



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

Unaudited First Quarter Financial Statement Announcement for the Financial Period Ended 31 March 2010

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

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

(i) Consolidated Income Statement

	Group		
	S\$'000		%
	Q1 2010	Q1 2009	Change
Turnover	835,031	714,410	17
Cost of sales	(756,580)	(597,474)	27
Gross profit	78,451	116,936	(33)
Other income (net) [1]	33,589	2,594	1,195
Expenses			
- Distribution	(12,057)	(12,078)	-
- Administrative	(38,463)	(45,619)	(16)
- Finance (Interest)	(11,976)	(12,452)	(4)
Share of (loss)/profit of associated companies [2]	(79)	110	NM
Profit before income tax [3]	49,465	49,491	-
Income tax expense [4]	(11,322)	(10,699)	6
Net profit	38,143	38,792	(2)
Attributable to:			
Equity holders of the Company	31,712	33,151	(4)
Non-controlling interests	6,431	5,641	14
Net profit	38,143	38,792	(2)
Earnings per share for profit attributable to equity holders of the Company (expressed in cents per share)			
- basic	1.42	1.48	(4)
- diluted	1.42	1.48	(4)

(ii) Breakdown and Explanatory Notes to Consolidated Income Statement

[1] Other income (net) comprises the following:

	Q1 2010	Q1 2009	Change
	S\$'000	S\$'000	%
Sale of scrap materials	12,747	15,816	(19)
Net gain/(loss) on disposal of property, plant and equipment	888	(69)	NM
Interest income from deposits	3,585	12,122	(70)
Currency exchange gain – net	5,926	10,654	(44)
Net fair value gain/(loss) on forward currency contracts	2,967	(38,804)	NM
Compensation received from customers	1,249	-	NM
Government grant	1,845	537	244
Sundry income	4,382	2,338	87
	33,589	2,594	1,195

NM denotes not meaningful.

[2] Share of profit of associated companies is after tax and Non-controlling interests.

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

	Q1 2010	Q1 2009	Change
	S\$'000	S\$'000	%
Interest on borrowings	(11,976)	(12,452)	(4)
Depreciation and amortisation	(41,268)	(37,214)	11
Net reversal of impairment of trade and other receivables	3,204	482	565
Reversal of inventory write-down	-	588	(100)
Write-off for property, plant and equipment	(2)	(18)	(89)

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

	Q1 2010	Q1 2009	Change
	S\$'000	S\$'000	%
Income tax	(21)	178	NM

(iii) Consolidated Statement of Comprehensive Income

	Group		
	S\$'000		%
	Q1 2010	Q1 2009	Change
Net Profit	38,143	38,792	(2)
Other comprehensive income:			
Financial assets, available-for-sale			
- Net fair value losses	(61)	-	NM
Currency translation (loss)/gain arising from consolidation	(5,961)	84,736	NM
Total comprehensive income for the period	32,121	123,528	(74)
Total comprehensive income attributable to:			
Equity holders of the Company	27,831	89,193	(69)
Non-controlling interests	4,290	34,335	(88)
Total comprehensive income for the period	32,121	123,528	(74)

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

	Group		Company	
	S\$'000	S\$'000	S\$'000	S\$'000
	31/03/2010	31/12/2009	31/03/2010	31/12/2009
Current assets				
Cash and cash equivalents	1,358,173	1,549,175	134,194	134,511
Forward currency contracts	-	944	-	-
Trade and other receivables	1,475,513	1,452,240	315	236
Inventories	561,109	677,568	-	-
Construction contract work-in-progress	164,109	199,385	-	-
Other current assets	13,381	6,573	169	220
	3,572,285	3,885,885	134,678	134,967
Non-current assets				
Trade and other receivables	-	-	64,006	64,285
Financial assets, available-for-sale	3,909	4,034	-	-
Club memberships	553	492	156	156
Investments in associated companies	1,836	1,922	-	-
Investments in subsidiaries	-	-	290,813	290,813
Investment properties	11,680	11,786	-	-
Property, plant and equipment	2,322,008	2,349,098	746	775
Intangible assets	9,521	9,525	-	-
Deferred expenditure	1,052	1,061	-	-

Deferred income tax assets	158,405	158,523	-	-
	2,508,964	2,536,441	355,721	356,029
Total assets	6,081,249	6,422,326	490,399	490,996
Current liabilities				
Forward currency contracts	10,497	14,448	-	-
Trade and other payables	3,204,363	3,559,006	16,499	16,767
Current income tax liabilities	82,536	84,136	499	549
Borrowings	239,278	176,262	-	-
Provision for other liabilities	39,268	36,436	-	-
	3,575,942	3,870,288	16,998	17,316
Non-current liabilities				
Borrowings	861,044	938,946	-	-
Deferred income tax liabilities	2,355	2,400	2,189	2,198
	863,399	941,346	2,189	2,198
Total liabilities	4,439,341	4,811,634	19,187	19,514
Net assets	1,641,908	1,610,692	471,212	471,482
Shareholders' equity				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	169,344	174,030	45,105	45,105
Retained earnings	671,921	639,404	155,499	155,769
Shareholders' equity	1,111,873	1,084,042	471,212	471,482
Non-controlling interests	530,035	526,650	-	-
Total equity	1,641,908	1,610,692	471,212	471,482

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

Amount repayable in one year or less, or on demand

As at 31/03/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
51,513,000	187,765,000	7,261,000	169,001,000

Amount repayable after one year

As at 31/03/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
14,969,000	846,075,000	17,454,000	921,492,000

Details of any collateral

The collaterals for secured borrowings include the group's cash, trade receivables, vessels and motor vehicles with net book value totalling \$128,227,000 (2009: \$80,741,000).

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	
	S\$'000	
	Q1 2010	Q1 2009
<u>Cash flow from operating activities</u>		
Net profit	38,143	38,792
Adjustments for:		
Income tax expense	11,322	10,699
Share of loss/(profit) from associated companies	79	(110)
Depreciation of property, plant and equipment and investment properties	41,259	37,214
Amortisation of operating lease expense	9	-
Net reversal of impairment of trade and other receivables	(3,204)	(482)
Reversal of inventory write-down	-	(588)
Net (gain)/loss on disposal of property, plant and equipment	(888)	69
Write-off for property, plant and equipment	2	18
Employees share option expenses	-	3,240
Net fair value (gain) /loss on forward currency contracts	(2,967)	38,804
Interest expense (financing)	11,976	12,452
Interest income (investing)	(3,585)	(12,122)
	92,146	127,986
Changes in working capital:		
Inventories and construction contract work-in-progress	151,735	19,113
Trade and other receivables	(25,896)	(236,713)
Trade and other payables	(355,339)	(36,230)
Other current assets	(6,808)	6,690
Provision for other liabilities	2,832	1,975
Exchange differences	5,332	(110,880)
Cash used in operations	(135,998)	(228,059)
Income tax paid	(13,370)	(22,048)
Net cash used in operating activities	(149,368)	(250,107)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(24,323)	(97,094)
Proceeds from disposal of property, plant and equipment	710	784
Purchase of a transferable club membership	(60)	-
Interest received	10,658	18,687
Net cash used in investing activities	(13,015)	(77,623)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	102,494	496,969
Repayment of borrowings	(113,012)	(15,374)
Repayment of finance lease liabilities	(5)	(5)
Non-controlling shareholder's contribution for the equity interest in a newly incorporated subsidiary	-	8,404
Increase in cash collateral	(3)	(880)
Interest paid	(10,974)	(11,709)
Dividends paid to non-controlling shareholders of subsidiaries	(1,181)	(4,073)
Net cash (used in)/provided by financing activities	(22,681)	473,332
Net (decrease)/increase in cash and cash equivalents	(185,064)	145,602
Cash and cash equivalents at beginning of financial year	1,545,621	1,865,833
Effects of currency translation on cash and cash equivalents	(5,941)	105,543

Cash and cash equivalents at end of financial year	1,354,616	2,116,978
Cash and cash equivalents represented by:		
Cash at bank and on hand	602,558	616,206
Short-term bank deposits	755,615	1,516,135
Less: Bank deposits pledged	(3,557)	(15,363)
	1,354,616	2,116,978

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					
Balance at					
1 January 2010	270,608	174,030	639,404	526,650	1,610,692
Total comprehensive income for the period	-	(3,881)	31,712	4,290	32,121
Dividend declared by subsidiaries to non-controlling shareholders of subsidiaries	-	-	-	(905)	(905)
Transfer from asset revaluation reserve to retained earnings	-	(805)	805	-	-
At 31 March 2010	270,608	169,344	671,921	530,035	1,641,908
1 January 2009	270,608	167,904	705,692	464,963	1,609,167
Total comprehensive income for the period	-	56,042	33,151	34,335	123,528
Employee share option scheme: - value of director and employee services	-	3,240	-	-	3,240
Non-controlling shareholder's share of interest in a newly incorporated subsidiary	-	-	-	8,404	8,404
Transfer from asset revaluation reserve to retained earnings	-	(805)	805	-	-
At 31 March 2009	270,608	226,381	739,648	507,702	1,744,339
The Company					
At 1 January 2010	270,608	45,105	155,769	-	471,482
Total comprehensive loss for the period	-	-	(270)	-	(270)
At 31 March 2010	270,608	45,105	155,499	-	471,212
At 1 January 2009	270,608	41,865	236,059	-	548,532
Total comprehensive income for the period	-	-	26,284	-	26,284
Employee share option scheme:					

- value of director and employee services	-	3,240	-	-	3,240
At 31 March 2009	270,608	45,105	262,343	-	578,056

- 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.

The outstanding share options under the Cosco Group Employees' Share Option Scheme as at 31 March 2010 were 34,980,000 (31 March 2009: 37,300,000).

- 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 March 2010, share capital of the Company comprised 2,239,244,954 ordinary shares (31 December 2009: 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 statement for the current financial period as compared with the audited financial statements for the financial year ended 31 December 2009.

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 2010, the Group and the Company adopted the following new/revised Financial Reporting Standards (“FRS”) which are effective for annual periods beginning on or after 1 July 2009.

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

- (i) Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- (ii) FRS 27 (Revised) Consolidated and Separate Financial Statements
- (iii) FRS 103 (Revised) Business Combinations

The adoption of the above FRS did not result in any substantial change to the Group’s accounting policies nor any significant impact on the financial statements.

On 1 January 2010, the estimated useful life of motor vessels was changed from 15 years to 20 years as it reflects more fairly the estimated useful life of these assets. The change in accounting estimate has been applied prospectively subsequent to that date. Accordingly, the adoption of the change in accounting estimate has no effect in prior years. The net book value of property, plant and equipment as at 31 March 2010 and the profit before income tax for the period ended 31 March 2010 had been increased by the same amount of approximately \$3,519,000 by way of a decrease in depreciation charge for the period as a result of such change.

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	
	Q1 2010	Q1 2009
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	1.42	1.48
Weighted average number of ordinary shares('000)	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	1.42	1.48
Adjusted weighted average number of ordinary shares ('000)	2,239,319	2,239,245

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 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. For Q1 2009, 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 Q1 2009.

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	
	31/03/2010	31/12/2009	31/03/2010	31/12/2009
Net asset value per ordinary share (cents)	49.65	48.41	21.04	21.06

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 2,239,244,954 (31 December 2009: 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

Group turnover rose 16.9% to \$835.0 million in Q1 2010 driven by growth in the ship building segment as the construction and delivery of vessels picked up momentum. The Group remained profitable with net profit attributable to equity holders of \$31.7 million.

Turnover

The Group achieved a 16.9% increase in turnover to \$835.0 million in Q1 2010 from \$714.4 million in Q1 2009 boosted by higher revenue from ship building and marine engineering projects in spite of lower revenue recognized from ship repair, ship conversion and dry bulk shipping.

Turnover from shipyard operations climbed 20.3% to \$800.1 million in Q1 2010 from \$665.0 million in Q1 2009 on the back of strong progressive revenue recognition for the Group's ship building and marine engineering segments partially offset by decline in revenue from ship repair and conversion projects which were affected by the difficult business environment.

Turnover from dry bulk shipping business decreased 30.7% to \$32.0 million in Q1 2010 from \$46.2 million in Q1 2009 as the current short-term charter rates were significantly lower than the more favourable charter rates received in Q1 2009 from long-term charters secured in 2008. The Baltic Dry Index (BDI), a measure of shipping costs for commodities, started the quarter at 3,140 points as at 1 January 2010 and ended at 2,998 points on 31 March 2010 after hitting the quarter high of 3,574 points on 15 March 2010. The quarter's average was 3,027 points.

Ship repair, ship building and marine engineering business continued to contribute to the bulk of the Group's revenue, constituting 95.8% of Group turnover in Q1 2010. Dry bulk shipping and shipping agency and others accounted for the remaining 4.2%.

Profitability

Gross profit waned 32.9% from \$116.9 million in Q1 2009 to \$78.5 million in Q1 2010 mainly due to lower dry bulk shipping charter rates and lower profit contributions from ship repair and conversion business amidst a difficult business environment.

Other gains comprised gain from the disposal of scrap metal, interest income, net currency exchange gain and net fair value gain on forward currency contracts. Other gains increased due to net fair value gain on forward currency contracts of \$3.0 million in Q1 2010 as compared to the net fair value loss on forward contracts of \$38.8 million in Q1 2009.

Distribution and administrative expenses fell owing to the success of cost management programs implemented by the Group. Interest expense decreased 3.8% to \$12.0 million in Q1 2010 due to lower interest rates.

Income tax expense increased due to lower tax-exempt shipping profits and higher tax rates for certain subsidiaries in the People's Republic of China ("PRC").

Overall, net profit attributable to equity holders of the Company decreased 4.3 % from \$33.2 million in Q1 2009 to \$31.7 million in Q1 2010 due to lower profit contributions from dry bulk shipping, ship repair and conversion and marine engineering operations.

Balance Sheet and Cash Flow

(31 March 2010 vs. 31 December 2009)

Cash and cash equivalents decreased from \$1.5 billion to \$1.4 billion mainly due to cash used in the purchases of new property, plant and equipment and reduced advances received from customers. Please refer to note 1(c) Cash Flow Statement for more details.

Trade and other receivables remained almost unchanged at \$1.5 billion albeit a marginal increase in advances paid to suppliers (from \$679.2 million to \$700.0 million).

Property, plant & equipment remained relatively unchanged at \$2.3 billion despite the facilities expansion of the major shipyards in COSCO Shipyard Group Co., Ltd ("CSG") due to depreciation.

The decrease in trade and other payables from \$3.6 billion to \$3.2 billion was mainly due to the decrease in advances received from customers (from \$1.8 billion to \$1.1 billion).

Total borrowings were maintained at \$1.1 billion level.

Shareholder's equity increased \$27.8 million mainly due to profit retained for the quarter.

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 Q1 2010 are in line with the commentary made in paragraph 10 of the Group's Full Year Financial Statement and Dividend Announcement released on 22 February 2010.

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 the global recovery appears to be gaining some traction, the Group maintains a cautious outlook for the rest of 2010 as business, industry and private demand conditions remain uncertain, and various governments begin unwinding some of their stimulus measures.

The IMF has in April raised its 2010 global growth forecast to 4.2% from its January 2010 estimate of 3.9% but cautioned that "the outlook for activity remains usually uncertain" and that "recovery remain fragile and unemployment high".

The Group successfully delivered 8 dry bulk carriers in the 1st quarter of 2010. Of these, COSCO Dalian shipyard delivered 4 bulk carriers while COSCO Zhoushan and COSCO Guangdong shipyards delivered 2 bulk carriers each. The Group will continue to focus on deliveries while it upgrades its shipyard capabilities and efficiencies and control costs.

The Group has an order book of US\$ 5.9 billion as of 31st March 2010 with progressive delivery up to 2012 which will keep the Group's shipyards busy. This order book is subject to revision from any cancelation of orders or new orders that may arise.

The Group will continue to leverage on the strength of its well-diversified business to remain competitive and to consolidate its strategic position in the industry.

Barring any unforeseen circumstances, the Group expects to stay profitable in 2010.

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 Q1 2010.

13. 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		1,168
Chimbusco Dalian Branch		2,532
Chimbusco Guangzhou Branch		1,369
Cosbulk International Trading Co., Ltd		309
Cosco (Cayman) Mercury Co., Ltd		132
Cosco (HK) Shipping Co., Ltd		3,011
Cosco Bulk Carrier Co., Ltd		6,149
Cosco Bulk Carrier Holdings (Cayman) Limited		6,972
Cosco Container Lines Co., Ltd		2,259
Cosco Finance Co., Ltd		2,188
Cosco Nantong Steel Co., Ltd		3,151
Dalian Ocean Shipping Company		968
Dalian Yuan Chang Shipping Co., Ltd		200
Guangzhou Ocean Shipping Company		11,904
Nantong Chimbusco Marine Bunker		571
Nantong Cosco Ship Equipment Company		2,250
Qingdao Manning Co-operation Ltd		582
Qingdao Ocean Shipping Company		528
Shanghai Cosco-Shokuyu Shipping Company		124
Shanghai Ocean International Trading Co., Ltd		267
Shanghai Ocean Shipping Company		1,443
Xiamen Ocean Shipping Company		229
Total	NIL	48,306

	As at 31/03/2010	As at 31/12/2009
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash balances	286,875	168,493
- Short-term deposits	388,098	616,031
	674,973	784,524

BY ORDER OF THE BOARD

Mr Jiang Li Jun
Vice Chairman and President
06/05/2010

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 year ended 31 March 2010 financial results to be false or misleading.

On behalf of the directors

Mr Jiang Li Jun
Vice Chairman and President

Mr Ma Gui Chuan
Director

06/05/2010