



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

Unaudited First Quarter Financial Statement Announcement for the Financial Period Ended 31 March 2011

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		% Change
	Q1 2011	Q1 2010	
Turnover	1,010,672	835,031	21
Cost of sales	(898,630)	(756,580)	19
Gross profit	112,042	78,451	43
Other income (net) [1]	30,327	33,589	(10)
Expenses			
- Distribution	(13,376)	(12,057)	11
- Administrative	(45,071)	(38,463)	17
- Finance	(8,131)	(11,976)	(32)
Share of profit /(loss) of associated companies [2]	94	(79)	NM
Profit before income tax [3]	75,885	49,465	53
Income tax expense [4]	(17,466)	(11,322)	54
Net profit	58,419	38,143	53
Attributable to:			
Equity holders of the Company	37,087	31,712	17
Non-controlling interests	21,332	6,431	232
Net profit	58,419	38,143	53
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)			
- basic	1.66	1.42	17
- diluted	1.66	1.42	17

(ii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Q1 2011	Q1 2010	Change
	S\$'000	S\$'000	%
Sale of scrap materials	20,420	12,747	60
Net gain on disposal of property, plant and equipment	120	888	(86)
Interest income from bank deposits	5,015	3,585	40
Currency exchange (loss)/gain - net	(2,000)	5,926	(134)
Net fair value gain on forward currency contracts	2,939	2,967	(1)
Compensation received from customers	-	1,249	(100)
Government grants	114	1,845	(94)
Sundry income	3,719	4,382	(15)
	30,327	33,589	(10)

NM denotes not meaningful.

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

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

	Q1 2011	Q1 2010	Change
	S\$'000	S\$'000	%
Interest on borrowings	(8,131)	(11,976)	(32)
Depreciation and amortisation	(41,197)	(41,268)	(0)
Net reversal of impairment of trade and other receivables	151	3,204	(95)
Write-off for inventory obsolescence and inventory write-down	(141)	-	NM
Write-off for property, plant and equipment	(3)	(2)	50
Expected losses recognised on construction contracts	(20,348)	-	NM

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

	Q1 2011	Q1 2010	Change
	S\$'000	S\$'000	%
Income tax	-	(21)	(100)

(iii) Consolidated Statement of Comprehensive Income

	Group		
	S\$'000		%
	Q1 2011	Q1 2010	Change
Net Profit	58,419	38,143	53
Other comprehensive income /(loss):			
Financial assets, available-for-sale - Net fair value gain/(loss)	3	(61)	NM
Currency translation differences arising from consolidation	(17,583)	(5,961)	195
Total comprehensive income for the period	40,839	32,121	27
Total comprehensive income attributable to:			
Equity holders of the Company	25,035	27,831	(10)
Non-controlling interests	15,804	4,290	268
	40,839	32,121	27

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
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
Current assets				
Cash and cash equivalents	833,502	867,201	116,970	116,957
Forward currency contracts	2,918	-	-	-
Trade and other receivables	1,956,959	1,976,663	177	2,895
Inventories	576,737	518,035	-	-
Construction contract work-in- progress	245,341	182,728	-	-
Other current assets	9,523	4,155	217	205
	3,624,980	3,548,782	117,364	120,057
Non-current assets				
Trade and other receivables	37,310	49,089	-	-
Financial assets, available-for-sale	3,423	3,434	-	-
Club memberships	555	557	172	172
Investments in associated companies	3,505	3,569	-	-
Investments in subsidiaries	-	-	374,037	374,037
Investment properties	14,452	14,619	-	-
Property, plant and equipment	2,179,863	2,207,952	620	650
Intangible assets	9,459	9,468	-	-
Deferred expenditure	3,129	3,169	-	-
Deferred income tax assets	210,779	212,703	-	-

	2,462,475	2,504,560	374,829	374,859
Total assets	6,087,455	6,053,342	492,193	494,916
Current liabilities				
Trade and other payables	3,087,956	3,144,533	17,699	17,620
Current income tax liabilities	69,471	72,766	68	245
Borrowings	574,199	555,148	-	-
Provision for other liabilities	54,337	45,049	-	-
	3,785,963	3,817,496	17,767	17,865
Non-current liabilities				
Borrowings	460,668	437,065	-	-
Deferred income tax liabilities	5,676	4,304	4,682	4,056
	466,344	441,369	4,682	4,056
Total liabilities	4,252,307	4,258,865	22,449	21,921
Net assets	1,835,148	1,794,477	469,744	472,995
Equity				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	101,476	103,950	45,105	45,105
Retained earnings	851,568	824,059	154,031	157,282
Shareholders' equity	1,223,652	1,198,617	469,744	472,995
Non-controlling interests	611,496	595,860	-	-
Total equity	1,835,148	1,794,477	469,744	472,995

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

Amount repayable in one year or less, or on demand

As at 31/03/2011		As at 31/12/2010	
Secured	Unsecured	Secured	Unsecured
49,968,000	524,231,000	47,340,000	507,808,000

Amount repayable after one year

As at 31/03/2011		As at 31/12/2010	
Secured	Unsecured	Secured	Unsecured
6,988,000	453,680,000	9,322,000	427,743,000

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 \$130,944,000 (2010: \$115,095,000).

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 2011	Q1 2010
<u>Cash flows from operating activities</u>		
Net profit	58,419	38,143
Adjustments for:		
Income tax expense	17,466	11,322
Depreciation and amortisation	41,197	41,268
Net reversal of impairment of trade and other receivables	(151)	(3,204)
Write-off for inventory obsolescence and inventory write-down	141	-
Net gain on disposal of property, plant and equipment	(120)	(888)
Expected losses recognised on construction contracts	20,348	-
Write-off for property, plant and equipment	3	2
Net fair value gain on forward currency contracts	(2,939)	(2,967)
Share of (profit)/loss from associated companies	(94)	79
Interest expense (financing)	8,131	11,976
Interest income from bank deposits (investing)	(5,015)	(3,585)
	137,386	92,146
Changes in working capital:		
Inventories and construction contract work-in-progress	(121,455)	151,735
Trade and other receivables	32,179	(25,896)
Trade and other payables	(76,814)	(355,339)
Other current assets	(5,369)	(6,808)
Provision for other liabilities	9,287	2,832
Exchange differences	4,263	5,332
Cash used in operations	(20,523)	(135,998)
Income tax paid	(18,587)	(13,370)
Net cash used in operating activities	(39,110)	(149,368)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(33,829)	(24,323)
Proceeds from disposal of property, plant and equipment	179	710
Purchase of transferable club memberships	-	(60)
Interest received from bank deposits	4,572	10,658
Net cash used in investing activities	(29,078)	(13,015)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	57,208	102,494
Repayments of borrowings	(5,439)	(113,012)
Repayments of finance lease liabilities	(2)	(5)
Increase in bank deposits pledged	(882)	(3)
Interest paid	(8,313)	(10,974)
Dividends paid to non-controlling interests of subsidiaries	(77)	(1,181)
Net cash provided by/(used in) financing activities	42,495	(22,681)
Net decrease in cash and cash equivalents	(25,693)	(185,064)
Cash and cash equivalents at beginning of financial period	863,913	1,545,621
Effects of currency translation on cash and cash equivalents	(8,888)	(5,941)
Cash and cash equivalents at end of financial period	829,332	1,354,616
Cash and cash equivalents represented by:		
Cash at bank and on hand	337,004	602,558

Short-term bank deposits	496,498	755,615
Less: Bank deposits pledged	(4,170)	(3,557)
	829,332	1,354,616

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

	Share capital S\$'000	Statutory and other reserves S\$'000	Retained earnings S\$'000	Non-controlling interests S\$'000	Total S\$'000
The Group					
At 1 January 2011	270,608	103,950	824,059	595,860	1,794,477
Total comprehensive income for the period	-	(12,052)	37,087	15,804	40,839
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(168)	(168)
Transfer from asset revaluation reserve to retained earnings	-	(805)	805	-	-
Transfer from retained earnings to statutory reserves	-	10,383	(10,383)	-	-
At 31 March 2011	270,608	101,476	851,568	611,496	1,835,148
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 interests 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
The Company					
At 1 January 2011	270,608	45,105	157,282	-	472,995
Total comprehensive loss for the period	-	-	(3,251)	-	(3,251)
At 31 March 2011	270,608	45,105	154,031	-	469,744
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

- 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 Q1 2011, 2,100,000 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 March 2011 were 28,850,000 (31 March 2010: 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 March 2011, share capital of the Company comprised 2,239,244,954 ordinary shares (31 December 2010: 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.**

The Group has adopted the same accounting policies and method of computation in the financial statements for the current financial period as compared with the audited financial statements for the financial year ended 31 December 2010.

- 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	
	Q1 2011	Q1 2010
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	1.66	1.42
Weighted average number of ordinary shares ('000)	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	1.66	1.42
Adjusted weighted average number of ordinary shares ('000)	2,240,412	2,239,319

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 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.

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	
	31/03/2011	31/12/2010	31/03/2011	31/12/2010
Net asset value per ordinary share (cents)	54.65	53.53	20.98	21.12

The net asset value per ordinary share is calculated based on the total number of issued shares of 2,239,244,954 (31 December 2010: 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 21.0% to \$1.0 billion in Q1 2011 driven by growth in the ship building and marine engineering segment as the construction and delivery of vessels gained traction. The Group achieved net profit attributable to equity holders of \$37.1 million, an increase of 16.9% over Q1 2010.

Turnover

The Group achieved a 21.0% increase in turnover to \$1.0 billion in Q1 2011 from \$835.0 million in Q1 2010 boosted by higher revenue from ship building and marine engineering projects notwithstanding lower revenue from ship repair & conversion and dry bulk shipping.

Turnover from shipyard operations climbed 23.8% to \$990.2 million in Q1 2011 from \$800.1 million in Q1 2010 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 due to less high-value ship conversion projects. The Group successfully delivered 7 dry bulk carriers in the 1st quarter of 2011. Of these, COSCO Dalian shipyard delivered 3 bulk carriers while COSCO Zhoushan and COSCO Guangdong shipyards delivered 2 bulk carriers each. Also notably, Cosco Nantong shipyard delivered the first windmill turbine installation vessel and the first shuttle tanker in March 2011 while Cosco Zhousan shipyard delivered the first 5,000 units car carrier in February 2011.

Turnover from dry bulk shipping business decreased 45.9% to \$17.3 million in Q1 2011 from \$32.0 million in Q1 2010 as the current short-term charter rates were significantly lower than the more favorable charter rates received in Q1 2010. The Baltic Dry Index (BDI), a measure of shipping costs for commodities, started the quarter at 1,693 points as at 1 January 2011 and ended at 1,530 points on 31 March 2011 after hitting a two-year low of 1,043 points in February 2011. The quarter's average was at 1,365 points which was a 54.9% decrease from the 1st quarter average of 2010 of 3,027 points. 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 the first quarter 2011.

Ship repair, ship building and marine engineering business continued to contribute to the bulk of the Group's revenue, constituting 98.0% of Group turnover in Q1 2011. Dry bulk shipping and shipping agency and others accounted for the remaining 2.0%.

Profitability

Gross profit increased by 42.8% from \$ 78.5 million in Q1 2010 to \$112.0 million in Q1 2011 on greater efficiencies from ship repair and conversion projects and higher profit contributions from ship building and marine engineering projects on the back of higher turnover with greater efficiencies despite a lower dry bulk shipping charter rates amidst a difficult business environment.

Other gains comprised gain from the disposal of scrap metal, interest income, net currency exchange gain/(loss), net fair value gain on forward currency contracts and others. The decrease in other gains was mainly due to compensation received from customers and government grants received in Q1 2010 of \$1.2 million and \$1.8 million respectively which were not recurring in Q1 2011.

Distribution and administrative expenses rose in line with the expanding business volume and higher cost environment. Interest expense decreased 32.1% to \$8.1 million in Q1 2011 due to lower bank borrowings.

Non-controlling interests increased due to higher profit contributions from the Group's PRC subsidiaries.

Overall, net profit attributable to equity holders of the Company increased 16.9% from \$31.7 million in Q1 2010 to \$37.1 million in Q1 2011 due to higher profit contributions from shipyard operations despite lower profit contributions from dry bulk shipping.

Balance Sheet and Cash Flow

(31 March 2011 vs 31 December 2010)

Cash and cash equivalents decreased from \$867.2 million to \$833.5 million mainly due to cash used in the purchases of new property, plant and equipment and purchase of inventories.

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

Trade and other receivables remained almost unchanged at \$2.0 billion albeit a marginal decrease in advances paid to suppliers (from \$858.8 million to \$851.9 million).

Property, plant & equipment remained relatively unchanged at \$2.2 billion despite the facilities expansion of the major shipyards in COSCO Shipyard Group Co., Ltd (“CSG”) mainly due to depreciation.

Trade and other payables remained almost unchanged at \$3.1 billion albeit a marginal decrease in advances received from customers (from \$1.2 billion to \$ 1.1 billion).

Total borrowings were maintained at about the \$1.0 billion level.

Shareholder’s equity increased \$25.0 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.

Not Applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As at 31 March 2011, the Group’s order book stood at US\$5.9 billion with progressive deliveries up to 2013 which will keep the Group’s shipyards busy. This order book is subject to revision from any new orders or cancellation of orders that may arise.

New orders received in 1st quarter 2011 comprised 3 special purpose carriers and 2 units of self erecting tender drilling rig. On 24 March 2011, Cosco Nantong shipyard signed a letter of intent (“LOI”) with Sevan drilling Rig V Pte Ltd and Sevan Drilling Rig VI Pte Ltd in respect of 2 turn-key EPC (Engineering, Procurement and Construction) contracts for the delivery of two drilling units based on the Sevan design (Sevan 650) which are expected to take place in the fourth quarter of 2013 and second quarter of 2014 respectively. The LOI has also granted options for 2 additional drilling units. The contract price for each drilling unit is approximately US\$ 525 million. The effectiveness of the EPC contracts is subject to the board approval of each of Sevan Drilling Rig V Pte Ltd and Sevan Drilling Rig VI Pte Ltd and the board approval of Cosco Nantong shipyard. The formal agreements for the EPC Contracts and options are expected to be signed at a later date.

The Group successfully delivered 7 dry bulk carriers in the 1st quarter of 2011. Of these, COSCO Dalian shipyard delivered 3 bulk carriers while COSCO Zhoushan and COSCO Guangdong shipyards delivered 2 bulk carriers each. Also notably, Cosco Nantong shipyard delivered the first windmill turbine installation vessel and the first shuttle tanker in March 2011 while Cosco Zhoushan shipyard delivered the first 5,000 units car carrier in February 2011. The Group will continue to focus on deliveries while it upgrades its shipyard capabilities and efficiencies and control costs.

The Group maintains a cautious outlook for 2011 as the global economic recovery is uneven with new uncertainties from the unrest in the Middle East and the recent earthquake & tsunami disaster with nuclear scare in Japan. On an upbeat note, the Offshore & Marine industry is experiencing an

upcycle, driven by higher price of oil, with more demand for oil rigs and other specialized support vessels and we aim to optimize our offerings and capitalize on this uptrend while maintaining our market leadership position in ship repair in China.

China is projected to grow by 9.6% in 2011 (IMF report dated 11 April 2011) and fresh restrictive economic policies are in place to mitigate inflation and over heating of the property market. The gradual appreciation of the Chinese Yuan against the United States Dollar (USD), rising interest rates in China, and a potential rise in wages exacerbated by a labor crunch in China, coupled with increases in prices of raw materials, including steel, collectively may compromise operating margins of the Group's shipyard operations.

The BDI started the year 2011 at 1,693 points and ended the 1st quarter at 1,530 points after reaching a two-year low of 1,043 points in February 2011. The first quarter average BDI was at 1,365 points which is a 54.9% decrease from the corresponding quarter average BDI in 2010 of 3,027 points. Any rebound in BDI may remain subdued as expansion in the global bulk carrier fleet is expected to outpace demand, even though it may be boosted in the second half of the year by the post earthquake and tsunami reconstruction in Japan.

The Group continues to leverage on the strength of its diversified business to remain competitive and fortify its strategic market position .

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/recommendeded, a statement to that effect.

No interim dividend has been declared/recommended by the Directors in Q1 2011.

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 Dalian Branch		3,026
Chimbusco Guangzhou Branch		515
Chimbusco Zhoushan Branch		2,675
Cosco (HK) Shipping Co., Ltd		1,175
Cosco Bulk Carrier Co., Ltd		558
Cosco Container Lines Co., Ltd		2,457
Cosco Finance Co., Ltd		1,191
Cosco International Trade Ltd		256
Cosco Logistics (Nantong)		117
Cosco Nantong Steel Co., Ltd	1,395	2,237
Guangzhou Ocean Shipping Company		2,583
Nantong Chimbusco Marine Bunker		244
Nantong Cosco Ship Equipment Company		1,268
Qingdao Manning Co-operation Ltd		610
Shanghai Ocean Crew Co., Ltd		1,046
Shanghai Ocean Industrial Corporation		2,204
Shenzhen Ocean Shipping Company		414
Total	1,395	22,576

	As at 31/03/2011	As at 31/12/2010
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	96,005	85,045
- Short-term bank deposits	270,068	388,500
	366,073	473,545

BY ORDER OF THE BOARD

Mr Jiang Li Jun
Vice Chairman and President
06/5/2011

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 period ended 31 March 2011 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

06/5/2011