



Unaudited Second Quarter Financial Statement Announcement for the Financial Period Ended 30 June 2017

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					
	Q2 2017 S\$'000	Q2 2016 S\$'000	Change %	1H 2017 S\$'000	1H 2016 S\$'000	Change %
Turnover	524,735	762,916	(31)	926,576	1,485,210	(38)
Cost of sales	(503,975)	(751,395)	(33)	(963,639)	(1,384,399)	(30)
Gross profit/(loss)	20,760	11,521	80	(37,063)	100,811	(137)
Other income [1]	17,884	14,733	21	33,414	28,528	17
Other gains and losses [1]	(5,771)	(9,655)	(40)	(14,361)	(10,491)	37
Expenses						
- Distribution	(13,461)	(12,820)	5	(22,107)	(32,360)	(32)
- Administrative [2]	(888)	(13,025)	(93)	(21,049)	(48,112)	(56)
- Finance	(53,205)	(52,599)	1	(117,354)	(112,281)	5
Share of (loss)/profit of associated companies [3]	(29)	39	NM	(162)	57	NM
Loss before income tax [4]	(34,710)	(61,806)	(44)	(178,682)	(73,848)	142
Income tax credit [5]	1,367	8,962	(85)	1,652	9,258	(82)
Net loss for the period	(33,343)	(52,844)	(37)	(177,030)	(64,590)	174
Loss attributable to:						
Equity holders of the Company	(20,814)	(36,806)	(43)	(99,740)	(51,200)	95
Non-controlling interests	(12,529)	(16,038)	(22)	(77,290)	(13,390)	477
Loss for the period	(33,343)	(52,844)	(37)	(177,030)	(64,590)	174
Earnings per share for loss attributable to the equity holders of the Company (expressed in cents per share)						
- basic	(0.93)	(1.64)	(43)	(4.45)	(2.29)	94
- diluted	(0.93)	(1.64)	(43)	(4.45)	(2.29)	94

NM denotes not meaningful.

(ii) Consolidated Statement of Comprehensive Income

	Group					
	Q2 2017 S\$'000	Q2 2016 S\$'000	Change %	1H 2017 S\$'000	1H 2016 S\$'000	Change %
Net loss	(33,343)	(52,844)	(37)	(177,030)	(64,590)	174
Other comprehensive loss: Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets						
- Fair value (loss)/gain	(6)	6	NM	33	(71)	NM
Currency translation differences arising from consolidation	1,376	(26,141)	NM	(2,047)	(78,069)	(97)
Total comprehensive loss for the period	(31,973)	(78,979)	(60)	(179,044)	(142,730)	25
Total comprehensive loss attributable to:						
Equity holders of the Company	(20,292)	(49,762)	(59)	(104,204)	(94,473)	10
Non-controlling interests	(11,681)	(29,217)	(60)	(74,840)	(48,257)	55
	(31,973)	(78,979)	(60)	(179,044)	(142,730)	25

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Q2 2017 S\$'000	Q2 2016 S\$'000	Change %	1H 2017 S\$'000	1H 2016 S\$'000	Change %
Government grants	2,283	1,197	91	3,758	2,012	87
Interest income	7,433	5,541	34	14,931	11,987	25
Rental income	2,176	995	119	3,689	1,665	122
Sale of scrap materials	4,457	5,547	(20)	8,506	9,994	(15)
Sundry income	1,535	1,453	6	2,530	2,870	(12)
Other income	17,884	14,733	21	33,414	28,528	17
Foreign exchange gain/(loss)	3,842	(10,072)	NM	141	(10,216)	NM
(Loss)/gain on disposal of property, plant and equipment	(9,633)	22	NM	(14,688)	31	NM
Gain/(loss) on sale of bunker stock	20	395	(95)	186	(306)	NM
Other gains and losses	(5,771)	(9,655)	(40)	(14,361)	(10,491)	37

[2] Administrative expenses include:

	Group					
	Q2 2017 S\$'000	Q2 2016 S\$'000	Change %	1H 2017 S\$'000	1H 2016 S\$'000	Change %
Net reversal of impairment of trade and other receivables	32,391	15,256	112	43,522	15,976	172

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

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

	Group					
	Q2 2017 S\$'000	Q2 2016 S\$'000	Change %	1H 2017 S\$'000	1H 2016 S\$'000	Change %
Interest on borrowings	(53,205)	(52,599)	1	(117,354)	(112,281)	5
Amortisation of deferred expenditure	(21)	(22)	(5)	(43)	(44)	(2)
Depreciation of property, plant and equipment and investment properties	(36,152)	(36,403)	(1)	(74,564)	(74,336)	0
Net reversal of impairment of trade and other receivables	32,391	15,256	112	43,522	15,976	172
Write-down of inventories	(19,639)	(7,709)	155	(40,880)	(6,472)	532
Property, plant and equipment written off	-	6	(100)	-	(290)	(100)
Allowance for expected losses recognised on construction contracts	(44,926)	(14,774)	204	(115,499)	(18,081)	539

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

	Group					
	Q2 2017 S\$'000	Q2 2016 S\$'000	Change %	1H 2017 S\$'000	1H 2016 S\$'000	Change %
Adjustment for under provision of tax in respect of prior years:						
Current income tax	(34)	(415)	(92)	(35)	(415)	(92)
Deferred income tax	121	213	(43)	121	213	(43)

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	
	30/06/2017 S\$'000	31/12/2016 S\$'000	30/06/2017 S\$'000	31/12/2016 S\$'000
Current assets				
Cash and cash equivalents	1,354,991	1,520,375	39,639	29,868
Trade and other receivables	3,606,368	4,531,947	42,350	57,866
Inventories	1,185,453	835,582	-	-
Construction contract work-in-progress	123,207	72,408	-	-
Income tax receivables	3,600	1,933	-	-
Other current assets	12,627	11,891	103	100
	6,286,246	6,974,136	82,092	87,834
Non-current assets				
Trade and other receivables	89,444	102,556	-	-
Available-for-sale financial assets	4,532	4,599	-	-
Club memberships	227	280	48	48
Investments in associated companies	3,924	4,185	-	-
Investments in subsidiaries	-	-	372,778	372,778
Investment properties	15,045	14,675	-	-
Property, plant and equipment	2,350,888	2,527,363	325	393
Intangible assets	9,511	9,536	-	-
Deferred expenditure	2,708	2,799	-	-
Deferred income tax assets	140,449	140,598	-	-
	2,616,728	2,806,591	373,151	373,219
Total assets	8,902,974	9,780,727	455,243	461,053
Current liabilities				
Trade and other payables	2,145,739	2,095,706	17,356	17,585
Current income tax liabilities	2,039	9,877	2,122	2,174
Borrowings	3,466,186	4,297,091	-	-
Provision for other liabilities	41,209	38,949	-	-
	5,655,173	6,441,623	19,478	19,759
Non-current liabilities				
Borrowings	3,106,161	3,018,327	-	-
Deferred income tax liabilities	270	263	-	-
	3,106,431	3,018,590	-	-
Total liabilities	8,761,604	9,460,213	19,478	19,759
Net assets	141,370	320,514	435,765	441,294
Equity				
Capital and reserves attributable to equity holders of the Company				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	307,395	311,859	45,105	45,105
(Accumulated losses)/retained earnings	(346,147)	(246,407)	120,052	125,581
	231,856	336,060	435,765	441,294
Non-controlling interests	(90,486)	(15,546)	-	-
Total equity	141,370	320,514	435,765	441,294

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

Amount repayable in one year or less, or on demand

As at 30/06/2017		As at 31/12/2016	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
590,932,000	2,875,254,000	1,639,115,000	2,657,976,000

Amount repayable after one year

As at 30/06/2017		As at 31/12/2016	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
-	3,106,161,000	-	3,018,327,000

Details of any collateral

The collaterals for secured borrowings comprise the Group's trade receivables and property, plant and equipment with net book value totalling \$593,204,000 (2016: \$1,631,264,000).

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

	Group	
	Q2 2017 S\$'000	Q2 2016 S\$'000
<u>Cash flows from operating activities</u>		
Loss for the period	(33,343)	(52,844)
Adjustments for:		
Income tax credit	(1,367)	(8,962)
Amortisation of deferred expenditure	21	22
Depreciation of property, plant and equipment and investment properties	36,152	36,403
Net reversal of impairment of trade and other receivables	(32,391)	(15,256)
Write-down of inventories	19,639	7,709
Loss on disposal of a club membership	1	-
Loss/(gain) on disposal of property, plant and equipment	9,633	(22)
Allowance for expected losses recognised on construction contracts	44,926	14,774
Write-off of property, plant and equipment	-	(6)
Share of loss/(profit) of associated companies	29	(39)
Interest expense	53,205	52,599
Interest income	(7,433)	(5,541)
Exchange differences	(72,471)	37,052
	16,601	65,889
Changes in working capital:		
Inventories and construction contract work-in-progress	(27,545)	51,900
Trade and other receivables	14,105	(278,507)
Trade and other payables	47,957	52,209
Other current assets	(896)	2,091
Provision for other liabilities	1,283	3,772
Cash provided by/(used in) operations	51,505	(102,646)
Income tax paid	(8,390)	(874)
Net cash provided by/(used in) operating activities	43,115	(103,520)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(2,884)	(6,209)
Proceeds from disposal of property, plant and equipment	7,734	37
Proceeds from disposal of a club membership	45	-
Interest received	6,227	3,529
Net cash provided by/(used in) investing activities	11,122	(2,643)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	397,448	1,899,537
Repayments of borrowings	(716,143)	(1,833,250)
Decrease/(Increase) in bank deposits pledged	44	(99)
Interest paid	(51,291)	(47,659)
Dividend paid to non-controlling interests of subsidiaries	(624)	(84)
Net cash (used in)/provided by financing activities	(370,566)	18,445
Net decrease in cash and cash equivalents	(316,329)	(87,718)
Cash and cash equivalents at beginning of financial period	1,670,380	2,208,791
Effects of currency translation on cash and cash equivalents	(855)	(14,534)
Cash and cash equivalents at end of financial period	1,353,196	2,106,539
Cash and cash equivalents represented by:		
Cash at bank and on hand	579,944	778,682
Short-term bank deposits	775,047	1,329,919
Less: Bank deposits pledged	(1,795)	(2,062)
	1,353,196	2,106,539

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

	Share capital S\$'000	Statutory and other reserves S\$'000	Retained earnings S\$'000	Non-controlling interests S\$'000	Total S\$'000
The Group					
At 1 April 2017	270,608	306,873	(325,333)	(78,705)	173,443
Total comprehensive loss for the period	-	522	(20,814)	(11,681)	(31,973)
Dividend declared by a subsidiary to non-controlling interests of a subsidiary	-	-	-	(100)	(100)
At 30 June 2017	<u>270,608</u>	<u>307,395</u>	<u>(346,147)</u>	<u>(90,486)</u>	<u>141,370</u>
At 1 April 2016	270,608	298,541	208,172	498,911	1,276,232
Total comprehensive loss for the period	-	(12,956)	(36,806)	(29,217)	(78,979)
At 30 June 2016	<u>270,608</u>	<u>285,585</u>	<u>171,366</u>	<u>469,694</u>	<u>1,197,253</u>

	Share capital S\$'000	Statutory and other reserves S\$'000	Retained earnings S\$'000	Non-controlling interests S\$'000	Total S\$'000
The Company					
At 1 April 2017	270,608	45,105	121,814	-	437,527
Total comprehensive loss for the period	-	-	(1,762)	-	(1,762)
At 30 June 2017	<u>270,608</u>	<u>45,105</u>	<u>120,052</u>	<u>-</u>	<u>435,765</u>
At 1 April 2016	270,608	45,105	114,947	-	430,660
Total comprehensive loss for the period	-	-	(2,498)	-	(2,498)
At 30 June 2016	<u>270,608</u>	<u>45,105</u>	<u>112,449</u>	<u>-</u>	<u>428,162</u>

- 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 2017 150,000 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 2017 were 6,120,000 (30 June 2016: 9,650,000).

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 2017, share capital of the Company comprised 2,239,244,954 ordinary shares (31 December 2016: 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 2016.

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.

The Group adopted the new/revised FRS that are effective for annual periods beginning on or after 1 January 2017. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. The following are the new or amended FRS that are relevant to the Group:

- Improvements to Financial Reporting Standards (December 2016)
- Amendments to FRS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The adoption of the above amended FRS did not have any 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 2017	Q2 2016	1H 2017	1H 2016
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	(0.93)	(1.64)	(4.45)	(2.29)
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)	(0.93)	(1.64)	(4.45)	(2.29)
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 loss attributable to the equity holders of the Company over the weighted average number of ordinary shares outstanding during the financial period.

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

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	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
Net asset value per ordinary share (cents)	10.35	15.01	19.46	19.71

The net asset value per ordinary share is calculated based on the total number of issued shares of 2,239,244,954 (2016: 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.**

Q2 2017

The Group recorded net loss attributable to equity holders of \$20.8 million on turnover of \$524.7 million in Q2 2017.

Group turnover decreased by 31.2% to \$524.7 million in Q2 2017, from \$762.9 million in Q2 2016 owing to decrease in shipyard revenue.

Turnover from shipyard operations decreased by 31.6% to \$516.1 million in Q2 2017 from \$754.6 million in Q2 2016 mainly owing to lower revenue contribution from ship repair, ship building and marine engineering.

The Group delivered 3 projects in Q2 2017. COSCO Zhoushan shipyard and COSCO Dalian shipyard delivered 1 bulk carrier each and COSCO Guangdong shipyard delivered 1 emergency, response and rescue vessel.

Turnover from dry bulk shipping and other businesses increased by 4.7% from \$8.3 million in Q2 2016 to \$8.7 million in Q2 2017 as the current short-term rates were higher than the charter rates secured in Q2 2016.

The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started Q2 2017 at 1,282 points and ended the quarter at 901 points. In Q2 2017, the BDI averaged 1,006 points which is a 64.4% increase from the average of Q2 2016 of 612 points. The Baltic Exchange Handysize Index (BHSI) averaged 497 points in Q2 2017, an increase of 49.2% from the average of 333 points in Q2 2016. Currently, the Group's dry bulk shipping fleet comprises 4 Handymax carriers.

Shipyard business remained the biggest revenue contributor, forming 98.3% of Group turnover in Q2 2017. Gross profit increased 80.2% from \$11.5 million in Q2 2016 to \$20.8 million in Q2 2017 due to higher contributions from shipyard and shipping operations.

Other income comprised gain from the disposal of scrap metal, interest income and others. Compared to Q2 2016, other income increased by 21.4% to \$17.9 million in Q2 2017 mainly due to higher interest and rental income.

Administrative expenses decreased by 93.2% to \$0.9 million mainly due to net reversal of impairment of trade and other receivables of \$32.4 million (Q2 2016: \$15.3 million).

Overall, the Group recorded net loss attributable to equity holders of the Company of \$20.8 million in Q2 2017 compared to net loss of \$36.8 million in Q2 2016 due to losses in shipyard and shipping operations.

1H 2017

The Group recorded net loss attributable to equity holders of \$99.7 million on turnover of \$926.6 million in 1H 2017. Group turnover decreased by 37.6% to \$ 926.6 million in 1H 2017 from \$1.5 billion in 1H 2016 owing to decrease in shipyard revenue.

Turnover from shipyard operations decreased by 38.2% to \$908.6 million in 1H 2017 from \$1.5 billion in 1H 2016, mainly owing to lower revenue contribution from ship repair, ship building and marine engineering.

The Group delivered 10 projects in 1H 2017. COSCO Zhoushan shipyard delivered 1 bulk carrier and 1 shuttle tanker; COSCO Guangdong shipyard delivered 1 emergency, response and rescue vessel; COSCO Dalian shipyard delivered 3 bulk carriers, 1 oil tanker, 1 module carriers and 1 salvage lifting vessel and COSCO Nantong shipyard delivered 1 floating, production, storage and offloading (FPSO) vessel.

Turnover from dry bulk shipping and other businesses increased by 28.5 % from \$14.0 million in 1H 2016 to \$17.9 million in 1H 2017.

The BDI started the year 2017 at 953 points and ended 1H 2017 at 901 points. The BDI averaged 975 points for 1H 2017, which was a 100.6% increase from the average of 1H 2016 of 486 points. While there has been some recovery in BDI in 1H 2017 as compared to the same period in 2016, such recovery was made from a very low base and the BDI remains weak at a relatively low level as the world dry bulk shipping market is still seeing excess tonnage and overall weak macroeconomic conditions. Under such difficult market conditions, the Group has scrapped 6 dry bulk carriers by the end of June 2017. Currently, the Group's dry bulk shipping fleet comprises 4 Handymax carriers.

Shipyards business remained the biggest revenue contributor, forming 98.1% of Group turnover in 1H 2017. Gross loss for 1H 2017 was \$37.1 million, compared to gross profit of \$100.8 million in 1H 2016 due to losses from shipyard operations.

Compared to 1H 2016, other income increased by 17.1% to \$33.4 million in 1H 2017 mainly due to higher interest and rental income.

Administrative expenses decreased by 56.3% to \$21.0 million mainly due to net reversal of impairment of trade and other receivables of \$43.5 million (1H 2016: \$16.0 million).

Interest expense increased by 4.5% to \$117.3 million in 1H 2017 due to high bank borrowings used to fund shipyard operations. Overall, the Group recorded net loss attributable to equity holders of the Company of \$99.7 million in 1H 2017 compared to net loss of \$51.2 million in 1H 2016 due to losses in shipyard and shipping operations.

The loss is mainly attributable to unfavourable market conditions: (a) the offshore marine industry remains weak due to low crude oil prices that have prevailed over the past few years and from which recovery remains uncertain; (b) the ship building industry continues to face over-capacity amidst a weak global economy. Under these conditions, the Group's shipyards have had to contend with fewer orders and lower prices; and (c) subdued global economic conditions and excess tonnage in the world dry bulk shipping market have led to shipping rates remaining weak at relatively low levels for the Group's dry bulk fleet.

Balance Sheet

(30 June 2017 vs 31 December 2016)

Cash and cash equivalents decreased from \$1.5 billion to \$1.4 billion mainly due to lower bank borrowings to fund shipyard operations. Please refer to Note 1(c) Cash Flow Statement for more details.

Trade and other receivables decreased \$938.7 million to \$3.7 billion mainly due to lower construction contracts due from customers in the marine engineering segment (from \$3.8 billion to \$2.8 billion).

Trade and other payables remained almost unchanged at \$2.1 billion.

Total borrowings decreased by \$743.1 million to \$6.6 billion due to repayment of bank borrowings.

Capital and reserves attributable to equity holders of the Company decreased by \$104.2 million mainly due to the losses incurred in 1H 2017 and a decrease in currency translation reserve.

Cash Flow

Net cash provided by operating activities for the quarter was \$43.1 million compared to net cash used in operating activities of \$103.5 million.

Net cash provided by investing activities for the quarter was \$11.1 million. This comprised principally the interest received and proceeds from the disposal of assets during the quarter.

Net cash used in financing activities was \$370.6 million. This was mainly due to net repayments of bank borrowings and interest paid during the quarter.

Please refer to Note 1(c) Cash Flow Statement for more details.

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

Not applicable.

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 2017, the Group's gross order book stood at approximately US\$5.8 billion with progressive deliveries up to 2020. These include modules of drillship and FPSO contracts for certain Brazilian customers which amount to approximately US\$951Million.

This order book continues to be subject to revision from any new, cancellation, variation or scheduling of orders that may arise. New orders received in Q2 2017 include 1 FRSU module, and 3 container vessels. These orders were secured at low contract values due to the weak global economy and depressed ship building and offshore markets. The Group expects operating margins on new ship building and offshore contracts to continue to be subject to severe downward pressure as these conditions continue to prevail.

The world dry bulk shipping market is still seeing excess tonnage and overall weak macroeconomic conditions. In Q2 2017 as comparison to same period last year, there has been some recovery, but such recovery was made from a very low base and the BDI remains at a relatively low level. The Baltic Dry Index (BDI) averaged 1006 points in Q2 2017, an increase of 64.38% from the average of 612 points in Q2 2016. Given these prevailing market conditions, any recovery in the dry bulk shipping segment will remain weak. Under such difficult market conditions and considering that the upkeep costs of the Group's dry bulk fleet will continue to increase, the Group has scrapped six dry bulk carriers by the end of June 2017.

As the world shipping market continues to face tonnage over-capacity pressures, the level of new ship building orders continues to remain very low. The ship building segment will thus continue to be highly challenging in 2017.

The Group's offshore marine segment has been adversely affected by the low crude oil prices over the past few years. Even though crude oil prices have improved somewhat from multi-year lows with Brent Crude Oil prices in Q2 2017 averaging US\$50.79 per barrel, an increase of 8% from the average of US\$47.03 for Q2 2016, the market remains highly challenging.

Amidst continuing weakness in the state of the global economy, challenging market conditions and depressed crude oil prices, more 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 has been under prolonged stress could also adversely affect the ability of customers to meet their financial obligations. These will adversely impact the Group's financial position.

Any adverse volatility in currency movements, rise in wages, prices of raw materials required for production as well as higher financing costs may exert even greater downward pressure on the operating margins of the Group's shipyard operations.

Against the backdrop of such difficult conditions, the Group recorded a net loss attributable to equity holders of \$20.8 million for Q2 2017.

Overall, the Group expects these difficult and challenging business and operating conditions to persist and does not exclude the possibility that conditions may even worsen. As such, 2017 will remain challenging for the Group.

On 5 May 2017, the Company entered into a conditional sale and purchase agreement with COSCO Shipping Heavy Industry Co., Ltd. in relation to the proposed disposal by the Company of its (a) 51% equity interest in COSCO Shipyard Group Co., Ltd.; (b) 50% equity interest in COSCO (Nantong) Shipyard Co., Ltd.; and (c) 39.1% equity interest in COSCO (Dalian) Shipyard Co., Ltd.. The Company intends to use the sale proceeds from the proposed disposal to fund future projects, which may include mergers and acquisitions, and for working capital requirements of the Group. In this regard, the Company's management has commenced and is actively reviewing potential investment opportunities and the Company will provide updates as necessary at the appropriate time. In the meantime, the Company will be convening an extraordinary general meeting on 30 August 2017 to seek shareholders' approval for the proposed disposal, and has on 2 August 2017 despatched a circular to shareholders containing information in relation to the same.

On 4 August 2017, the Company announced that it had entered into a non-binding Memorandum of Understanding with COSCO SHIPPING (South East Asia) Pte Ltd in relation to the proposed acquisition of approximately 40% of the issued shares of the issued and paid-up share capital of PT. Ocean Global Shipping (a company incorporated in Indonesia) by the Company (the "Proposed Acquisition"). PT. Ocean Global Shipping's businesses include logistic service, container canvassing and management, ship agency and chartering and bunkering. The purchase consideration for the Proposed Acquisition shall be determined after further negotiations between the parties taking into account, inter alia, the result of a valuation to be conducted by an independent valuer. The Company will make further announcements in the event that the definitive agreement for the Proposed Acquisition is signed, and when there are material developments in respect of the Proposed Acquisition.

11. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No interim dividend has been declared/recommended by the Directors in Q2 2017.

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)	
	Q2 2017 S\$'000	1H 2017 S\$'000	Q2 2017 S\$'000	1H 2017 S\$'000
<u>Between Subsidiaries and:</u>				
Bridge Line Co., Ltd	-	-	169	169
Chimbusco Zhoushan Branch	-	-	1,340	2,975
China Marine Bunker (Dalian) Co., Ltd	-	-	1,781	4,036
China Marine Bunker Guangzhou Co., Ltd	-	-	152	152
China Ocean Shipping (Group) Company	-	-	237	842
China Shipping - Vastwin Engineering & Logistic Co., Ltd.	-	-	686	686
China Shipping Bulk Carrier Co., Ltd	-	353	840	840
China Shipping Industry (Jiangsu) Co., Ltd	-	-	508	508
China Shipping Tanker Company Limited	-	-	1,047	1,047
Cosco (Cayman) Mercury Co., Ltd	-	-	113	113
Cosco (HK) Investment & Development Co., Ltd	-	-	4,198	8,599
Cosco (HK) Shipping Co., Ltd	-	-	3,410	3,763
Cosco Bulk Carrier Co., Ltd	-	-	2,742	3,003
Cosco Bulk Tianjin Forwarding Co., Ltd	-	-	-	229
Cosco Finance Co., Ltd	-	-	210,486	367,738
COSCO Kansai Paint & Chemicals Co., Ltd	-	-	180	288
Cosco Logistic (GZ) Heavy Transportation	-	-	-	254
Cosco Logistics (Shanghai) Heavy Haulage Co., Ltd	-	-	-	3,277
Cosco Petroleum Pte Ltd	-	-	364	1,517
Cosco Shipping Bulk Co., Ltd	-	-	-	286
Cosco Shipping Development Co., Ltd	-	751	1,049	1,049
Cosco Shipping Ferry Co., Ltd	-	-	119	119
Cosco Shipping Lines Co., Ltd	-	-	2,144	6,976
Cosco Shipping Logistics Dalian Co., Ltd.	-	-	343	343
Cosco Shipping Specialized Carriers Co., Ltd	-	-	4,514	8,289
Cosco Shipping Tanker (Dalian) Co., Ltd	-	702	449	449
Cosco Shipping Tanker (Shanghai) Co., Ltd	-	104	-	-
Cosco Shipping Asphalt (Hainan) Co., Ltd (formerly known as "Cosco Southern Asphalt Shipping Co., Ltd")	-	-	-	226
Nantong Chimbusco Marine Bunker Co., Ltd	-	-	1,213	1,551
Nantong Cosco Heavy Industry Co., Ltd	-	-	910	1,832
Qingdao Manning Co-operation Ltd	-	-	537	1,239
Qingdao Ocean Shipping Company	-	-	422	422
Refined Success Limited	-	-	-	128
SDIC Shipping Development Co., Ltd	-	-	262	262
Shanghai Ocean Crew Co., Ltd	-	-	436	1,605
Total	-	1,910	240,651	424,812

	As at 30/06/2017	As at 31/12/2016
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	66,464	323,576
- Short-term bank deposits	812	1,248
	67,276	324,824
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	316,346	294,729

14. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all its directors and executive offices in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Mr Gu Jing Song
Vice Chairman and President
4/8/2017

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 2017 financial results to be false or misleading.

On behalf of the directors

Mr Gu Jing Song
Vice Chairman and President

Mr Tom Yee Lat Shing
Director

4/8/2017