



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

**Unaudited Full Year Financial Statement And Dividend Announcement for the Financial Year Ended 31 December 2008**

**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) Income Statement

	<b>Group</b>		
	S\$'000		%
	2008	2007	Change
Turnover	3,476,009	2,261,700	54
Cost of sales	(2,845,875)	(1,651,507)	72
Gross profit	630,134	610,193	3
Other gains - net			
- Miscellaneous [1]	207,942	111,204	87
Expenses			
- Distribution	(61,642)	(64,713)	(5)
- Administrative	(316,855)	(147,704)	115
- Finance (Interest)	(8,834)	(11,444)	(23)
Share of profit of associated companies [2]	643	537	20
Profit before income tax [3]	451,388	498,073	(9)
Income tax expense [4]	(31,620)	(19,512)	62
Net profit	419,768	478,561	(12)
<b>Attributable to:</b>			
<b>Equity holders of the Company</b>	<b>302,588</b>	<b>336,568</b>	<b>(10)</b>
Minority interests	117,180	141,993	(17)
Net profit	419,768	478,561	(12)
<b>Earnings per share for profit attributable to the equity holders of the Company</b> (expressed in cents per share)			
- basic	13.51	15.09	(10)
- diluted	13.50	15.02	(10)

## (ii) Breakdown and Explanatory Notes to Income Statement

NM denotes not meaningful.

[1] Other net miscellaneous gains comprise the following:

	<b>2008</b>	<b>2007</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Sale of scrap materials	122,267	66,018	85
Gain on dilution of interest in a subsidiary	-	1,613	NM
Gain on disposal of financial assets, available for sale	-	7	NM
Net gain/(loss) on disposal of property, plant and equipment	1,638	(2,347)	NM
Dividend income	1,171	586	100
Interest income from deposits	34,355	14,030	145
Currency exchange gain - net	26,678	18,060	48
Net fair value gain/(loss) on forward currency contracts	1,526	(483)	NM
(Impairment)/Reversal of impairment in value of transferable club memberships	(4)	62	NM
Reversal of impairment in value of trading property	-	177	NM
Sundry income	20,311	13,481	51
	<u>207,942</u>	<u>111,204</u>	87

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

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

	<b>2008</b>	<b>2007</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Interest on borrowings	(8,834)	(11,444)	(23)
Depreciation	(120,767)	(80,585)	50
(Allowance for)/Reversal of impairment of trade and other receivables	(61,283)	95	NM
Write-off for inventory obsolescence and inventory write-down	(20,907)	(173)	NM
Property, plant and equipment written off	(2,257)	(135)	NM
Expected losses recognised on construction contracts	(89,048)	-	NM

[4] Adjustment for over provision of tax in respect of prior years:

	<b>2008</b>	<b>2007</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Income tax	17,835	11,631	53
Deferred tax	18,251	11,086	65

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.**

	<b>Group</b>		<b>Company</b>	
	31/12/2008 S\$'000	31/12/2007 S\$'000	31/12/2008 S\$'000	31/12/2007 S\$'000
<b>Current assets</b>				
Cash and cash equivalents	1,880,316	1,082,794	130,823	108,604
Forward currency contracts	10,063	33,523	-	-
Trade and other receivables	1,570,108	821,112	80,596	553
Inventories	945,601	443,328	-	-
Construction contract work-in-progress	170,143	43,132	-	-
Trading property	-	977	-	-
Other current assets	19,792	6,963	175	180
	<b>4,596,023</b>	<b>2,431,829</b>	<b>211,594</b>	<b>109,337</b>
<b>Non-current assets</b>				
Forward currency contracts	1,441	8,778	-	-
Trade and other receivables	-	-	65,594	65,868
Financial assets, available for sale	3,630	3,067	-	-
Club memberships	473	479	236	236
Investments in associated companies	2,577	1,794	-	-
Investments in subsidiaries	-	-	289,968	284,399
Investment properties	12,217	11,472	-	-
Property, plant and equipment	2,081,950	1,478,453	896	932
Intangible assets	9,546	9,302	-	-
Deferred income tax assets	91,417	21,996	-	-
	<b>2,203,251</b>	<b>1,535,341</b>	<b>356,694</b>	<b>351,435</b>
<b>Total assets</b>	<b>6,799,274</b>	<b>3,967,170</b>	<b>568,288</b>	<b>460,772</b>
<b>Current liabilities</b>				
Forward currency contracts	3,506	-	-	-
Trade and other payables	4,441,900	2,416,393	14,871	7,021
Current income tax liabilities	61,348	24,040	4,885	969
Borrowings	45,278	111,528	-	-
Provision for other liabilities	20,156	5,064	-	-
	<b>4,572,188</b>	<b>2,557,025</b>	<b>19,756</b>	<b>7,990</b>
<b>Non-current liabilities</b>				
Forward currency contracts	6,375	42,264	-	-
Borrowings	611,364	64,910	-	-
Provision for other liabilities	-	65	-	65
Deferred income tax liabilities	180	152	-	-
	<b>617,919</b>	<b>107,391</b>	<b>-</b>	<b>65</b>
<b>Total liabilities</b>	<b>5,190,107</b>	<b>2,664,416</b>	<b>19,756</b>	<b>8,055</b>
<b>Net assets</b>	<b>1,609,167</b>	<b>1,302,754</b>	<b>548,532</b>	<b>452,717</b>

<b>Shareholders' equity</b>				
Share capital	270,608	266,852	270,608	266,852
Statutory and other reserves	167,904	82,806	41,865	24,554
Retained earnings	705,692	590,249	236,059	161,311
<b>Total shareholders' equity</b>	<b>1,144,204</b>	<b>939,907</b>	<b>548,532</b>	<b>452,717</b>
Minority interests	464,963	362,847	-	-
	<b>1,609,167</b>	<b>1,302,754</b>	<b>548,532</b>	<b>452,717</b>

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

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

As at 31/12/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
25,085,000	20,193,000	19,748,000	91,780,000

**Amount repayable after one year**

As at 31/12/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
25,218,000	586,146,000	64,910,000	-

**Details of any collateral**

The collaterals for secured borrowings include the Group's cash, leasehold land and buildings, motor vessels and motor vehicles with net book value totalling \$125,344,000 (2007: \$163,768,000 include investment properties).

**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	
	2008 S\$'000	2007 S\$'000
<u>Cash flow from operating activities</u>		
Net profit	419,768	478,561
Adjustments for:		
Income tax expense	31,620	19,512
Depreciation of property, plant and equipment and investment properties	120,767	80,585
Allowance for/(Reversal of) impairment of trade and other receivables	61,283	(95)
Write-off for inventory obsolescence and inventory write-down	20,907	173
Expected losses recognised on construction contracts	89,048	-
Impairment/(Reversal of impairment) in value of transferable	4	(62)

country club memberships		
Net fair value (gain)/loss on forward currency contracts	(1,526)	483
Property, plant and equipment written off	2,257	135
Gain on dilution of interest in a subsidiary	-	(1,613)
Gain on disposal of financial assets, available for sale	-	(7)
Employees share option expense	17,311	12,623
Net (gain)/loss on disposal of property, plant and equipment	(1,638)	2,347
Share of profit from associated companies	(643)	(537)
Dividend income	(1,171)	(586)
Interest expense (financing)	8,834	11,444
Interest income (investing)	(34,355)	(14,030)
	732,466	588,933
Changes in working capital:		
Inventories and construction contract work-in-progress	(650,191)	(285,076)
Trade and other receivables	(791,547)	(556,499)
Trade and other payables	1,898,403	1,885,617
Trading property	977	(177)
Other current assets	(12,829)	(4,004)
Provision for other liabilities	15,027	(4,751)
Exchange differences	(58,414)	3,598
Cash generated from operations	1,133,892	1,627,641
Income tax paid	(59,929)	(29,475)
<b>Net cash from operating activities</b>	<b>1,073,963</b>	<b>1,598,166</b>
<u>Cash flows from investing activities</u>		
Proceeds from liquidation of an associated company	-	423
Purchase of property, plant and equipment	(664,583)	(471,330)
Proceeds from disposal of property, plant and equipment	14,694	9,350
Purchase of transferable club memberships	-	(11)
Purchase of investment properties	(1,063)	-
Purchase of financial assets, available for sale	-	(975)
Proceeds from disposal of financial assets, available for sale	-	127
Dividend received	1,171	983
Interest received	15,650	13,934
<b>Net cash used in investing activities</b>	<b>(634,131)</b>	<b>(447,499)</b>
<u>Cash flows from financing activities</u>		
Proceeds from issuance of ordinary shares	3,756	26,905
Proceeds from borrowings	609,514	1,800
Repayment of borrowings	(129,081)	(231,788)
Repayment of finance lease liabilities	(22)	(31)
Minority shareholders' contribution for the equity interest in a newly incorporated subsidiary	14,206	-
(Increase)/Decrease in cash collateral	(10,275)	99
Interest paid	(8,534)	(12,648)
Dividends paid to shareholders of the Company	(156,738)	(89,348)
Dividends paid to minority shareholders of subsidiaries	(21,492)	(29,307)
<b>Net cash from/(used in) financing activities</b>	<b>301,334</b>	<b>(334,318)</b>
<b>Net increase in cash and cash equivalents held</b>	<b>741,166</b>	<b>816,349</b>
Cash and cash equivalents at the beginning of the financial year	1,078,586	273,561
Effects of currency translation on cash and cash equivalents	46,081	(11,324)
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,865,833</b>	<b>1,078,586</b>
<b>Cash and cash equivalents represented by:</b>		

Cash at bank and on hand	597,746	651,358
Short-term bank deposits	1,282,570	431,436
Less: Cash collaterals	(14,483)	(4,208)
	1,865,833	1,078,586

**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	Minority Interests S\$'000	Total S\$'000
<b>The Group</b>					
<b>Balance at</b>					
<b>1 January 2008</b>	266,852	82,806	590,249	362,847	1,302,754
Fair value changes for financial assets, available for sale	-	134	-	129	263
Currency translation differences	-	37,246	-	28,129	65,375
Net profit recognised directly in equity	-	37,380	-	28,258	65,638
Net profit	-	-	302,588	117,180	419,768
<b>Total recognised gains</b>	-	37,380	302,588	145,438	485,406
Employee share option scheme:					
- value of employee services	-	17,311	-	-	17,311
- proceeds from shares issued	3,756	-	-	-	3,756
Minority shareholder's interests in a newly incorporated subsidiary	-	-	-	14,206	14,206
Increase in minority interests of a subsidiary	-	-	-	186	186
Dividend declared by subsidiaries to minority shareholders of subsidiaries	-	-	-	(57,714)	(57,714)
Dividend for 2007	-	-	(156,738)	-	(156,738)
Transfer from asset revaluation reserve to retained earnings	-	(3,218)	3,218	-	-
Transfer from retained earnings to statutory reserves	-	33,625	(33,625)	-	-

<b>At 31 December 2008</b>	270,608	167,904	705,692	464,963	1,609,167
	Share Capital S\$'000	Statutory and other reserves S\$'000	Retained Earnings S\$'000	Minority Interests S\$'000	Total S\$'000
<b>The Group Balance at 1 January 2007</b>	239,947	70,855	359,256	249,889	919,947
Currency translation differences	-	(16,899)	-	17	(16,882)
Net loss recognised directly in equity	-	(16,899)	-	17	(16,882)
Net profit	-	-	336,568	141,993	478,561
<b>Total recognised (loss)/gains</b>	-	(16,899)	336,568	142,010	461,679
Employee share option scheme:					
- value of employee services	-	12,623	-	-	12,623
- proceeds from shares issued	26,905	-	-	-	26,905
Minority interests share of increase in registered capital of a subsidiary	-	-	-	27,036	27,036
Increase in minority interests of a subsidiary	-	-	-	2,527	2,527
Dividend declared by subsidiaries to minority shareholders of subsidiaries	-	-	-	(58,615)	(58,615)
Dividend for 2006	-	-	(89,348)	-	(89,348)
Reserves realised on dilution of interest in a subsidiary	-	(383)	383	-	-
Transfer from retained earnings to translation reserves	-	440	(440)	-	-
Transfer from asset revaluation reserve to retained earnings	-	(3,217)	3,217	-	-
Transfer from retained earnings to statutory reserves	-	19,387	(19,387)	-	-
<b>At 31 December 2007</b>	266,852	82,806	590,249	362,847	1,302,754

<b>The Company</b>					
<b>At 1 January 2008</b>	266,852	24,554	161,311	-	452,717
Net profit	-	-	231,486	-	231,486
Employee share option scheme:					
- value of employee services	-	17,311	-	-	17,311
- proceeds from shares issued	3,756	-	-	-	3,756
Dividend for 2007	-	-	(156,738)	-	(156,738)
<b>At 31 December 2008</b>	<b>270,608</b>	<b>41,865</b>	<b>236,059</b>	<b>-</b>	<b>548,532</b>
<b>At 1 January 2007</b>					
Net profit	239,947	11,931	104,786	-	356,664
Employee share option scheme:					
- value of employee services	-	12,623	-	-	12,623
- proceeds from shares issued	26,905	-	-	-	26,905
Dividend for 2006	-	-	(89,348)	-	(89,348)
<b>At 31 December 2007</b>	<b>266,852</b>	<b>24,554</b>	<b>161,311</b>	<b>-</b>	<b>452,717</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.**

During FY2008, the issued and paid-up capital of the Company was increased from \$266,852,482 to \$270,608,382. This was due to the allotment and issue of:

-130,000 ordinary shares at \$1.23 each from the exercise of option granted in 2006 under the Cosco Group Employees' Share Option Scheme 2002 ("Scheme"); and  
-1,450,000 ordinary shares at \$2.48 each from the exercise of option granted in 2007 under the Scheme.

On 24 March 2008, share options totalling 21,300,000 were granted to eligible employees and directors of the Group at the exercise price of \$2.95 per share pursuant to the Scheme.

During FY2008, 2,760,000 share options were lapsed. The outstanding share options under Cosco Group Employees' Share Option Scheme as at 31 December 2008 was 37,300,000 (2007: 20,340,000).

**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 31 December 2008, share capital of the Company comprised 2,239,244,954 ordinary shares (2007: 2,237,664,954).

**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.**

The Group has adopted the same accounting policies and method of computation in the financial statement for the current financial year as compared with the audited financial statements for the financial year ended 31 December 2007.

**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.**

Not applicable

**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	
	2008	2007
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	13.51	15.09
Weighted average number of ordinary shares('000)	2,238,951	2,231,022
(ii) On a fully diluted basis (cents per share)	13.50	15.02
Adjusted weighted average number of ordinary shares	2,241,830	2,240,393

**NOTES:**

The earnings per ordinary share is calculated by dividing the consolidated profit attributable to the equity holders of the Company over the weighted average number of ordinary shares in issue during the financial year.

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.

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	
	31/12/2008	31/12/2007	31/12/2008	31/12/2007
Net asset value per ordinary share (Cents)	51.10	42.00	24.50	20.23

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 2,239,244,954 (2007: 2,237,664,954)

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

Group turnover increased by 54% in FY 2008 to \$3.5 billion while net profit attributable to equity holders of the Company declined by 10% to \$302.6 million. The increase in turnover was driven by revenue expansion across all business segments, led by the ship repair, ship building and marine engineering, and dry bulk shipping businesses. Lower net profit attributable to equity holders of the Company was mainly due to the impact of allowance for impairment of trade and other receivables and the higher costs incurred in shipbuilding and offshore marine engineering projects.

### Turnover

Group turnover increase of 54% in FY 2008 was well supported by growth across all key business segments.

The Group's biggest business segment of ship repair, ship building and marine engineering operations grew by 57% to \$3.2 billion underpinned by strong ship conversion and shipbuilding, and offshore marine engineering project order book.

The Group successfully delivered its first offshore marine project, specifically a Floating, Storage and Offloading (FSO) vessel from its Zhoushan shipyard to a Japanese customer on schedule on 17 July 2008. COSCO Zhoushan also completed the construction of the Group's first 57,000 dwt bulk carrier in December 2008.

Dry bulk shipping turnover grew by 24% to \$257.4 million in FY2008 due to higher charter rates locked in on a one-plus-one year basis on charter renewal in the first half of 2008. The Baltic Dry Index, which

is a measure of shipping costs for commodities, reached an all-time high of 11,793 points in May 2008 before plunging steeply to a 22-year low of 663 points in December 2008.

Ship repair, ship building & marine engineering business represented the bulk of the Group turnover with 92% contribution in 2008 while dry bulk shipping constituted 7% and shipping agency and others accounted for the remaining 1% of Group turnover.

### **Profitability**

Gross profit increased by 3% from \$610.2 million in FY 2007 to \$630.1 million in FY 2008 lifted by a 54% increase in turnover which more than offset the higher operational costs in shipbuilding and offshore marine engineering business.

The higher operational costs which include expected losses of \$89.0 million recognised on construction contracts was mainly due to:

- (i) the substantial increase in steel prices from the time of contracting the projects and the time that the orders for the steel required for the construction of these vessels were placed;
- (ii) higher ancillary out-sourcing and sub-contracting costs;
- (iii) tighter pre-delivery inspection procedures imposed by ship owners facing current unfavorable market conditions; and
- (iv) additional operational and development costs incurred due to the unwillingness of some residents to vacate their properties originally planned for acquisitions by the Group for shipbuilding purposes.

Other miscellaneous gains increased by 87% from \$111.2 million in FY 2007 to \$207.9 million in FY 2008 due mainly to higher income from sale of scrap materials, higher interest income from the higher bank deposits and foreign exchange gain.

Distribution and administrative costs rose in line with the expanding business volume as well as allowance for impairment of trade and other receivables of \$61.3 million. These provisions are made in light of the adverse global economic climate, the deteriorating market conditions facing the shipping industry in the fourth quarter of 2008, and requests for payment delays by several ship owners.

Interest expense decreased as the bank interest rates were generally lower and there were lower borrowings during the year. The bulk of the drawn down in borrowings was made towards the end of 2008.

Higher income tax expense is due to higher tax rates in the PRC subsidiaries in FY 2008 as compared to FY 2007.

Minority interests increased due to higher contributions from the Company's PRC subsidiaries involved in ship repair, shipbuilding and marine engineering operations.

Overall, net profit attributable to equity holders of the Company ended the year at \$302.6 million which is a decrease of 10% from the \$336.6 million in FY 2007.

The return on shareholders' fund is 29.0% in FY 2008 as compared to 41.8% in FY 2007.

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

*(31 December 2009 vs. 31 December 2008)*

Cash and cash equivalents increased from \$1.1 billion to \$1.9 billion mainly due to more advances received from customers as the Group continued to secure more shipbuilding contracts. Please refer to item 1 ( c ) Cash Flow statement for more details.

The increases in Trade and other receivables, Inventories and Construction contract work-in-progress were mainly due to the increase in volume of ship repair, ship building and marine engineering businesses. Trade and other receivables include advances paid to suppliers of \$743.1 million (2007: \$376.8 million).

Property, plant and equipment increased from \$1.5 billion to \$2.1 billion due to the ongoing facilities expansion of the Group's major shipyards in the PRC.

Trade and other payables which include advances received from customers of \$2.8 billion (2007: \$1.3 billion), rose from \$2.4 billion to \$4.4 billion as more advances were collected from customers.

Total borrowings increased from \$176.4 million to \$656.6 million due to additional funding procured for business operations and the expansion of the Group's major shipyards.

Shareholder's equity rose from \$939.9 million to \$1.1 billion mainly due to the transfer of 2008 profits to retained earnings and increase in currency translation reserves.

**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 FY 2008 are in line with profit guidance announcement made on 28 December 2008.

**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.**

The Group expects to face challenging market conditions with an adverse business environment in 2009 as credit conditions tighten and global trade slows down due to the global economic crisis. The International Monetary Fund has forecasted that the global expansion will slow to 0.5% in 2009 from 3.7% in 2008 and this is expected to be the weakest expansion since World War II. The market outlook is uncertain and it is likely to deteriorate further before it recovers. This is expected to result in fewer new shipbuilding and offshore marine engineering contracts.

The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, reached historic high in 2008 before crashing to historic low in December 2008. Since then, it has recovered moderately in early February 2009. Further recovery of the BDI would be dependent on the overall pace of recovery of the global economy and restoration of international trade, which would in turn impact bulk shipping revenue and earnings.

Amidst the economic gloom, the Group will leverage on the strength of its well-diversified business in ship repair, ship building and marine engineering to remain competitive and to consolidate its strategic position in the industry. The Group has a strong order book of US\$7.3 billion as at 31 December 2008 with progressive deliveries through to the first half of 2012 which will keep our shipyards busy. COSCO Guangdong and COSCO Dalian shipyards had also begun to undertake new shipbuilding work in addition to COSCO Zhoushan shipyard. COSCO Nantong shipyard, which is sited in a location with strong marine-supporting industry, remains as the Group's premier shipyard in leading the diversification of business into the offshore marine engineering, whose industry long-term outlook are expected to remain fundamentally strong as the demand for oil is expected to strengthen in the long term.

The Group will stay focused on improving its operational efficiencies by scaling the technology-learning curve and leveraging on its land and labor comparative cost advantage as it gains further experience and momentum in its diversified business. The Group will closely monitor its ongoing capital investment

projects in light of the challenging market developments and will continue to seek out opportunities to strengthen its business position.

In view of the challenges in 2009, the Group will continue to adopt a cautious approach in cost management while accelerating its efforts to better manage investment opportunities and risks.

**11. Dividend**

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

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Ordinary Share First and Final Exempt Dividend (Proposed)	Ordinary Share Special Exempt Dividend (Proposed)
Dividend Type	Cash	Cash
Dividend Rate	4.0 cents per ordinary share	3.0 cents per ordinary share
Tax Rate	N.A.	N.A.

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

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Ordinary Share First and Final Exempt Dividend (Proposed)	Ordinary Share Special Exempt Dividend (Proposed)
Dividend Type	Cash	Cash
Dividend Rate	4.0 cents per ordinary share	3.0 cents per ordinary share
Tax Rate	N.A.	N.A.

**(c) Date payable**

Details on payment of dividend and related books closure date will be announced in due course.

**(d) Books closure date**

Refer to 11(c).

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

Not applicable.

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

**(a) Business segments**

	Shipping S\$'000	Ship repair, ship building and marine engineering S\$'000	Others S\$'000	Group S\$'000
<b>Financial year ended 31 December 2008</b>				
<b>Sales:</b>				
- External sales	276,546	3,195,744	3,719	3,476,009
- Inter-segment sales	62	393	257,047	257,502
	276,608	3,196,137	260,766	3,733,511
Elimination				(257,502)
				3,476,009
<b>Segment results</b>	174,293	295,613	(10,327)	459,579
Interest expense				(8,834)
Share of profit of associated companies				643
Profit before income tax				451,388
Income tax expenses				(31,620)
<b>Net profit</b>				419,768
<b>Other segment items</b>				
Capital expenditure				
– property, plant and equipment	3,110	661,382	91	664,583
Depreciation	28,673	91,444	650	120,767
Write-off for inventory obsolescence and inventory write- down	-	20,907	-	20,907
Allowance for impairment of trade and other receivables	-	61,283	-	61,283
Expected losses recognised on construction contracts	-	89,048	-	89,048
Employees share option expense	-	-	17,311	17,311
<b>Segment assets</b>	240,141	5,154,211	24,728	5,419,080
Associated companies				2,577
Short-term bank deposits				1,282,570
Financial assets, available-for- sale				3,630
Deferred income tax assets				91,417
<b>Consolidated total assets</b>				6,799,274
<b>Segment liabilities</b>	69,045	4,399,765	3,127	4,471,937
Borrowings				656,642
Current income tax liabilities				61,348
Deferred income tax liabilities				180
<b>Consolidated total liabilities</b>				5,190,107
<b>Consolidated net assets</b>				1,609,167
<b>Financial year ended 31 December 2007</b>				

<b>Sales:</b>				
- External sales	229,041	2,032,034	625	2,261,700
- Inter-segment sales	33	808	170,857	171,698
	229,074	2,032,842	171,482	2,433,398
Elimination				(171,698)
				2,261,700
<b>Segment results</b>	138,408	401,775	(31,203)	508,980
Interest expense				(11,444)
Share of profit of associated companies				537
Profit before income tax				498,073
Income tax expenses				(19,512)
<b>Total profit</b>				478,561
<b>Other segment items</b>				
Capital expenditure				
– property, plant and equipment	1,365	473,548	576	475,489
Depreciation	13,954	65,950	681	80,585
Write-off for inventory obsolescence and inventory write-down	-	173	-	173
Reversal of impairment of trade and other receivables	-	(95)	-	(95)
Employees share option expense	-	-	12,623	12,623
<b>Segment assets</b>	288,075	3,191,215	29,587	3,508,877
Associated companies				1,794
Short-term bank deposits				431,436
Financial assets, available-for-sale				3,067
Deferred income tax assets				21,996
<b>Consolidated total assets</b>				3,967,170
<b>Segment liabilities</b>	75,929	2,385,557	2,300	2,463,786
Borrowings				176,438
Current income tax liabilities				24,040
Deferred income tax liabilities				152
<b>Consolidated total liabilities</b>				2,664,416
<b>Consolidated net assets</b>				1,302,754

**(b) Geographical segments**

The Group's business segments operate in two main geographical areas:

- PRC – the operations in this area are principally in ship repair, ship building and marine engineering activities; and
- Singapore and Malaysia – the Company is headquartered in Singapore and has operations in Singapore and Malaysia. The operations in Singapore and Malaysia are principally in shipping, ship repair and marine related activities, rental of property and investment holding.

Sales are based on the country in which the services are rendered to the customer. Total assets and capital expenditure are shown by the geographical area where the assets are located.

	Sales \$'000		Total Assets \$'000		Capital expenditure \$'000	
	FY 2008	FY 2007	FY 2008	FY 2007	FY 2008	FY 2007
PRC	3,183,983	2,024,370	6,235,668	3,390,587	661,150	473,263
Singapore and Malaysia *	292,026	237,330	563,606	576,583	3,433	2,226
	<b>3,476,009</b>	<b>2,261,700</b>	<b>6,799,274</b>	<b>3,967,170</b>	<b>664,583</b>	<b>475,489</b>

\* The Group's shipping companies operate in worldwide shipping routes. Hence, it would not be meaningful to allocate sales to any specific geographical segments for shipping activities.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

See Paragraph 8 above.

**15. A breakdown of sales**

	2008 S\$'000	2007 S\$'000	Change %
(a) Sales reported for first half year	1,764,793	868,127	103
(b) Operating profit/loss after tax before deducting minority interests reported for first half year	323,509	182,039	78
(c) Sales reported for second half year	1,711,216	1,393,573	23
(d) Operating profit/loss after tax before deducting minority interests reported for second half year	96,259	296,522	(68)

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend

	Latest Full Year S\$'000	Previous Full Year S\$'000
Ordinary	156,747	156,738
Preference	-	-
Total	156,747	156,738

The Directors proposed a first and final exempt ordinary dividend of 4 cents per ordinary share (2007: 4 cent per ordinary share) and a special dividend of 3 cents per ordinary share (2007: 3 cents per ordinary share) amounting to a total of \$156,747,000 based on current number of shares issued as of 31 December 2008 (2007: 2,239,114,954) for the shareholders' approval at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2009.



## 17. Interested Person Transactions

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

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
<u>Between Subsidiaries and:</u>		
Chimbusco (S) Pte Ltd		875
Chimbusco Dalian Branch		10,565
Chimbusco Guangzhou Branch		3,074
Chimbusco Lianyungang Branch		1,069
Cosco (Cayman) Mercury Co., Ltd		1,199
Cosco (HK) Investment & Development Co., Ltd		435
Cosco (HK) Shipping Co., Ltd		125,525
Cosco Air Service Dalian Ltd		213
Cosco Bulk Carrier Co., Ltd		219,703
Cosco Bulk Carrier Holdings (Cayman) Limited		45,809
Cosco Container Lines Co., Ltd		14,242
Cosco Logistics (Nantong)		112
Cosco Finance Co., Ltd		773,305
Cosco Nantong Steel Co., Ltd		7,013
Cosco Network (Beijing) Ltd		361
Cosco Shanghai Container Shipping Agency Co., Ltd		1,113
Cosco Shanghai Ship Management Co., Ltd		22,958
Cosco Shipping Co., Ltd		1,683
Dalian Ocean Shipping Company		409
Dalian Yuan Chang Shipping Co., Ltd		2,415
Guangzhou Ocean Shipping Company		68,419
Han Yuan Technical Service Centre		427
Lianyungang Ocean Shipping Company		807
Nantong Chimbusco Marine Bunker		2,784
Nantong Cosco Khi Ship Engineering Co., Ltd		309
Nantong Cosco Ship Equipment Company		7,161
Qingdao Manning Co-operation Ltd		2,407
Qingdao Ocean Shipping Company		56,936
Shanghai Ocean Crew Co., Ltd		4,787
Shanghai Ocean Shipping Company		10,321
Shanghai Puyuan Shipping Co., Ltd		1,031
Shengzhen Ocean Shipping Company		3,430
Tianjin Tianhui Shipping & Enterprise		

Co., Ltd		3,144
Tianjin Yuanhua Shipping Co., Ltd		3,628
Tosco Keymax International Ship Management Co., Ltd		19,481
Xiamen Ocean Shipping Company		1,985
Total	Nil	1,419,135

**BY ORDER OF THE BOARD**

Mr Jiang Li Jun  
Vice Chairman and President  
23/02/2009

## **CONFIRMATION BY THE BOARD**

We, Jiang Li Jun and Min Jian Guo being two directors of Cosco Corporation (Singapore) Limited (the "Company"), do hereby confirm on behalf of the directors 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 full year 2008 financial results to be false or misleading.

On behalf of the directors

Mr Jiang Li Jun  
Vice Chairman and President

Mr Min Jian Guo  
Director

23/02/2009