



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

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

	<b>Group</b>		
	<b>S\$'000</b>		<b>% Change</b>
	<b>2010</b>	<b>2009</b>	
Turnover	3,861,445	2,899,004	33
Cost of sales	(3,385,358)	(2,601,406)	30
Gross profit	476,087	297,598	60
Other income (net) [1]	178,253	146,314	22
Expenses			
- Distribution	(50,172)	(42,420)	18
- Administrative	(160,164)	(181,250)	(12)
- Finance	(42,131)	(41,904)	1
Share of (loss)/profit of associated companies [2]	(27)	214	NM
Profit before income tax [3]	401,846	178,552	125
Income tax expense [4]	(43,240)	(40,758)	6
<b>Net profit</b>	<b>358,606</b>	<b>137,794</b>	<b>160</b>
<b>Attributable to:</b>			
<b>Equity holders of the Company</b>	<b>248,837</b>	<b>110,080</b>	<b>126</b>
Non-controlling interests	109,769	27,714	296
Net profit	358,606	137,794	160
<b>Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)</b>			
- basic	11.11	4.92	126
- diluted	11.11	4.92	126

**(ii) Breakdown and Explanatory Notes to Consolidated Income Statement**

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

	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Sale of scrap materials	90,284	67,142	34
Net gain/(loss) on disposal of property, plant and equipment	743	(351)	NM
Dividend income	20	314	(94)
Interest income from bank deposits	13,882	32,781	(58)
Currency exchange gain - net	25,655	15,715	63
Net fair value gain/(loss) on forward currency contracts	13,253	(15,625)	NM
Reversal of impairment/(Impairment) in value of transferable club memberships	16	(32)	NM
Compensation received from customers	15,055	15,263	(1)
Government grants	4,038	21,382	(81)
Sundry income	15,307	9,725	57
	<b>178,253</b>	<b>146,314</b>	<b>22</b>

NM denotes not meaningful.

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

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

	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Interest on borrowings	(42,131)	(41,904)	1
Depreciation and amortisation	(168,426)	(153,416)	10
Net reversal of impairment of trade and other receivables	31,241	11,375	175
Write-off for inventory obsolescence and inventory write-down	(572)	(4,236)	(86)
Write-off for property, plant and equipment	(136)	(40)	240
Expected losses recognised on construction contracts	(64,822)	(578)	NM

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

	<b>2010</b>	<b>2009</b>	<b>Change</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Income tax	25,243	(6,120)	NM
Deferred tax	(2,898)	(3,266)	(11)

(iii) Consolidated Statement of Comprehensive Income

	Group		
	S\$'000		%
	2010	2009	Change
<b>Net Profit</b>	358,606	137,794	160
<b>Other comprehensive (loss)/income:</b>			
Financial assets, available-for-sale - Net fair value (loss)/gain	(279)	371	(175)
Currency translation differences arising from consolidation	(100,144)	(27,480)	264
<b>Total comprehensive income for the year</b>	258,183	110,685	133
<b>Total comprehensive income attributable to:</b>			
<b>Equity holders of the Company</b>	<b>181,752</b>	<b>93,345</b>	95
Non-controlling interests	76,431	17,340	341
	258,183	110,685	133

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
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
<b>Current assets</b>				
Cash and cash equivalents	867,201	1,549,175	116,957	134,511
Forward currency contracts	-	944	-	-
Trade and other receivables	1,976,663	1,452,240	2,895	236
Inventories	518,035	677,568	-	-
Construction contract work-in-progress	182,728	199,385	-	-
Other current assets	4,155	6,573	205	220
	3,548,782	3,885,885	120,057	134,967
<b>Non-current assets</b>				
Trade and other receivables	49,089	-	-	64,285
Financial assets, available-for-sale	3,434	4,034	-	-
Club memberships	557	492	172	156
Investments in associated companies	3,569	1,922	-	-
Investments in subsidiaries	-	-	374,037	290,813
Investment properties	14,619	11,786	-	-
Property, plant and equipment	2,207,952	2,349,098	650	775
Intangible assets	9,468	9,525	-	-
Deferred expenditure	3,169	1,061	-	-
Deferred income tax assets	212,703	158,523	-	-

	2,504,560	2,536,441	374,859	356,029
<b>Total assets</b>	6,053,342	6,422,326	494,916	490,996
<b>Current liabilities</b>				
Forward currency contracts	-	14,448	-	-
Trade and other payables	3,144,533	3,559,006	17,620	16,767
Current income tax liabilities	72,766	84,136	245	549
Borrowings	555,148	176,262	-	-
Provision for other liabilities	45,049	36,436	-	-
	3,817,496	3,870,288	17,865	17,316
<b>Non-current liabilities</b>				
Borrowings	437,065	938,946	-	-
Deferred income tax liabilities	4,304	2,400	4,056	2,198
	441,369	941,346	4,056	2,198
<b>Total liabilities</b>	4,258,865	4,811,634	21,921	19,514
<b>Net assets</b>	1,794,477	1,610,692	472,995	471,482
<b>Equity</b>				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	103,950	174,030	45,105	45,105
Retained earnings	824,059	639,404	157,282	155,769
Shareholders' equity	1,198,617	1,084,042	472,995	471,482
Non-controlling interests	595,860	526,650	-	-
<b>Total equity</b>	1,794,477	1,610,692	472,995	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 31/12/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
47,340,000	507,808,000	7,261,000	169,001,000

**Amount repayable after one year**

As at 31/12/2010		As at 31/12/2009	
Secured	Unsecured	Secured	Unsecured
9,322,000	427,743,000	17,454,000	921,492,000

**Details of any collateral**

The collaterals for secured borrowings comprise the Group's cash, trade receivables, vessels and motor vehicles with net book value totalling \$115,095,000 (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.**

	<b>Group</b>	
	<b>S\$'000</b>	
	<b>2010</b>	<b>2009</b>
<u>Cash flows from operating activities</u>		
Net profit	358,606	137,794
Adjustments for:		
Income tax expense	43,240	40,758
Depreciation and amortisation	168,426	153,416
Net reversal of impairment of trade and other receivables	(31,241)	(11,375)
Write-off for inventory obsolescence and inventory write-down	572	4,236
Loss on disposal of a transferable club membership	-	4
(Reversal of impairment)/Impairment in value of transferable club memberships	(16)	32
Net (gain)/loss on disposal of property, plant and equipment	(743)	351
Expected losses recognised on construction contracts	64,822	578
Write-off for property, plant and equipment	136	40
Employees share option expenses	-	3,240
Net fair value (gain)/loss on forward currency contracts	(13,253)	15,625
Share of loss/(profit) from associated companies	27	(214)
Negative goodwill	-	(12)
Dividend income	(20)	(314)
Interest expense (financing)	42,131	41,904
Interest income from bank deposits (investing)	(13,882)	(32,781)
	<b>618,805</b>	<b>353,282</b>
Changes in working capital:		
Inventories and construction contract work-in-progress	171,920	234,555
Trade and other receivables	(552,397)	121,453
Trade and other payables	(469,060)	(850,141)
Other current assets	2,418	13,219
Deferred expenditure	(2,193)	(1,061)
Provision for other liabilities	8,613	16,280
Exchange differences	66,029	30,489
Cash used in operations	(155,865)	(81,924)
Income tax paid	(109,234)	(82,444)
<b>Net cash used in operating activities</b>	<b>(265,099)</b>	<b>(164,368)</b>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(176,105)	(469,924)
Proceeds from disposal of property, plant and equipment	11,200	12,319
Purchase of investment properties	(10)	-
Purchase of transferable club memberships	(61)	(101)
Proceeds from disposal of a club membership	-	45
Net cash outflows on disposal of subsidiaries	(3,950)	-
Dividends received	648	764
Interest received from deposits	20,022	40,922
<b>Net cash used in investing activities</b>	<b>(148,256)</b>	<b>(415,975)</b>
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	838,819	799,875
Repayments of borrowings	(899,945)	(328,273)
Repayments of finance lease liabilities	(17)	(18)
Non-controlling interest's contribution for the equity interest in a newly incorporated subsidiary	-	8,404

Proceeds from non-controlling interests for increase in registered capital of a subsidiary	-	37,455
Decrease in bank deposits pledged	266	10,929
Interest paid	(41,750)	(41,536)
Dividends paid to equity holders of the Company	(67,177)	(156,747)
Dividends paid to non-controlling interests of subsidiaries	(2,499)	(34,356)
<b>Net cash (used in)/provided by financing activities</b>	<b>(172,303)</b>	<b>295,733</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(585,658)</b>	<b>(284,610)</b>
Cash and cash equivalents at beginning of financial year	1,545,621	1,865,833
Effects of currency translation on cash and cash equivalents	(96,050)	(35,602)
<b>Cash and cash equivalents at end of financial year</b>	<b>863,913</b>	<b>1,545,621</b>
<b>Cash and cash equivalents represented by:</b>		
Cash at bank and on hand	261,309	463,810
Short-term bank deposits	605,892	1,085,365
Less: Bank deposits pledged	(3,288)	(3,554)
	<b>863,913</b>	<b>1,545,621</b>

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

	Share capital S\$'000	Statutory and other reserves S\$'000	Retained earnings S\$'000	Non-controlling interests S\$'000	Total S\$'000
<b>The Group</b>					
<b>At 1 January 2010</b>	270,608	174,030	639,404	526,650	1,610,692
Total comprehensive income for the year	-	(67,085)	248,837	76,431	258,183
Disposal of subsidiaries	-	-	-	(6,057)	(6,057)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(1,164)	(1,164)
Dividend for 2009	-	-	(67,177)	-	(67,177)
Transfer from asset revaluation reserve to retained earnings	-	(3,218)	3,218	-	-
Transfer from retained earnings to statutory reserves	-	223	(223)	-	-
<b>At 31 December 2010</b>	<b>270,608</b>	<b>103,950</b>	<b>824,059</b>	<b>595,860</b>	<b>1,794,477</b>
<b>At 1 January 2009</b>	270,608	167,904	705,692	464,963	1,609,167
Total comprehensive income for the year	-	(16,735)	110,080	17,340	110,685
Employee share option scheme: - value of director and employee services	-	3,240	-	-	3,240
Non-controlling interest's share of interest in a newly incorporated subsidiary	-	-	-	8,404	8,404
Non-controlling interests share of increase in registered capital of a subsidiary	-	-	-	37,455	37,455

Decrease in non-controlling interests of a subsidiary	-	-	-	(12)	(12)
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(1,500)	(1,500)
Dividend for 2008	-	-	(156,747)	-	(156,747)
Transfer from asset revaluation reserve to retained earnings	-	(3,218)	3,218	-	-
Transfer from retained earnings to statutory reserves	-	22,839	(22,839)	-	-
<b>At 31 December 2009</b>	<b>270,608</b>	<b>174,030</b>	<b>639,404</b>	<b>526,650</b>	<b>1,610,692</b>
<b>The Company</b>					
<b>At 1 January 2010</b>	270,608	45,105	155,769	-	471,482
Total comprehensive income for the year	-	-	68,690	-	68,690
Dividend for 2009	-	-	(67,177)	-	(67,177)
<b>At 31 December 2010</b>	<b>270,608</b>	<b>45,105</b>	<b>157,282</b>	<b>-</b>	<b>472,995</b>
<b>At 1 January 2009</b>	270,608	41,865	236,059	-	548,532
Total comprehensive income for the year	-	-	76,457	-	76,457
Employee share option scheme: - value of director and employee services	-	3,240	-	-	3,240
Dividend for 2008	-	-	(156,747)	-	(156,747)
<b>At 31 December 2009</b>	<b>270,608</b>	<b>45,105</b>	<b>155,769</b>	<b>-</b>	<b>471,482</b>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the issued and paid-up capital of the Company since the previous period reported on.

During the FY 2010, 4,030,000 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 31 December 2010 were 30,950,000 (2009: 34,980,000).

- 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 2010, share capital of the Company comprised 2,239,244,954 ordinary shares (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 statements for the current financial year 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 adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 103 (revised)	Business Combinations
Amendments to FRS 39	Financial Instruments: Recognition and Measurement – Eligible Hedged Items

The adoption of above new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

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 December 2010 and the profit before income tax for the financial year ended 31 December 2010 had been increased by the same amount of approximately \$12,849,000 by way of a decrease in depreciation charge for the financial year 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	
	2010	2009
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	11.11	4.92
Weighted average number of ordinary shares ('000)	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	11.11	4.92
Adjusted weighted average number of ordinary shares ('000)	2,239,903	2,239,245

**NOTES:**

Basic earnings per ordinary share is calculated by dividing the net profit attributable to the equity holders of the Company over the weighted average number of ordinary shares outstanding during the financial 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. For 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 the financial year.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year.**

	Group		Company	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Net asset value per ordinary share (cents)	53.53	48.41	21.12	21.06

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

The Group concluded the year with a 33.2% increase in Group turnover to \$3.9 billion in FY 2010 while net profit attributable to equity holders of the Company increased 126.1% to \$248.8 million. The increase in turnover was mainly due to higher revenue contributions from ship building and marine

engineering projects. The increase in net profit attributable to equity holders of the Company was attributable to higher profit contributions from ship building and marine engineering projects and dry bulk shipping.

## **Turnover**

Turnover from shipyard operations increased 35.2% to \$3.7 billion in FY 2010 due to higher revenue contributions from ship building and marine engineering projects. The Group delivered 32 bulk carriers in FY 2010. COSCO Dalian and COSCO Zhoushan shipyards delivered 12 bulk carriers each while COSCO Guangdong shipyard delivered the remaining 8 bulk carriers. Also notably, COSCO Nantong delivered 1 jack-up rig, "SUPER M2", in June 2010 and COSCO Dalian delivered 3 multi-purpose heavy lift vessels in the second half of 2010.

Turnover from dry bulk shipping business decreased 3.2% to \$128.6 million in FY 2010 due to lower charter rates. The Baltic Dry Index (BDI), a measure of shipping costs for commodities, started the year 2010 at 3,140 points but ended the year much lower at 1,773 points, averaging 2,752 points for the whole of 2010.

Shipyard business remained the biggest revenue contributor, forming 96.3% of Group turnover in FY 2010. Dry bulk shipping, shipping agency and others accounted for the remaining 3.7%.

## **Profitability**

Gross profit increased 60.0% from \$297.6 million in FY 2009 to \$476.1 million in FY 2010 on greater cost efficiencies in dry bulk shipping and higher profit contributions from ship building and marine engineering business on turnover rise.

Other income comprised gain from the sale of scrap materials, compensation received from customers, interest income from bank deposits, foreign currency exchange gain and net fair value gain on forward currency contracts. Other income increased 21.8% to \$178.3 million in FY 2010 mainly due to the higher sales value of scrap materials and foreign currency exchange gain.

Distribution costs rose 18.3% in line with the expanding business volume and rising cost environment. The 11.6% decrease in administrative costs to \$160.2 million was mainly due to net reversal of impairment of trade and other receivables of \$31.2 million in 2010 as compared to \$11.4 million in FY 2009.

Interest expense remained largely unchanged at \$42.1 million in FY 2010 as the effects of higher interest rates were offsetted by reduced borrowings.

Income tax expense increased by only 6.1% mainly due to higher profit contributions from certain subsidiaries in the People's Republic of China (PRC) partially offset by higher tax-exempt shipping profits.

Non-controlling interests increased due to higher contributions from the Group's PRC subsidiaries involved in ship repair, ship building and marine engineering operations.

As a result of the above, net profit attributable to equity holders of the Company increased 126.1% from \$110.1 million in FY 2009 to \$248.8 million in FY 2010.

## **Balance Sheet and Cash Flow**

(31 December 2010 vs 31 December 2009)

Cash and cash equivalents decreased from \$1.5 billion to \$867.2 million mainly due to cash used in dividend payment, purchases of new property, plant and equipment, repayment of borrowings and

less advances received from customers. Please refer to note 1(c) Cash Flow Statement for more details.

Trade and other receivables increased \$573.5 million from \$1.5 billion to \$2.0 billion mainly due to increase in advances paid to suppliers from \$679.2 million to \$858.8 million and increase in construction contracts due from customers for ship building and marine engineering projects from \$249.5 million to \$565.8 million in line with the expanding business.

Property, plant and equipment decreased from \$2.3 billion to \$2.2 billion despite facility expansions of the major shipyards of COSCO Shipyard Group Co., Ltd (CSG) mainly due to depreciation.

Trade and other payables decreased from \$3.6 billion to \$3.1 billion as less advances were received from customers (from \$1.8 billion to \$1.2 billion) due to completion of some of the ship building and marine engineering contracts.

Total borrowings decreased from \$1.1 billion to \$992.2 million due to repayment made on borrowings for the expansion of the Group's major shipyards.

Equity rose by \$114.6 million to \$1.2 billion as at 31 December 2010 due to the transfer of FY 2010 profits to retained earnings, partially offset by the payment of dividends in May 2010.

**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 2010 are in line with the commentary made in paragraph 10 of the Group's Third Quarter Financial Statement Announcement released on 3 November 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 at 31 December 2010, the Group's order book stood at US\$6.1 billion with progressive deliveries up to 2013 which will keep the Group's shipyards busy. This order book is subject to revision from any cancellation of orders or new orders that may arise. New orders received in 2010 totalling more than US\$2.1 billion include 31 bulk carriers, 1 deepwater drillship, 1 deepwater DP3 semi submersible Sevan drilling rig, 1 wind turbine installation vessel and 2 deck barges. The Group had delivered a total of 32 bulk carriers in 2010 – 8 by COSCO Guangdong shipyard, 12 by COSCO Dalian shipyard and 12 by COSCO Zhoushan shipyard. Also notably, COSCO Nantong shipyard delivered 1 jack-up rig, "SUPER M2", in June 2010 and COSCO Dalian shipyard delivered 3 multi-purpose heavy lift vessels in the second half of 2010. The Group will continue to focus on deliveries while it upgrades its shipyard capabilities to improve operational efficiency and productivity.

The Group maintains a cautious outlook for 2011 as the world economy remains fragile and recovery uneven. The International Monetary Fund (IMF) reported in its latest World Economic Outlook (WEO) and the Global Financial Stability Report (GFSR) both dated 25 January 2011 that although the world is on a recovery path from the global economic crisis, action is still needed to address key constraints in the international economy and financial system, including high unemployment and banking problems in the advanced economies and the risks of overheating in emerging markets. The IMF predicts that the world economy, led by emerging markets and developing countries, will expand by 4.5 per cent in 2011. It warned that this "two-track" recovery – with advanced countries growing much more slowly than the rest of the world – continues to pose the biggest risk to the world recovery as sluggish growth and weak fiscal positions in advanced economies has raised financial market sensitivities to debt sustainability risks.

China's pace of economic growth is expected to fall slightly in 2011 to 9.6% from about 10.5% expansion in 2010 as new restrictive economic policies are being used to curb inflation and the over-

heating of the property market. The gradual appreciation of the Chinese Yuan against the United States Dollar (USD) which already rose about 3% in 2010, rising interest rates in China, and a potential rise in general Chinese labor wages as influenced by labor shortages in China as well as inflationary increase in prices of raw materials, including steel, together may exert pressure on the operating margins of the Group's shipyard operations.

The BDI started the year 2010 at 3,140 points and ended the year much lower at 1,773 points with the average for year at 2,752 points. Any rebound in BDI may remain subdued in view of the abundant supply of new ships inundating the global market. The Group's dry bulk shipping fleet stands at 10 after leases in respect of two charter-in Panamax vessels were not renewed at expiration in early 2011. This is in line with the Group's strategy to streamline its business to focus on its core shipyard business.

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

**11. Dividend**

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

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

Name of Dividend	Ordinary Share First and Final Dividend (Proposed)
Dividend Type	Cash
Dividend Rate	4.0 cents per ordinary share (tax-exempt one-tier)
Tax Rate	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 Dividend
Dividend Type	Cash
Dividend Rate	3.0 cents per ordinary share (tax-exempt one-tier)
Tax Rate	N.A.

**(c) Date payable**

Details on payment of dividend and related book 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 activities S\$'000	All other segments S\$'000	Total for continuing operations S\$'000
<b>Financial year ended 31 December 2010</b>				
<b>Sales:</b>				
- External sales	128,605	3,719,483	13,357	3,861,445
- Inter-segment sales	-	336	64,894	65,230
	128,605	3,719,819	78,251	3,926,675
Elimination				(65,230)
				3,861,445
<b>Segment results</b>	83,417	369,886	(9,299)	444,004
Finance expense				(42,131)
Share of loss of associated companies				(27)
Profit before income tax				401,846
Income tax expense				(43,240)
<b>Net profit</b>				358,606
<b>Other segment items</b>				
Capital expenditure				
– property, plant and equipment	1,624	174,185	296	176,105
Depreciation and amortisation	14,280	153,245	901	168,426
Write-off for inventory obsolescence and inventory write- down	-	572	-	572
Net reversal of impairment of trade and other receivables	-	(31,241)	-	(31,241)
Expected losses recognised on construction contracts	-	64,822	-	64,822
<b>Segment assets</b>	190,998	4,976,390	60,356	5,227,744
Associated companies				3,569
Short-term bank deposits				605,892
Financial assets, available-for- sale				3,434
Deferred income tax assets				212,703
<b>Consolidated total assets</b>				6,053,342
<b>Segment liabilities</b>	23,527	3,132,749	33,306	3,189,582
Borrowings				992,213
Current income tax liabilities				72,766
Deferred income tax liabilities				4,304
<b>Consolidated total liabilities</b>				4,258,865
<b>Consolidated net assets</b>				1,794,477

<b>Financial year ended 31 December 2009</b>				
<b>Sales:</b>				
- External sales	132,894	2,751,043	15,067	2,899,004
- Inter-segment sales	-	541	94,609	95,150
	132,894	2,751,584	109,676	2,994,154
Elimination				(95,150)
				2,899,004
<b>Segment results</b>	60,283	170,448	(10,489)	220,242
Finance expense				(41,904)
Share of profit of associated companies				214
Profit before income tax				178,552
Income tax expense				(40,758)
<b>Total profit</b>				137,794
<b>Other segment items</b>				
Capital expenditure				
– property, plant and equipment	2,679	467,129	116	469,924
Depreciation and amortisation	29,846	122,652	918	153,416
Write-off for inventory obsolescence and inventory write-down	-	4,236	-	4,236
Net reversal of impairment of trade and other receivables	-	(11,375)	-	(11,375)
Expected losses recognised on construction contracts	-	578	-	578
Employees share option expenses	-	-	3,240	3,240
<b>Segment assets</b>	187,456	4,938,525	46,501	5,172,482
Associated companies				1,922
Short-term bank deposits				1,085,365
Financial assets, available-for-sale				4,034
Deferred income tax assets				158,523
<b>Consolidated total assets</b>				6,422,326
<b>Segment liabilities</b>	33,237	3,538,500	38,153	3,609,890
Borrowings				1,115,208
Current income tax liabilities				84,136
Deferred income tax liabilities				2,400
<b>Consolidated total liabilities</b>				4,811,634
<b>Consolidated net assets</b>				1,610,692

**(b) Geographical segments**

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

- People's Republic of China – the operations in this area are principally in ship repair, ship building and marine engineering activities;
- Singapore – the operations in this area are principally in shipping, shipping agency, ship repair and marine related activities, rental of property; and
- Malaysia – the operations in this area are principally in shipping agency activities.

Sales are based on the country in which the services are rendered to the customer. Non-current assets are shown by the geographical area where the assets are located.

	<u>Sales for continuing operations</u>		<u>Non-current assets</u>	
	\$'000		\$'000	
	2010	2009	2010	2009
People's Republic of China	3,711,802	2,739,236	2,330,568	2,334,473
Singapore *	147,433	158,041	173,903	201,860
Malaysia	2,210	1,727	89	108
	3,861,445	2,899,004	2,504,560	2,536,441

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

	<b>2010</b> S\$'000	<b>2009</b> S\$'000	<b>Change</b> %
(a) Sales reported for first half year	1,797,487	1,432,942	25
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	137,693	90,903	51
(c) Sales reported for second half year	2,063,958	1,466,062	41
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	220,913	46,891	371

**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

	<b>Latest Full Year</b> S\$'000	<b>Previous Full Year</b> S\$'000
Ordinary	89,570	67,177
Preference	-	-
Total	89,570	67,177

The Directors proposed a first and final tax-exempt one-tier ordinary dividend of 4 cents per ordinary share (2009: first and final tax-exempt one-tier ordinary dividend of 3 cents per ordinary share) amounting to a total of \$89,570,000 (2009: \$67,177,000), based on current number of shares issued as of 31 December 2010, will be recommended for the shareholders' approval at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend, which will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2011.

## 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		528
Chimbusco Dalian Branch		10,504
Chimbusco Guangzhou Branch		6,994
Chimbusco Lianyungang Branch		969
Chimbusco Shanghai Branch		441
Chimbusco Zhoushan Branch		7,708
Cosbulk International Trading Co., Ltd		808
Cosco (Cayman) Mercury Co., Ltd		242
Cosco (HK) Shipping Co., Ltd		3,972
Cosco Bulk Carrier Co., Ltd		12,637
Cosco Bulk Carrier Holdings (Cayman) Limited		13,866
Cosco Container Lines Co., Ltd		10,408
Cosco Finance Co., Ltd		453,925
Cosco International Trade Ltd		101
Cosco Jiangsu International Freight Co.		433
Cosco Nantong Steel Co., Ltd		19,398
Cosco Shanghai Ship Management Co., Ltd		4,754
Cosco Shipping Co., Ltd		138
Dalian Ocean Shipping Company		2,940
Dalian Yuan Chang Shipping Co., Ltd		959
Freightworld Pte Ltd	11,650	-
Guangzhou Ocean Shipping Company		25,272
Nantong Chimbusco Marine Bunker		2,009
Nantong Cosco Ship Equipment Company		6,513
Nantong Yuantong Container Warehouse and Transportation Co., Ltd		432
Qingdao Manning Co-operation Ltd		2,326
Qingdao Ocean Shipping Company		1,984
Shanghai Cosco-Shokuyu Shipping Company		121
Shanghai Ocean Crew Co., Ltd		5,277
Shanghai Ocean International Trading Co., Ltd		573
Shanghai Ocean Shipping Company		6,404
Shenzhen Ocean Shipping Company		690
Tianjin Tianhui Shipping & Enterprise Co., Ltd		2,071
Tianjin Yuanhua Shipping Co., Ltd		380



Tosco Keymax International Ship Management Co., Ltd		150
Xiamen Ocean Shipping Company		925
YuanTong Marine Service Co.		101
Total	11,650	606,953

	As at 31/12/2010	As at 31/12/2009
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	85,045	168,493
- Short-term bank deposits	388,500	616,031
	473,545	784,524

**BY ORDER OF THE BOARD**

Mr Jiang Li Jun  
Vice Chairman and President  
22/2/2011

## **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 December 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

22/2/2011