ANNUAL REPORT 2016

COSCO CORPORATION (SINGAPORE) LIMITED

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CORPORATE PROFILE

A MARINE GROUP SPECIALISING IN SHIP REPAIR, SHIP BUILDING AND MARINE ENGINEERING

COSCO Corporation (Singapore) Limited, operates one of the largest ship repair, ship building, marine engineering and dry bulk shipping outfits in China and Singapore. It is the SGX Mainboard-listed subsidiary of China COSCO Shipping Corporation Limited ("China COSCO Shipping Group"), China's largest shipping group and one of the top shipping conglomerates in the world.

Through our 51% stake in COSCO Shipyard Group, one of the largest shipyard groups in China with yards strategically located along China's coastline, we offer turnkey services in ship repair, ship building and marine engineering. Our portfolio includes deep-water oil rigs, FPSO (Floating Production Storage and Offloading) units, installation vessels, barges and platform vessels.

Our yards cater to a worldwide clientele, delivering new builds of varying types and sizes including bulk carriers, oil tankers, special purpose carriers and Liquefied Natural Gas (LNG) carriers.

We aim to provide cost-effective solutions that meet the current and future needs of the marine industry. Since 2009, we have been part of the FTSE ST China Index and the FTSE ST China Top Index.

CORPORATE STRUCTURE

Ship Repair, Ship Building and Marine Engineering

- 90% COSCO Marine Engineering (Singapore) Pte Ltd
  - 100% COSCO Engineering Pte Ltd
- 50% COSCO (Nantong) Shipyard Co., Ltd
- 39% COSCO (Dalian) Shipyard Co., Ltd
- 51% COSCO Shipyard Group Co., Ltd
  - 100% COSCO (Zhoushan) Shipyard Co., Ltd
  - 95% COSCO (Shanghai) Shipyard Co., Ltd
  - 75% COSCO (Guangdong) Shipyard Co., Ltd
  - 60% COSCO (Qidong) Offshore Co., Ltd
  - 59% COSCO (Dalian) Shipyard Co., Ltd
    - 100% Dalian Developer Drilling Co., Ltd
  - 50% COSCO (Nantong) Shipyard Co., Ltd
  - 100% COSCO (Hongkong) Shipyard Co., Ltd
  - 60% COSCO (Nantong) Clavon Ship Engineering Co., Ltd
  - 86.5% COSCO Shipyard Engineering Service (Dalian) Co., Ltd
    - 40% Tru-Marine COSCO (Tianjin) Engineering Co., Ltd
  - 51% Zhongxing Sea-Land Engineering Co., Ltd
  - 100% COSCO Shipyard Total Automation Co., Ltd
  - 30% Diesel Marine Dalian Ltd
  - 30% Diesel Marine International (Nantong) Co., Ltd
  - 30% DMI (Guangzhou) Ltd

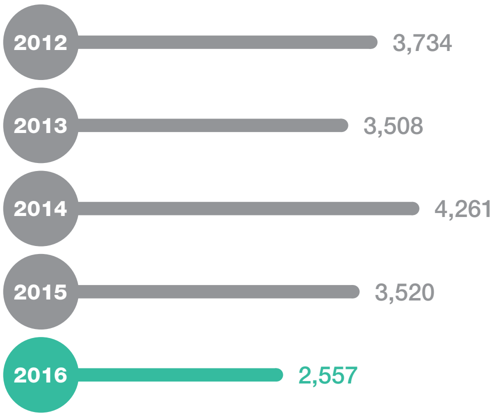
CORPORATE STRUCTURE

Dry Bulk Shipping and Others

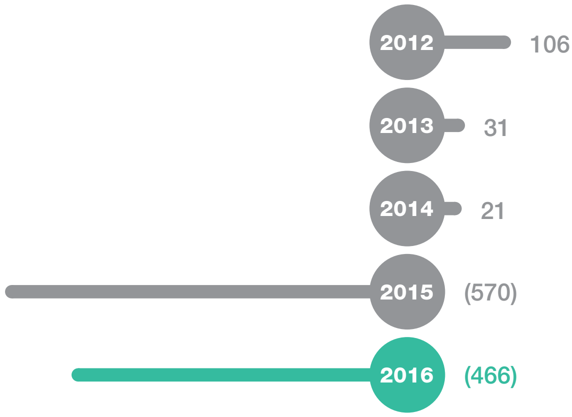
- 100% COSCO (Singapore) Pte Ltd
  - 100% Cos Fair Shipping Pte Ltd
  - 100% Cos Glory Shipping Inc.
  - 100% Hanbo Shipping Limited
  - 100% Sanbo Shipping Limited
  - 100% Cos Knight Shipping Maritime Inc.
  - 100% Cos Lucky Shipping Maritime Inc.
  - 100% Cos Orchid Shipping Pte Ltd
  - 100% Cos Prosperity Shipping Pte Ltd
- 100% Harington Property Pte Ltd

FINANCIAL HIGHLIGHTS

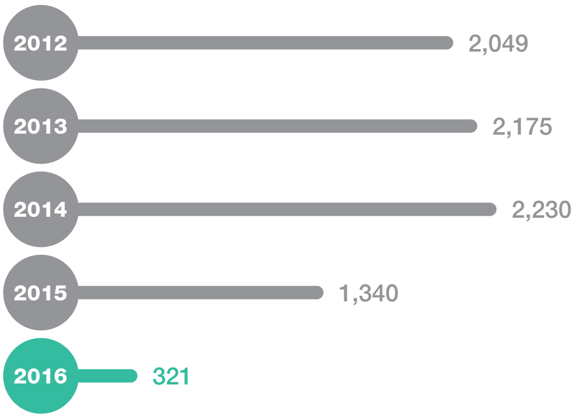
TURNOVER (S$'M)



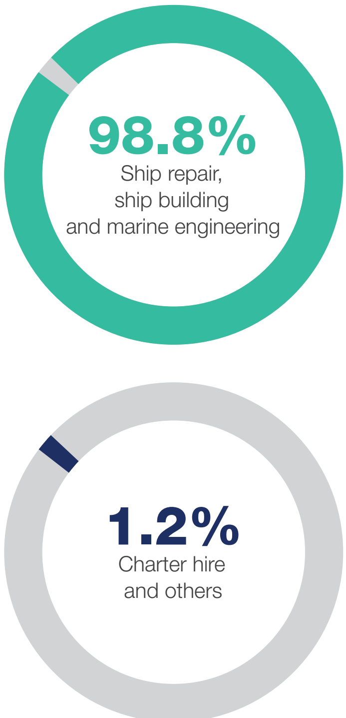
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS (S$'M)



NET ASSETS (S$'M)



REVENUE BY ACTIVITIES (%)



FINANCIAL HIGHLIGHTS

5-YEAR PROFIT AND LOSS ACCOUNTS (S$'M)	2012	2013	2014	2015	2016
Turnover	3,734	3,508	4,261	3,520	2,557
Profit/(Loss) Before Income Tax	230	61	17	(901)	(878)
Income Tax Expense/(Credit)	60	8	(9)	14	98
Net Profit/(Loss)	170	53	26	(915)	(976)
Non-Controlling Interests	64	22	5	(345)	(510)
Net Profit/(Loss) Attributable to Equity Holders of the Company	106	31	21	(570)	(466)

OTHER KEY STATISTICS	2012	2013	2014	2015	2016
Number of Shares (m)	2,239.2	2,239.2	2,239.2	2,239.2	2,239.2
Diluted Earnings per Share (cents)	4.7	1.4	0.9	(25.5)	(20.8)
Dividend per Share (cents)	2.0	1.0	0.5	Nil	Nil
Dividend Cover (times)	2.4	1.4	1.9	NA	NA
Net Tangible Assets per Share (cents)	56.8	59.2	60.7	36.3	14.6
Net Asset Value per Share (cents)	57.2	59.7	61.1	36.7	15.0
Gearing Ratio (net of cash)(times)	1.0	1.3	2.5	6.0	17.2
Return on Equity (%)	8.2	2.3	1.5	(52.1)	(80.6)
Return on Assets (%)	1.5	0.4	0.2	(5.6)	(4.6)

SIGNIFICANT DEVELOPMENTS

Deliveries in 2016

BigRoll Barentsz
Module carrier

M.V. Yu Peng
30k cargo and training ship

M.V. De Bo 2
Salvage lifting vessel

SIGNIFICANT DEVELOPMENTS

M.V. Front Lynx
111,000 DWT oil tanker

Vivekanand 2
Jack-up rig

Safe Notos
Semi-submersible accommodation vessel

SIGNIFICANT DEVELOPMENTS

Current Projects

N698 Mariner Sentinel
Emergency response & rescue vessel

Western Isles
FPSO

N603 Anita Devi
Platform supply vessel

SIGNIFICANT DEVELOPMENTS

Vos Patience
Platform supply vessel

N503 An Xun 2
Semi-submersible accommodation vessel

Sevan Developer
Sevan 650 drilling unit

Safe Euros
Advanced semi-submersible accommodation vessel

OUR MAJOR SHIPYARDS

Shipyard	Capabilities	Dry dock (DWT)	Floating dock (DWT)
● Dalian	Marine Engineering/Shipbuilding/Repair	80,000	80,000 180,000 300,000
● Qidong	Marine Engineering	200,000	–
● Nantong	Marine Engineering/Repair	–	150,000 80,000
● Shanghai	Marine Engineering/Repair	–	35,000 80,000
● Zhoushan	Marine Engineering/Shipbuilding/Repair	80,000 400,000 230,000	–
● Guangdong	Marine Engineering/Shipbuilding/Repair	–	80,000 150,000
Total		**990,000**	**1,135,000**

MAJOR DELIVERIES IN 2016

Name of Vessel	Type of Vessel	Delivered In
COSCO Dalian Shipyard		
M.V. De Bo 2	Salvage lifting vessel	March 2016
BigRoll Barentsz	Module carrier	April 2016
BigRoll Bering	Module carrier	June 2016
M.V. Portland Sentinel	Emergency response & rescue vessel	July 2016
Vivekanand 1	Jack-up rig	August 2016
Vivekanand 2	Jack-up rig	August 2016
BigRoll Baffin	Module carrier	November 2016
M.V. Yu Peng	30k cargo and training ship	December 2016
COSCO Zhoushan Shipyard		
M.V. Front Ocelot	111,000 DWT tanker	January 2016
M.V. Front Lynx	111,000 DWT oil tanker	March 2016
M.V. Front Leopard	111,000 DWT oil tanker	May 2016
M.V. Front Jaguar	111,000 DWT oil tanker	June 2016
COSCO Guangdong Shipyard		
M.V. Vos Partner	Platform supply vessel	January 2016
M.V. Gloucester Express	Livestock carrier	January 2016
M.V. Greyman Express	Livestock carrier	April 2016
M.V. Gudali Express	Livestock carrier	July 2016
M.V. Vos Passion	Platform supply vessel	August 2016
COSCO Qidong Shipyard		
Safe Notos	Semi-submersible accommodation vessel	February 2016


GLOUCESTER EXPRESS

As one of the integrated marine groups, we strive to achieve stable progress and value, while remaining agile and responsive to the needs of the marine industry.

MESSAGE FROM CHAIRMAN

Wang Yu Hang
Chairman

"The offshore and marine (O&M) industry encountered very daunting market conditions. Since the sharp decline of oil prices in 2014, the shrinkage of investment from the oil and gas sector has gradually taken away the wind from under the O&M construction market."

Dear Shareholders

The year ended 31 December 2016 was a very difficult one for the Group. The offshore and marine (O&M) industry encountered very daunting market conditions. Since the sharp decline of oil prices in 2014, the shrinkage of investment from the oil and gas sector has gradually taken away the wind from under the O&M construction market. This has been further aggravated by very weak growth in global trade.

Harsh market conditions have greatly impacted the Group's results for the year. Group's revenue totalled $2.6 billion, a decline of 27.3% from $3.5 billion in 2015 due to lower revenue contribution from all business segments.

Overall, the Group's net loss attributable to equity holders of the Company is $466.5 million in 2016, 18.2% lower from the net loss of $570.0 million in 2015.

OIL PRICE VOLATILITY CLOUDS OFFSHORE & MARINE BUSINESS

Both shipyard and shipping revenues continued to decline in 2016. Turnover from shipyard operations, which accounted for 98.8% of the Group's total, fell by 27.4% to $2.5 billion, from $3.5 billion in 2015, due mainly to lower contribution from shipbuilding, ship repair and marine engineering. The Group's shipyards also had to contend with fewer orders and lower contract prices in the face of the depressed market.

During the year, the Group delivered 18 projects. COSCO Zhoushan shipyard delivered four oil tankers; COSCO Guangdong shipyard delivered three livestock carriers and two platform supply vessels; COSCO Dalian shipyard delivered three module carriers, two jack-up rigs, one emergency response & rescue vessel, one salvage lifting vessel and one cargo and training ship; and COSCO Qidong shipyard delivered one semi-submersible accommodation vessel.

MESSAGE FROM CHAIRMAN

The dry bulk shipping segment saw revenue declining further to $30.5 million from $39.4 million for the previous year, as over-capacity continued to build up in the face of shrinking demand and lower rates. Because of the continued difficult market conditions and the high cost of maintaining the Group's dry bulk fleet, the Group has scrapped two of its dry bulk carriers in October 2016 and February 2017, and may consider scrapping more dry bulk carriers in 2017.

NEW ORDERS SEVERELY IMPACTED BY DEARTH OF FRESH CAPEX

Although the price of Brent crude oil had risen to the US$50 per barrel mark by the end of 2016, orders were few and far between as oil exploration and production companies continued to withhold spending in the face of economic uncertainties and oil price volatility.

In spite of the weak market conditions, the Group won a total of 11 new contracts in 2016. They include one trailing suction hopper dredger, one self-elevating workover unit, two crude oil tankers and seven container vessels.

The new projects were secured at lower prices and the Group expects operating margins from new shipbuilding, offshore and marine engineering projects to face continuous downward pressures. The Group also expects higher costs to be incurred for new product types.

As at 31 December 2016, the Group's gross order book stood at approximately US$6.4 billion with progressive deliveries up to 2019, subject to revision from any new cancellation, variation or scheduling of orders that may arise. The order book includes modules of drillship, Sevan 650 drilling unit, semi-submersible tender assist drilling rig, jack-up rig, platform supply vessel and FPSO contracts, and several offshore marine engineering projects which have been substantially completed in construction but are yet to be delivered due to customers' request for extension.

ECONOMIC AND MARKET UNCERTAINTIES WILL LIMIT RECOVERY

According to the International Monetary Fund (IMF), global economic growth in 2016 was the weakest since the 2008 financial crisis. However, 2017 is expected to see growth in the US continuing to be strong, and gradual recovery in the Eurozone. Emerging markets and developing economies showed signs of strength and have been slated to drive growth in 2017.

IMF's update on its World Economic Outlook report released in January 2017 estimated global economic growth in 2016 to be 3.1%, in line with its October forecast. Global growth is projected at 3.4% for 2017 and 3.6 % for 2018, also unchanged from its October estimates.

For the energy industry, 2016 was a tumultuous year with great uncertainties over which direction oil prices were going. On 20 January 2016, Brent crude oil traded at US$27.10 per barrel, the lowest in the past 12 years. Prices began to climb above the US$50 per barrel mark only from mid-October 2016 after OPEC and other oil producing countries came to a preliminary agreement to cut their output.

Given the low oil prices during most parts of the year, conditions were highly unfavourable for the O&M market. Major oil and exploration companies continued to tighten spending, cancelled orders or deferred deliveries. Many major O&M players around the world have been facing hardship and taking drastic measures to stay afloat.

In January 2017, the International Energy Agency (IEA) was quoted as saying that oil prices, which had reached around US$56 per barrel, will experience "much more volatility" in 2017.

In addition, the IEA cautioned that although the agreement between OPEC and other oil producing countries to cut oil output would shore up prices, it would also encourage increased production from the United States and other nations. It said that higher prices could also weaken global demand.

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

Gu Jing Song
Vice Chairman and President

"Continued anemic global economic growth and slow trade, combined with oil price volatility, made 2016 a very difficult year for the Group."

1. How would you describe market conditions in 2016?

The uncertainties surrounding oil price recovery continued to haunt the offshore and marine (O&M) market in 2016. Oil price had stayed below the US$50 per barrel mark until OPEC and other oil producing countries got together in November 2016 and decided to cut output. However, there was too much over-capacity with too few orders for the O&M sector. The market slowdown in the past 2 to 3 years has led to over-capacity in major rig building establishments.

In the dry bulk shipping and ship building sectors, conditions remained highly challenging. The oversupply of vessels and stagnant trade growth continued to depress both markets. While China had expanded its dry bulk imports, shipments of iron ore and coal into Asian and European countries slipped.

Continued anemic global economic growth and slow trade, combined with oil price volatility, made 2016 a very difficult year for the Group.

INTERVIEW WITH VICE CHAIRMAN AND PRESIDENT

2. What affected COSCO Corporation's performance the most?

The continued drag on oil price had forced offshore oil producers to make bigger cuts or to suspend their capital expenditure in the face of the unceasing market unpredictability.

As we had reported earlier, in 2015 and 2016 the Group experienced delivery extensions and order cancellations for several of its projects.

Another factor affecting our performance is inflationary pressures on our efforts to control cost and maximise yield from our projects. Material costs and other expenses have been rising rapidly these past years, while our projects have been secured at lower prices in a highly competitive market.

We delivered 18 projects in 2016 compared to 21 for 2015. Among those delivered were two Super 116E jack-up drilling rigs, three BigRoll Series MC–class module carriers and four oil tankers.

The Group's gross order book, which stood at approximately US$6.4 billion at 31 December 2016, also includes several offshore and marine engineering projects which have been substantially completed in construction but are yet to be delivered due to customers' requests for extension.

3. What are the efforts made by COSCO to address the challenging market conditions?

The Group has over the years been focusing its effort across the shipyard value chain to increase productivity and production execution efficiency to maximise yield from every project. We target skills development for our workers, production process improvements, wastage reduction and cost saving measures, as well as stringent quality control.

We will continue to pursue fervently our "Customer-centric, Service-oriented" approach to doing business to build relationships and promote our shipyard capability, including applying our expertise for constructing other marine products.

In addition, we also have continued to develop our in-house research and development (R&D) capability to support customers' product design needs.

These efforts are aimed at ensuring that our shipyard group will have the capability to build valued products and meet increasingly more stringent standards and more sophisticated product needs from our customers in the years ahead.

"Our teams at COSCO will continue to work harder and more productively to overcome the pressing challenges of the weak and uncertain market."


BIGROLL BAFFIN
BIGROLL

With a strong track record of delivering diverse offshore marine projects to different clients, we will continue to capitalise on opportunities to attain long-term growth. Our technical capabilities has allowed us to provide an extensive portfolio of engineering solutions, including heavy lift vessels, shuttle tankers, oil rigs, platform supply vessels, drilling tender barges and bulk carriers.

As we navigate through the challenging conditions of an ever-evolving marine industry, COSCO will continue to strengthen its expertise and further enhance operations. This involves stepping up our efforts in increasing productivity, developing efficiencies in ship building and engineering, and delivering value-added services and solutions. We look forward to keeping our momentum going in the years ahead through sound management and efficient execution.

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