



**Unaudited Third Quarter Financial Statement Announcement for the Financial Period Ended 30 September 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					
	Q3 2015 S\$'000	Q3 2014 S\$'000	Change %	YTD 2015 S\$'000	YTD 2014 S\$'000	Change %
Turnover	949,569	1,158,982	(18)	2,794,267	3,344,890	(16)
Cost of sales	(960,282)	(1,102,309)	(13)	(2,672,925)	(3,100,521)	(14)
Gross (loss)/profit	(10,713)	56,673	NM	121,342	244,369	(50)
Other income [1]	19,428	27,022	(28)	59,433	83,089	(28)
Other gains and losses [1]	(479)	5,687	NM	5,298	5,525	(4)
Expenses						
- Distribution	(19,081)	(23,017)	(17)	(53,762)	(61,242)	(12)
- Administrative [2]	(113,436)	(26,583)	327	(182,191)	(103,156)	77
- Finance	(44,206)	(31,322)	41	(123,165)	(94,211)	31
Share of profit/(loss) of associated companies [3]	104	(25)	NM	96	114	(16)
(Loss)/profit before income tax [4]	(168,383)	8,435	NM	(172,949)	74,488	NM
Income tax credit /(expense) [5]	16,453	(924)	NM	14,976	(13,807)	NM
<b>Net (loss)/profit</b>	<b>(151,930)</b>	<b>7,511</b>	<b>NM</b>	<b>(157,973)</b>	<b>60,681</b>	<b>NM</b>
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	<b>(82,116)</b>	<b>7,147</b>	<b>NM</b>	<b>(86,112)</b>	<b>34,074</b>	<b>NM</b>
Non-controlling interests	(69,814)	364	NM	(71,861)	26,607	NM
Net (loss)/profit	(151,930)	7,511	NM	(157,973)	60,681	NM
<b>Earnings per share for profit attributable to the equity holders of the Company</b> (expressed in cents per share)						
- basic	(3.67)	0.32	NM	(3.85)	1.52	NM
- diluted	(3.67)	0.32	NM	(3.85)	1.52	NM

NM denotes not meaningful.

(ii) Consolidated Statement of Comprehensive Income

	Group					
	Q3 2015 S\$'000	Q3 2014 S\$'000	Change %	YTD 2015 S\$'000	YTD 2014 S\$'000	Change %
<b>Net (loss)/profit</b>	(151,930)	7,511	NM	(157,973)	60,681	NM
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets - Fair value gains	(192)	35	NM	(64)	38	NM
Currency translation differences arising from consolidation	64,639	67,494	(4)	101,094	(4,410)	NM
<b>Total comprehensive income for the period</b>	(87,483)	75,040	NM	(56,943)	56,309	NM
<b>Total comprehensive income attributable to:</b>						
<b>Equity holders of the Company</b>	<b>(41,955)</b>	<b>46,174</b>	NM	<b>(24,322)</b>	<b>32,370</b>	NM
Non-controlling interests	(45,528)	28,866	NM	(32,621)	23,939	NM
	(87,483)	75,040	NM	(56,943)	56,309	NM

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Group					
	Q3 2015 S\$'000	Q3 2014 S\$'000	Change %	YTD 2015 S\$'000	YTD 2014 S\$'000	Change %
Compensation received from customers	325	301	8	2,163	1,040	108
Dividend income	2,005	26	7,612	2,005	670	199
Government grants	1,749	889	97	3,151	3,355	(6)
Interest income	7,201	12,001	(40)	26,855	37,007	(27)
Rental income	594	681	(13)	2,024	1,654	22
Sale of scrap materials	5,020	11,527	(56)	18,299	35,017	(48)
Sundry income	2,534	1,597	59	4,936	4,346	14
Other income	19,428	27,022	(28)	59,433	83,089	(28)
Currency exchange gain	218	5,116	(96)	7,540	5,651	33
Fair value gain/(loss) on forward currency contracts	-	292	NM	-	(528)	NM
Gain/(loss) on disposal of property, plant and equipment	8	337	(98)	(31)	484	NM
Loss on sale of bunker stock	(705)	(58)	1,116	(2,211)	(82)	2,596
Other gains and losses	(479)	5,687	NM	5,298	5,525	(4)
Other income and Other gains and losses	18,949	32,709	(42)	64,731	88,614	(27)

[2] Administrative expenses include allowance for impairment of trade and other receivables of \$75,912,000 and \$75,657,000 in Q3 2015 and YTD 2015 respectively (Q3 2014: \$1,601,000 and YTD 2014: reversal of impairment of trade and other receivables of \$239,000).

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

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

	Group					
	Q3 2015 S\$'000	Q3 2014 S\$'000	Change %	YTD 2015 S\$'000	YTD 2014 S\$'000	Change %
Interest on borrowings	(44,206)	(31,322)	41	(123,165)	(94,211)	31
Amortisation of deferred expenditure	(23)	(21)	10	(67)	(64)	5
Depreciation of property, plant and equipment and investment properties	(37,884)	(37,848)	0	(111,409)	(110,980)	0
Net (allowance for)/ reversal of impairment of trade and other receivables	(75,912)	(1,601)	4,642	(75,657)	239	NM
Write-down of inventories	(14,552)	(1,571)	826	(20,246)	(14,031)	44
Write-off of property, plant and equipment	(1)	-	NM	(1)	(217)	(100)
Allowance for impairment in of property, plant and equipment	-	-	NM	-	(162)	NM
Provision for an onerous contract	-	-	NM	-	(25)	NM
Reversal of/(allowance for) expected losses recognised on construction contracts	16,329	(10,582)	NM	(19,448)	(6,495)	199

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

	Group					
	Q3 2015 S\$'000	Q3 2014 S\$'000	Change %	YTD 2015 S\$'000	YTD 2014 S\$'000	Change %
- Current financial period's results						
Current income tax	(32,865)	12,042	NM	3,627	68,041	(95)
Deferred income tax	16,428	(9,864)	NM	(15,143)	(52,240)	(71)
	(16,437)	2,178	NM	(11,516)	15,801	NM
- (Over)/under provision in prior financial years						
Current income tax	(151)	(1,254)	(88)	(30,844)	(1,994)	1,447
Deferred income tax	135	-	NM	27,384	-	NM
	(16)	(1,254)	(99)	(3,460)	(1,994)	74
	(16,453)	924	NM	(14,976)	13,807	NM

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

	Group		Company	
	30/09/2015 S\$'000	31/12/2014 S\$'000	30/09/2015 S\$'000	31/12/2014 S\$'000
<b>Current assets</b>				
Cash and cash equivalents	1,503,520	1,560,803	33,933	46,434
Trade and other receivables	5,580,286	4,563,805	32,631	31,141
Inventories	1,243,542	1,041,695	-	-
Construction contract work-in-progress	155,745	177,515	-	-
Income tax receivables	10,077	7,252	-	-
Other current assets	19,523	21,429	158	164
	8,512,693	7,372,499	66,722	77,739
<b>Non-current assets</b>				
Trade and other receivables	807	4,377	-	-
Available-for-sale financial assets	4,987	4,841	-	-
Club memberships	311	303	82	82
Investments in associated companies	5,062	4,736	-	-
Investments in subsidiaries	-	-	372,142	371,644
Investment properties	10,769	10,990	-	-
Property, plant and equipment	2,389,129	2,267,057	552	647
Intangible assets	9,615	9,564	-	-
Deferred expenditure	3,064	3,029	-	-
Deferred income tax assets	267,613	267,901	-	-
	2,691,357	2,572,798	372,776	372,373
<b>Total assets</b>	11,204,050	9,945,297	439,498	450,112
<b>Current liabilities</b>				
Trade and other payables	2,761,277	2,632,163	17,742	17,378
Current income tax liabilities	3,304	53,932	1,637	1,569
Borrowings	3,538,370	2,430,304	-	-
Provision for other liabilities	75,307	56,166	-	-
	6,378,258	5,172,565	19,379	18,947
<b>Non-current liabilities</b>				
Borrowings	2,664,670	2,542,390	-	-
Deferred income tax liabilities	282	837	-	704
	2,664,952	2,543,227	-	704
<b>Total liabilities</b>	9,043,210	7,715,792	19,379	19,651
<b>Net assets</b>	2,160,840	2,229,505	420,119	430,461
<b>Equity</b>				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	348,713	284,328	45,105	45,105
Retained earnings	712,916	812,819	104,406	114,748
Shareholders' equity	1,332,237	1,367,755	420,119	430,461
Non-controlling interests	828,603	861,750	-	-
<b>Total equity</b>	2,160,840	2,229,505	420,119	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 30/09/2015</b>		<b>As at 31/12/2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
1,094,985,000	2,443,385,000	1,034,950,000	1,395,354,000

**Amount repayable after one year**

<b>As at 30/09/2015</b>		<b>As at 31/12/2014</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
1,064,371,000	1,600,299,000	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 \$2,159,355,000 (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>Q3 2015</b>	<b>Q3 2014</b>
<u>Cash flows from operating activities</u>		
Net (loss)/profit	(151,930)	7,511
Adjustments for:		
Income tax (credit)/expense	(16,453)	924
Amortisation of deferred expenditure	23	21
Depreciation of property, plant and equipment and investment properties	37,884	37,848
Net allowance for impairment of trade and other receivables	75,912	1,601
Write-down of inventories	14,552	1,571
Gain on disposal of property, plant and equipment	(8)	(337)
(Reversal of)/allowance for expected losses recognised on construction contracts	(16,329)	10,582
Write-off of property, plant and equipment	1	-
Fair value gains on forward currency contracts	-	(292)
Share of (profit)/loss of associated companies	(104)	25
Dividend income	(2,005)	(26)
Interest expense	44,206	31,322
Interest income	(7,201)	(12,001)
	(21,452)	78,749
Changes in working capital:		
Inventories and construction contract work-in-progress	(93,222)	(28,634)
Trade and other receivables	(463,866)	(784,128)
Trade and other payables	111,011	445,974
Other current assets	3,439	(593)
Provision for other liabilities	8,197	7,023
Exchange differences	77,913	51,237
Cash used in operations	(377,980)	(230,372)
Income tax paid	5,140	2,898
<b>Net cash used in operating activities</b>	<b>(372,840)</b>	<b>(227,474)</b>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(38,935)	(29,757)
Proceeds from disposal of property, plant and equipment	117	507
Dividend received	2,007	27
Interest received	5,922	6,622
<b>Net cash used in investing activities</b>	<b>(30,889)</b>	<b>(22,601)</b>
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	983,025	857,983
Repayments of borrowings	(548,095)	(850,925)
Decrease in bank deposits pledged	(12)	(377)
Interest paid	(51,824)	(30,941)
Dividend paid to non-controlling interests of subsidiaries	(526)	(6)
<b>Net cash provided by/(used in) financing activities</b>	<b>382,568</b>	<b>(24,266)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(21,161)</b>	<b>(274,341)</b>
Cash and cash equivalents at beginning of financial period	1,460,747	2,009,708
Effects of currency translation on cash and cash equivalents	61,186	64,826
<b>Cash and cash equivalents at end of financial period</b>	<b>1,500,772</b>	<b>1,800,193</b>
<b>Cash and cash equivalents represented by:</b>		
Cash at bank and on hand	440,402	419,586
Short-term bank deposits	1,063,118	1,383,573
Less: Bank deposits pledged	(2,748)	(2,966)
	<b>1,500,772</b>	<b>1,800,193</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.

	Share capital S\$'000	Statutory and other reserves S\$'000	Retained earnings S\$'000	Non-controlling interests S\$'000	Total S\$'000
<b>The Group</b>					
<b>At 1 July 2015</b>	270,608	308,046	795,538	874,657	2,248,849
Total comprehensive income for the period		40,161	(82,116)	(45,528)	(87,483)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(526)	(526)
Transfer from retained earnings to statutory reserves	-	506	(506)	-	-
<b>At 30 September 2015</b>	<b>270,608</b>	<b>348,713</b>	<b>712,916</b>	<b>828,603</b>	<b>2,160,840</b>
<b>At 1 July 2014</b>	270,608	202,940	826,030	833,702	2,133,280
Total comprehensive income for the period	-	39,027	7,147	28,866	75,040
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	3	3
Transfer from asset revaluation reserve to retained earnings	-	(805)	805	-	-
Transfer from retained earnings to statutory reserves	-	2,165	(2,165)	-	-
<b>At 30 September 2014</b>	<b>270,608</b>	<b>243,327</b>	<b>831,817</b>	<b>862,571</b>	<b>2,208,323</b>
<b>The Company</b>					
<b>At 1 July 2015</b>	270,608	45,105	101,909	-	417,622
Total comprehensive income for the period	-	-	2,497	-	2,497
<b>At 30 September 2015</b>	<b>270,608</b>	<b>45,105</b>	<b>104,406</b>	<b>-</b>	<b>420,119</b>
<b>At 1 July 2014</b>	270,608	45,105	114,173	-	429,886
Total comprehensive income for the period	-	-	(102)	-	(102)
<b>At 30 September 2014</b>	<b>270,608</b>	<b>45,105</b>	<b>114,071</b>	<b>-</b>	<b>429,784</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 Q3 2015, 200,000 share options granted under the Cosco Group Employees' Share Option Scheme 2002 ("Scheme 2002") had lapsed.

The outstanding share options under the Scheme 2002 as at 30 September 2015 were 11,080,000 (30 September 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 September 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			
	Q3 2015	Q3 2014	YTD 2015	YTD 2014
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	(3.67)	0.32	(3.85)	1.52
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)	(3.67)	0.32	(3.85)	1.52
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	
	30/09/2015	31/12/2014	30/09/2015	31/12/2014
Net asset value per ordinary share (cents)	59.49	61.08	18.76	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 \$82.1 million on turnover of \$949.6 million in Q3 2015. For the nine months ended 30 September 2015, Group net loss attributable to equity holders amounted to \$86.1 million on turnover of \$2.8 billion.

#### Turnover

Group turnover decreased by 18.1% to \$949.6 million in Q3 2015 from \$1.2 billion in Q3 2014 owing to decrease in shipyard and shipping revenue.

Turnover from shipyard operations decreased by 17.8% to \$939.9 million in Q3 2015 from \$1.1 billion in Q3 2014 mainly owing to lower revenue contribution from marine engineering, partially offset by an increase in revenue from ship building and ship repair.

COSCO Dalian shipyard delivered 2 platform supply vessels, COSCO Guangdong shipyard delivered 1 platform supply vessel and 1 anchor handling tug supply vessel and Cosco Nantong shipyard delivered 1 semi-submersible accommodation vessel.

Turnover from dry bulk shipping and other businesses decreased by 34.9% from \$14.9 million in Q3 2014 to \$9.7 million in Q3 2015 as most of the current short-term charter rates were lower than those received in Q3 2014.

The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started Q3 2015 at 794 points and ended the quarter slightly higher at 900 points. In Q3 2015, the BDI averaged 974 points which is a 2.5% increase from the average of Q3 2014 of 950 points. Currently, the group's dry bulk shipping fleet comprises Panamax and Handymax carriers. Shipyard business remained the biggest revenue contributor, making up 99.0% of Group turnover in Q3 2015.

#### Profitability

Gross loss for Q3 2015 is \$10.7 million, as compared to gross profit of \$56.7 million in Q3 2014 due to losses from shipyard and shipping operations.

Other income comprised gain from the disposal of scrap metal, interest income and others. Compared to Q3 2014, other income decreased by 28.1% to \$19.4 million in Q3 2015 mainly due to lower sale value of scrap materials and lower interest income.

Administration expenses increased by \$86.9 million to \$113.4 million mainly due to allowance for impairment of trade and other receivables.

Interest expense increased by 41.1% to \$44.2 million in Q3 2015 due to higher bank borrowings used to fund shipyard operations.

Overall, the Group recorded net loss attributable to equity holders of the Company of \$82.1 million in Q3 2015 compared to net profit of \$7.1 million in Q3 2014 due to losses in shipyard and shipping operations. The loss is mainly attributable to:

- (a) the continuing depressed state of crude oil prices which has had an adverse impact on the global offshore marine industry;
- (b) the slump in the shipbuilding market which has negatively impacted the Company's shipyards;
- (c) the languid dry bulk shipping market which has brought great pressures to the Company's dry bulk fleet operations.

As a result of adverse market conditions, in Q3 2015, shipyard operations incurred higher costs for a few delayed projects as well as write-downs of certain inventory. Allowance for impairment of trade and other receivables has also been made.

In the first nine months in 2015, the Group recorded net loss attributable to equity holders of the Company of \$86.1 million compared to net profit of \$34.1 million in the first nine months in 2014.

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

(30 September 2015 vs 31 December 2014)

Cash and cash equivalents decreased from \$1.6 billion to \$1.5 billion. Please refer to Note 1(c) Cash Flow Statement for more details.

Trade and other receivables increased \$1.0 billion to \$5.6 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 \$529.4 million).

Trade and other payables increased \$129.1 million to \$2.8 billion mainly due to higher accruals for operating expenses, partially offset by a decrease in advances received from customers (from \$364.9 million to \$237.0 million).

Total borrowings increased by \$1.2 billion to \$6.2 billion due to additional funding procured to finance shipyard operations.

Shareholder's equity decreased by \$35.5 million mainly due to the transfer of first nine months 2015 loss to retained earnings and payment of dividends in May 2015, partially offset by increase in currency translation reserve.

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

The Group's results for Q3 2015 are in line with the Profit Guidance announcement released on 22 October 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 September 2015, the Group's order book stood at US\$7.9 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 the first 9 months of 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 global economy, and depressed shipbuilding and offshore markets then. As these conditions continue to persist, the Group expects operating margins on new ship building and offshore 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, semisub tender assist drilling rig, jack-up rig, platform supply vessel, emergency response/rescue/field support vessel, DP3 accommodation barge, subsea supply vessel, modules of drillship and FPSO for Brazilian customers 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 even as crude oil prices continue to remain depressed and global economic conditions remain generally weak.

Notwithstanding that 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 for long-term sustainable growth in offshore marine engineering and new shipbuilding operations.

The Baltic Dry Index (BDI) averaged 744 points in the first 9 months of 2015, a decrease of 32.4% from the average of 1,100 points in the first 9 months of 2014. The Baltic Exchange Handysize Index (BHSI) averaged 380 points in the first 9 months of 2015, a decrease of 29.0% from the average of 535 points in the first 9 months of 2014. The Baltic Exchange Supramax Index (BSI) averaged 703 points in the first 9 months of 2015, a decrease of 25.2% from the average of 940 points in the first 9 months of 2014. Currently, the Group's dry bulk shipping fleet comprises Panamax, Supramax and Handymax carriers.

Amidst excess tonnage and overall weak macroeconomic conditions, the world dry bulk shipping market has declined to a low level in the first 9 months of 2015. On 18 February 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 continues to face tonnage over- capacity pressures, new ship building orders have fallen to a low level in the first 9 months of 2015. The Group will continue to face pressure in the ship building segment which may lead to excess shipyard capacity.

With regard to the arbitration proceedings relating to DP3 Deepwater Drillship (DDD) announced by the Group on 17 October 2013, the Group had on 4 September 2015 announced that the arbitration award had been issued. The arbitration tribunal has ruled that Cosco Dalian, having repaid to the shipowner the first instalment together with interest thereon is not liable to the shipowner for any further liabilities. The DDD has now been successfully completed by Cosco Dalian and trials and testing have been carried out. Cosco Dalian is currently in discussions with relevant oil companies to negotiate for a lease or to sell the DDD. Under these circumstances and depending on the outcome of Cosco Dalian's discussions for DDD, COSCO Dalian may be exposed to potential impairment in inventories due to the current downturn in the marine industry.

On 17 October 2014, the Group announced that Sevan Drilling and Cosco Qidong have agreed to defer the delivery date of Sevan Developer for 12 months with options exercisable at 6-month intervals, to extend the delivery date up to a total of 36 months from 15 October 2014. The EPC contract will terminate at the end of each deferred period, unless extended by mutual agreement of both parties. It was also agreed that while construction of Sevan Developer continues at Cosco Qidong's shipyard 13 during the deferred period, Sevan Drilling is able to continue to market Sevan Developer as part of its fleet. On 2 November 2015, the Company announced that Sevan Drilling and COSCO Qidong have

agreed to exercise the first option to extend the delivery date of Sevan Developer for 6-months up to 15 April 2016, that Cosco Qidong is required to refund to the Sevan Drilling the sum of US\$26.3 million (being 5% of the contract price) plus interest, by 1 December 2015, that the final payment for the contract has also been amended from the original 80% of the contract price to 85% of the contract price of US\$526.0 million (amounting to US\$447.1 million) and can be amended further upon the expiration of the option period and that the other terms and conditions under the deferment agreement entered into on 15 October 2014, including termination rights, remain unchanged. In view of the deferment and the uncertainty as to whether the remaining options will be exercised, it is not possible to ascertain the financial impact of the agreement for deferment at this point in time.

In the first 9 months of 2015, the Group experienced delivery date extensions for several of its projects. The Group will continue to monitor the risks associated with these projects.

Amidst persistent weakness in the state of the global economy and depressed crude oil prices, the Group continues to face the adverse effects of unfavourable market conditions as there is no apparent sign of a near term market recovery. Against this backdrop, some of the Group's customers may be unable to meet their contractual payment obligations to the Group, either in a timely manner or at all, or may otherwise default on these obligations. Moreover, any tightening of the availability and cost of credit in a market that is already under considerable stress could also adversely affect the ability of customers to meet their financial obligations. These may adversely impact the Group's financial position.

Over the past year, the global offshore market has slowed down significantly with no signs of improvement. Since the latter half of 2014, crude oil prices fell to multi-year lows with no significant recovery. On 24 August 2015, Brent Crude Oil closed at US\$42.69 per barrel, the lowest in the past six years. In the first 9 months of 2015, Brent Crude Oil prices averaged US\$56.60 per barrel, a decrease of 47.1% from the average of US\$106.99 in the first 9 months of 2014.

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 still does not appear to be any pickup in sight.

Any 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 of low crude oil prices has already persisted for a significant period of time. This has adversely affected the Group's offshore marine segment. It remains uncertain if, and how fast, any recovery will happen.

Against the backdrop of such conditions, the Group recorded a net loss attributable to equity holders for the first 9 months of 2015. Overall, the Group expects these difficult and challenging business and operating conditions to persist and accordingly, 2015 was and 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 Q3 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)	
	Q3 2015 S\$'000	YTD 2015 S\$'000	Q3 2015 S\$'000	YTD 2015 S\$'000
<u>Between Subsidiaries and:</u>				
Bright Sea Management Limited	-	-	-	398
Chimbusco Guangzhou Branch	-	-	1,468	1,792
Chimbusco Zhoushan Branch	-	-	970	5,822
China Marine Bunker (Dalian) Co., Ltd	-	-	2,501	6,274
Cosco (Cayman) Mercury Co., Ltd	-	-	535	999
Cosco (HK) Investment & Development Co., Ltd	-	-	133	801
Cosco (HK) Shipping Co., Ltd	-	-	4,055	10,508
Cosco (JM) Aluminium Co., Ltd	-	-	210	210
COSCO (Weihai) Shipbuilding Marine Technology Co.,Ltd	-	-	553	553
Cosco Air Service Shanghai Ltd	-	-	285	285
Cosco Bulk Carrier Co., Ltd	-	-	810	1,808
Cosco Bulk Carrier Holdings (Cayman) Limited	-	-	325	564
Cosco Bulk Tianjin Forwarding Company Limited	-	-	-	161
Cosco Container Lines Co., Ltd	-	-	1,054	5,870
Cosco Far-Reaching Shipping Co.,Ltd	-	-	180	1,150
Cosco Guangzhou Marine Electronics Engineering Co.	-	-	-	122
Cosco Finance Co., Ltd	-	-	1,353,431	3,356,174
Cosco Logistics Nantong Co., Ltd	-	-	560	1,877
Cosco Logistics Dalian Co., Ltd	-	-	1,966	7,268
Cosco Petroleum Pte Ltd	-	-	696	3,206
Cosco Shipping Co., Ltd	-	-	795	2,123
Cosco Shipyard Qingdao Company Ltd	-	-	106	106
Cosmarine Consultants Pte Ltd	-	-	-	205
Dalian Ocean Shipping Company	-	-	1,249	1,925
Lianyungang Ocean Shipping Company	-	-	519	519
Nantong Chimbusco Marine Bunker Co., Ltd	-	-	2,146	3,558
Nantong Cosco Heavy Industry Co., Ltd	-	-	-	1,388
Nantong Cosco Ship Equipment Company	-	-	-	481
Qingdao Manning Co-operation Ltd	-	-	928	2,654
Qingdao Ocean Shipping Company	-	-	1,153	2,775
Shanghai Ocean Crew Co., Ltd	-	-	1,359	3,949
Shanghai Pan-Asia Shipping Company	-	-	844	3,958
Shenzhen Ocean Shipping Company	-	-	434	1,236
Tosco Keymax International Ship Management Co., Ltd	-	-	-	130
<b>Total</b>	-	-	<b>1,379,265</b>	<b>3,430,849</b>

	<b>As at 30/09/2015</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	59,890	375,266
- Short-term bank deposits	231,750	217,215
	291,640	592,481
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	353,839	-

**BY ORDER OF THE BOARD**

Mr Wu Zi Heng  
Vice Chairman and President  
12/11/2015



## **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 September 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

12/11/2015