after taking into consideration the potential ordinary shares arising from the exercise of outstanding share options which would dilute the basic earnings per share. The outstanding share options do not have any dilutive effect on the earnings per share as the exercise prices for the outstanding share options were higher than the average market price during the current financial period reported on and the corresponding period of the immediately preceding financial year.

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

	Group		Company	
	30/06/2015	31/12/2014	30/06/2015	31/12/2014
Net asset value per ordinary share (cents)	61.37	61.08	18.65	19.22

The net asset value per ordinary share is calculated based on the total number of issued shares of 2,239,244,954 (2014: 2,239,244,954).

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

#### Overview

The Group recorded net loss attributable to equity holders of \$4.8 million on turnover of \$853.5 million in Q2 2015. For 1H 2015, Group net loss attributable to equity holders amounted to \$4.0 million on turnover of \$1.8 billion.

#### Turnover

Group turnover decreased by 25.6% to \$853.5 million in Q2 2015, from \$1.1 billion in Q2 2014 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 25.6% to \$843.4 million in Q2 2015 from \$1.1 billion in Q2 2014 mainly owing to lower revenue contribution from marine engineering, partially offset by an increase in revenue from ship building. The Group delivered 3 bulk carriers in Q2 2015. Of these, COSCO Zhoushan shipyard delivered 2 bulk carriers and COSCO Guangdong shipyard delivered 1 bulk carrier. In addition, COSCO Guangdong shipyard delivered 1 anchor handling tug supply vessel.

Turnover from dry bulk shipping and other businesses decreased by 17.8% from \$12.3 million in Q2 2014 to \$10.1 million in Q2 2015 as the current short-term rates were lower than the more favorable charter rates secured in Q2 2014. The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started Q2 2015 at 602 points and ended the quarter at 800 points. In Q2 2015, the BDI averaged 632 points which is a 35.6% decrease from the average of Q2 2014 of 982 points. The Baltic Exchange Handysize Index (BHSI) averaged 346 points in Q2 2015, a decrease of 30.9% from the average of 501 points in Q2 2014. The Baltic Exchange Supramax Index (BSI) averaged 647 points in Q2 2015, a decrease of 24.7% from the average of 859 points in Q2 2014. Currently, the Group's dry bulk shipping fleet comprises Panamax and Handymax carriers.

Shipyard business remained the biggest revenue contributor, forming 98.8% of Group turnover in Q2 2015.

#### Profitability

Gross profit decreased 35.8% from \$92.0 million in Q2 2014 to \$59.0 million in Q2 2015 due to lower profit contributions from shipyard and shipping operations.

Other income comprised gain from the disposal of scrap metal, interest income and others. Compared to Q2 2014, other income decreased by 35.3% to \$19.9 million in Q2 2015 mainly due to lower sale value of scrap materials and lower interest income.

Interest expense increased by 13.8% to \$40.2 million in Q2 2015 due to higher bank borrowings to fund shipyard operations.

Overall, the Group recorded net loss attributable to equity holders of the Company of \$4.8 million in Q2 2015 compared to net profit of \$14.3 million in Q2 2014 due to losses in shipyard and shipping operations. The loss is mainly attributable to unfavourable market conditions:

- i) The low crude oil prices over recent months which has had an adverse impact on the global marine industry;
- ii) The languid dry bulk shipping market which has brought great pressures to the Company's dry bulk fleet and
- iii) The slump in the shipbuilding market which has negatively impacted the Company's shipyards.

In 1H 2015, the group recorded net loss attributable to equity holders of the Company of \$4.0 million compared to net profit of \$26.9 million in 1H2014.

### **Balance Sheet and Cash Flow**

(30 June 2015 vs 31 December 2014)

Cash and cash equivalents decreased \$97.3 million to \$1.5 billion mainly due to payment of dividends and payment of trade and other payables. Please refer to Note 1(c) Cash Flow Statement for more details.

Trade and other receivables increased \$623.6 million to \$5.2 billion mainly due to higher construction contracts due from customers in the marine engineering segment and an increase in advances paid to suppliers (from \$494.7 million to \$647.1 million).

Trade and other payables increased \$41.9 million to \$2.7 billion mainly due to higher accruals for operating expenses, partially offset by a decrease in advances received from customers (from \$364.9 million to \$283.1 million).

Total borrowings increased by \$642.8 million to \$5.6 billion due to additional funding procured to finance shipyard operations.

Shareholder's equity increased marginally by \$6.4 million mainly due to increase in currency translation reserve and partially offset by transfer of 1H 2015 loss to retained earnings and payment of dividends in May 2015.

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

The Group's results for Q2 2015 are in line with the Profit Guidance announcement released on 16 July 2015.

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

As at 30 June 2015, the Group's order book stood at US\$8.1 billion with progressive deliveries up to 2017. This order book is subject to revision from any new, cancellation, variation or rescheduling of orders that may arise. New orders received in 1H 2015 include 7 container vessels, 1 shuttle tanker, 1 module carrier, 1 tanker assist / emergency response / rescue / field support vessel, 1 research vessel and 1 FPSO conversion.

These contracts were secured at low contract values due to the weak shipping market, excess tonnage in the market and weak global economic conditions. As these conditions continue to persist, the Group expects operating margins on new ship building contracts to face severe downward pressure.

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

For new product types in offshore and shipbuilding sectors, the Group expects to incur higher costs during execution. In addition, the Group expects competition to remain keen amidst an environment of low crude oil prices and generally weak global economic conditions.

Whilst the Group has accumulated substantial experience in the offshore marine segment, it will still face new operational challenges in the production of higher value products. The Group will continue to strive to improve its expertise and capabilities to broaden its customer base for long-term sustainable growth in offshore marine engineering and new shipbuilding operations.

The Baltic Dry Index (BDI) averaged 623 points in 1H 2015, a decrease of 47.2% from the average of 1179 points in 1H 2014. The Baltic Exchange Handysize Index (BHSI) averaged 352 points in 1H 2015, a decrease of 40.9% from the average of 596 points in 1H 2014. The Baltic Exchange Supramax Index (BSI) averaged 631 points in 1H 2015, a decrease of 36.1% from the average of 988 points in 1H 2014. Currently, the Group's dry bulk shipping fleet comprises Panamax, Supramax and Handymax carriers.

Owing to new tonnage accumulation in recent years and overall weak macroeconomic conditions, the world dry bulk shipping market has declined to a low level in 1H 2015. On 18 Feb 2015, the BDI even declined to 509 points, the lowest since the Index was created. Given the difficult market conditions, any possible recovery in the dry bulk shipping segment will be slow and fraught with uncertainty.

As the world shipping market faces tonnage over capacity pressures, new ship building orders have fallen to a low level in 1H 2015. The Group will continue to face pressure in the ship building segment which may lead to excess shipyard capacity.

On 17 October 2013, the Group made an announcement on the DP3 Deepwater Drillship contract stating that the shipowner had served notice of termination and submitted a request for arbitration in London for which the shipowner claimed for a refund of the first instalment of the contract amounting to US\$110 million paid by the shipowner together with interests thereon, damages and interest thereon, indemnity for future losses, further or other relief and costs. Given the current stage of arbitration proceedings, it remains difficult to quantify the eventual financial impact of the arbitration at this point in time. Notwithstanding the arbitration proceedings, the first instalment of US\$110 million was refunded to the shipowner together with payment of interest thereon amounting to US\$8.1 million on 13 January 2014.

In the 1H 2015, the Group experienced delivery date extensions for several of its projects. The Group will continue to monitor the risks associated with these projects.

The Group maintains a cautious and subdued outlook for 2015 amidst persistent weakness in the state of the global economy. Moreover, any tightening of the availability and cost of credit in a market that is already under considerable stress could adversely affect the ability of customers to meet their financial obligations. Over the past year, the global offshore market has slowed down significantly with no signs of improvement. Many oil majors have cut expenditure leading to fewer orders for rigs and support vessels. The average utilization rate of jack-up rigs, semi-sub rigs, drill ships and support vessels have all declined in the past year.

Under such challenging circumstances, new orders started to decline in 2014 and some customers have delayed accepting delivery of projects upon completion, and there does not appear to be any pickup in sight.

All these developments have taken place against the background of weak global economic conditions which, in the latter half of 2014, were accompanied by steep falls in crude oil prices to multi-year lows and which have not recovered substantially since. On 13 January 2015, Brent Crude Oil closed at US\$46.59 per barrel, the lowest in the past five years. In 1H 2015, Brent Crude Oil prices averaged US\$59.35 per barrel.

Any strengthening of the Chinese Yuan against the United States Dollar and the potential rise in general Chinese wages, prices of raw materials required for production as well as higher financing costs, and the entry of new players especially in the offshore marine segment, may exert even greater downward pressure on the operating margins of the Group's shipyard operations.

The Group's offshore marine segment has been adversely affected by low crude oil prices and will be further negatively affected by any further price slides. The current situation has already persisted for a significant period of time and when and how fast any recovery will happen remains uncertain.

Against the backdrop of such conditions, the Group recorded a net loss attributable to equity holders of \$4.0 million for 1H 2015. Overall, the Group expects these difficult and challenging business and operating conditions to persist and accordingly, 2015 remains a very difficult and challenging year for the Group.

**11. Dividend**

**(a) Current Financial Period Reported On**

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

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No interim dividend has been declared/recommended by the Directors in Q2 2015.

### 13. Interested Person Transactions

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

Name of interested person	Aggregate value of all interested person transaction during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	S\$'000		S\$'000	
	Q2 2015	1H 2015	Q2 2015	1H 2015
<u>Between Subsidiaries and:</u>				
Bright Sea Management Limited	-	-	-	398
Chimbusco Guangzhou Branch	-	-	-	324
Chimbusco Zhoushan Branch	-	-	2,022	4,852
China Marine Bunker (Dalian) Co., Ltd	-	-	510	3,773
Cosco (Cayman) Mercury Co., Ltd	-	-	464	464
Cosco (HK) Investment & Development Co., Ltd	-	-	528	668
Cosco (HK) Shipping Co., Ltd	-	-	3,458	6,453
Cosco Bulk Carrier Co., Ltd	-	-	479	998
Cosco Bulk Carrier Holdings (Cayman) Limited	-	-	-	239
Cosco Bulk Tianjin Forwarding Company Limited	-	-	161	161
Cosco Container Lines Co., Ltd	-	-	1,035	4,816
Cosco Far-Reaching Shipping Co.,Ltd	-	-	838	970
Cosco Guangzhou Marine Electronics Engineering Co.	-	-	122	122
Cosco Finance Co., Ltd	-	-	1,242,946	2,002,743
Cosco Logistics Nantong Co., Ltd	-	-	1,156	1,317
Cosco Logistics Dalian Co., Ltd	-	-	235	5,302
Cosco Petroleum Pte Ltd	-	-	2,147	2,510
Cosco Shipping Co., Ltd	-	-	575	1,328
Cosmarine Consultants Pte Ltd	-	-	205	205
Dalian Ocean Shipping Company	-	-	676	676
Nantong Chimbusco Marine Bunker Co., Ltd	-	-	248	1,412
Nantong Cosco Heavy Industry Co., Ltd	-	-	1,082	1,388
Nantong Cosco Ship Equipment Company	-	-	-	481
Qingdao Manning Co-operation Ltd	-	-	859	1,726
Qingdao Ocean Shipping Company	-	-	1,197	1,622
Shanghai Ocean Crew Co., Ltd	-	-	1,312	2,590
Shanghai Pan-Asia Shipping Company	-	-	876	3,114
Shenzhen Ocean Shipping Company	-	-	444	802
Tosco Keymax International Ship Management Co., Ltd	-	-	130	130
<b>Total</b>	-	-	<b>1,263,705</b>	<b>2,051,584</b>

	<b>As at 30/06/2015</b>	<b>As at 31/12/2014</b>
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	252,230	375,266
- Short-term bank deposits	192,650	217,215
	<b>444,880</b>	<b>592,481</b>
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	320,112	-

**BY ORDER OF THE BOARD**

Mr Wu Zi Heng  
Vice Chairman and President  
31/7/2015

## **CONFIRMATION BY THE BOARD**

We hereby confirm on behalf of the directors of the company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the company which may render the financial period ended 30 June 2015 financial results to be false or misleading.

On behalf of the directors

Mr Wu Zi Heng  
Vice Chairman and President

Mr Tom Yee Lat Shing  
Director

31/7/2015