



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

Unaudited First Quarter Financial Statement Announcement for the Financial Period Ended 31 March 2012

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 2012	Q1 2011	
Sales	978,723	1,010,672	(3)
Cost of sales	(879,917)	(898,630)	(2)
Gross profit	98,806	112,042	(12)
Other income (net) [1]	44,324	30,327	46
Expenses			
- Distribution	(15,150)	(13,376)	13
- Administrative	(42,872)	(45,071)	(5)
- Finance	(21,765)	(8,131)	168
Share of profit of associated companies [2]	193	94	105
Profit before income tax [3]	63,536	75,885	(16)
Income tax expense	(17,108)	(17,466)	(2)
Net profit	46,428	58,419	(21)
Profit attributable to:			
Equity holders of the Company	27,827	37,087	(25)
Non-controlling interests	18,601	21,332	(13)
	46,428	58,419	(21)
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)			
- Basic	1.24	1.66	(25)
- Diluted	1.24	1.66	(25)

(ii) Consolidated Statement of Comprehensive Income

	Group		
	S\$'000		%
	Q1 2012	Q1 2011	Change
Net Profit	46,428	58,419	(21)
Other comprehensive (loss)/income:			
Available-for-sale financial assets			
- Net fair value gain	19	3	533
Currency translation differences arising from consolidation	(56,267)	(17,583)	220
Total comprehensive (loss)/income for the period	(9,820)	40,839	(124)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(7,073)	25,035	(128)
Non-controlling interests	(2,747)	15,804	(117)
	(9,820)	40,839	(124)

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Q1 2012	Q1 2011	Change
	S\$'000	S\$'000	%
Sale of scrap materials	16,334	20,420	(20)
Net (loss)/gain on disposal of property, plant and equipment	(44)	120	NM
Rental income	1,071	731	47
Interest income	9,710	5,015	94
Currency exchange gain/(loss) - net	15,288	(2,000)	NM
Net fair value gain on forward currency contracts	-	2,939	NM
Government grants	1,320	114	NM
Sundry income	645	2,988	(78)
	44,324	30,327	46

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 2012	Q1 2011	Change
	S\$'000	S\$'000	%
Interest on borrowings	(21,765)	(8,131)	168
Depreciation and amortisation	(44,760)	(41,197)	9
Net (allowance for)/reversal of impairment of trade and other receivables	(1,601)	151	NM
Net reversal of/(allowance for) inventory write-down	1,212	(141)	NM
Write-off for property, plant and equipment	(36)	(3)	NM
Expected losses recognised on construction contracts	(13,802)	(20,348)	(32)

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
	31/03/2012	31/12/2011	31/03/2012	31/12/2011
Current assets				
Cash and cash equivalents	1,977,807	1,585,268	121,063	125,851
Forward currency contracts	-	4,728	-	-
Trade and other receivables	2,257,034	2,010,450	4,331	4,476
Inventories	497,026	491,484	-	-
Construction contract work-in-progress	171,483	148,098	-	-
Other current assets	9,846	6,935	195	192
	4,913,196	4,246,963	125,589	130,519
Non-current assets				
Trade and other receivables	56,614	63,867	-	-
Available-for-sale financial assets	4,299	4,407	-	-
Club memberships	386	390	172	172
Investments in associated companies	4,167	4,102	-	-
Investments in subsidiaries	-	-	369,666	369,666
Investment properties	14,126	14,405	-	-
Property, plant and equipment	2,309,946	2,412,126	891	924
Intangible assets	9,495	9,526	-	-
Deferred expenditure	3,123	3,211	-	-
Deferred income tax assets	279,177	241,513	-	-
	2,681,333	2,753,547	370,729	370,762
Total assets	7,594,529	7,000,510	496,318	501,281
Current liabilities				
Forward currency contracts	-	4,728	-	-
Trade and other payables	2,672,271	2,697,294	18,411	18,236
Current income tax liabilities	82,639	66,460	291	372
Borrowings	2,082,394	1,668,322	-	-
Provision for other liabilities	53,974	59,430	-	-
	4,891,278	4,496,234	18,702	18,608

Non-current liabilities				
Borrowings	706,403	498,090	-	-
Deferred income tax liabilities	6,194	5,712	6,064	5,582
	712,597	503,802	6,064	5,582
Total liabilities	5,603,875	5,000,036	24,766	24,190
Net assets	1,990,654	2,000,474	471,552	477,091
Equity				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	145,652	181,320	45,105	45,105
Retained earnings	877,900	849,305	155,839	161,378
Shareholders' equity	1,294,160	1,301,233	471,552	477,091
Non-controlling interests	696,494	699,241	-	-
Total equity	1,990,654	2,000,474	471,552	477,091

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

Amount repayable in one year or less, or on demand

As at 31/03/2012		As at 31/12/2011	
Secured	Unsecured	Secured	Unsecured
297,962,000	1,784,432,000	231,026,000	1,437,296,000

Amount repayable after one year

As at 31/03/2012		As at 31/12/2011	
Secured	Unsecured	Secured	Unsecured
152,180,000	554,223,000	99,202,000	398,888,000

Details of any collateral

The collaterals for secured borrowings comprise the Group's trade receivables and vessels with net book value totalling \$450,414,000 (2011: \$357,696,000).

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 2012	Q1 2011
<u>Cash flows from operating activities</u>		
Net profit	46,428	58,419
Adjustments for:		
Income tax expense	17,108	17,466
Depreciation and amortisation	44,760	41,197
Net allowance for/(reversal of) impairment of trade and other receivables	1,601	(151)
Net (reversal of)/allowance for inventory write-down	(1,212)	141
Net loss/(gain) on disposal of property, plant and equipment	44	(120)
Expected losses recognised on construction contracts	13,802	20,348
Write-off for property, plant and equipment	36	3
Net fair value gain on forward currency contracts	-	(2,939)
Share of profit from associated companies	(193)	(94)
Finance expenses	21,765	8,131
Interest income	(9,710)	(5,015)
	134,429	137,386
Changes in working capital:		
Inventories and construction contract work-in-progress	(27,715)	(121,455)
Trade and other receivables	(237,892)	32,179
Trade and other payables	(38,860)	(76,814)
Other current assets	(2,911)	(5,369)
Deferred expenditure	(52)	-
Provision for other liabilities	(5,456)	9,287
Exchange differences	455	4,263
Cash used in operations	(178,002)	(20,523)
Income tax paid	(43,148)	(18,587)
Net cash used in operating activities	(221,150)	(39,110)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(16,817)	(33,829)
Proceeds from disposal of property, plant and equipment	1,956	179
Interest received	6,577	4,572
Net cash used in investing activities	(8,284)	(29,078)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	731,050	57,208
Repayments of borrowings	(42,915)	(5,439)
Repayments of finance lease liabilities	-	(2)
Increase in bank deposits pledged	(9,291)	(882)
Interest paid	(21,484)	(8,313)
Dividends paid to non-controlling interests of subsidiaries	(100)	(77)
Net cash provided by financing activities	657,260	42,495
Net increase/(decrease) in cash and cash equivalents	427,826	(25,693)
Cash and cash equivalents at beginning of financial period	1,584,048	863,913
Effects of currency translation on cash and cash equivalents	(44,579)	(8,888)
Cash and cash equivalents at end of financial period	1,967,295	829,332

Cash and cash equivalents represented by:		
Cash at bank and on hand	656,070	337,004
Short-term bank deposits	1,321,737	496,498
Less: Bank deposits pledged	(10,512)	(4,170)
	1,967,295	829,332

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 2012	270,608	181,320	849,305	699,241	2,000,474
Total comprehensive loss for the period	-	(34,900)	27,827	(2,747)	(9,820)
Transfer from asset revaluation reserve to retained earnings	-	(805)	805	-	-
Transfer from retained earnings to statutory reserves	-	37	(37)	-	-
At 31 March 2012	270,608	145,652	877,900	696,494	1,990,654
At 1 January 2011					
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
The Company					
At 1 January 2012	270,608	45,105	161,378	-	477,091
Total comprehensive loss for the period	-	-	(5,539)	-	(5,539)
At 31 March 2012	270,608	45,105	155,839	-	471,552
At 1 January 2011					
Total comprehensive loss for the period	-	-	(3,251)	-	(3,251)
At 31 March 2011	270,608	45,105	154,031	-	469,744

- 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 2012, 1,600,000 share options granted under the Cosco Group Employees' Share Option Scheme 2002 ("Scheme 2002") had lapsed.

The outstanding share options under the Scheme 2002 as at 31 March 2012 were 26,710,000 (31 March 2011: 28,850,000).

- 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 2012, share capital of the Company comprised 2,239,244,954 ordinary shares (31 December 2011: 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 2011.

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 2012, the Group and the Company adopted the following revised Financial Reporting Standards (“FRS”) which are effective for annual periods beginning on or after 1 July 2011.

The following are the revised FRS that are relevant to the Group:

- (i) Amendments to FRS 107 Disclosures – *Transfers of Financial Assets*
- (ii) Amendments to FRS 1 *Presentation of Financial Statements*

The adoption of the revised FRS does not have a significant impact on the financial statements of the Group.

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 2012	Q1 2011
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	1.24	1.66
Weighted average number of ordinary shares('000)	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	1.24	1.66
Adjusted weighted average number of ordinary shares ('000)	2,239,245	2,240,412

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 Q1 2012, 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 period.

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	
	31/03/2012	31/12/2011	31/03/2012	31/12/2011
Net asset value per ordinary share (cents)	57.79	58.11	21.06	21.31

The net asset value per ordinary share is calculated based on the total number of issued shares of 2,239,244,954 (2011: 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

Against the backdrop of a difficult business environment, the Group achieved turnover of \$978.7 million with a net profit attributable to equity holders of \$27.8 million.

Turnover

Group turnover inched down 3.2% to \$978.7 million in Q1 2012 from \$1.0 billion in Q1 2011 due to a decline in dry bulk shipping and shipyard revenue.

Turnover from shipyard operations decreased marginally by 2.5% to \$965.9 million in Q1 2012 from \$990.2 million in Q1 2011 mainly due to lower revenue contributions from ship repair and ship building segments which more than offset the growth in revenue from marine engineering segments. The Group successfully delivered 12 dry bulk carriers in the 1st quarter of 2012. Of these, COSCO Guangdong shipyard delivered 3 bulk carriers, COSCO Zhoushan shipyard delivered 5 bulk carriers and COSCO Dalian shipyard delivered 4 bulk carriers. In addition, COSCO Nantong shipyard delivered the Sevan Brasil, a cylindrical drilling unit, and a shuttle tanker.

Turnover from dry bulk shipping and other businesses decreased 37.6% to \$12.8 million in Q1 2012 from \$20.5 million in Q1 2011 as the current short-term charter rates were significantly lower than the more favorable charter rates received in Q1 2011. The Baltic Dry Index (BDI), a measure of shipping costs for commodities, started the year 2012 at 1,624 points and ended the 1st quarter at 934 points after reaching a 25-year low of 647 points on 6 February 2012. The first quarter average BDI was at 867 points which is a 36.5% decrease from the corresponding quarter average BDI in 2011 of 1,365 points. The decline in the BDI is mainly due to a glut of vessel supply in the dry bulk shipping market that seriously depressed freight rates.

Ship repair, ship building and marine engineering business continued to contribute to the bulk of the Group's revenue, constituting 98.7% of Group turnover in Q1 2012. Dry bulk shipping and other businesses accounted for the remaining 1.3%.

Profitability

Gross profit decreased by 11.8% from \$112.0 million in Q1 2011 to \$98.8 million in Q1 2012 mainly due to lower dry bulk shipping income as a result of lower BDI and lower shipyard revenue. The shipyard operational costs included expected losses of \$13.8 million (Q1 2011: \$20.3 million) on construction contracts which was mainly due to the impact of higher costs of raw materials and labour and, additionally the higher costs in the execution of offshore marine engineering projects on new product types.

Other gains comprised gain from the disposal of scrap metal, interest income, net currency exchange gain/(loss) and others. Compared to Q1 2011, other income increased by 46.2% mainly due to currency exchange gains and higher interest income, partially offset by lower sales of scrap materials.

Distribution costs rose 13.3% in line with new orders secured and more marketing promotions.

Interest expense increased 167.7% to \$21.8 million in Q1 2012 due to higher bank borrowings to fund shipyard operations.

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

As a result of the above, net profit attributable to equity holders of the Company decreased 25.0% from \$37.1 million in Q1 2011 to \$27.8 million in Q1 2012.

Balance Sheet and Cash Flow

(31 March 2012 vs 31 December 2011)

Cash and cash equivalents increased from \$1.6 billion to \$2.0 billion mainly due to net cash provided by more bank borrowings procured to finance shipyard operating activities.

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

Trade and other receivables increased \$239.3 million to \$2.3 billion mainly due to increase in advances paid to suppliers (from \$804.8 million to \$914.1 million) and other receivables.

Property, plant & equipment decreased by \$102.2 million to \$2.3 billion mainly due to depreciation.

Trade and other payables remained almost unchanged at \$2.7 billion albeit a marginal decrease in advances received from customers (from \$465.3 million to \$441.4 million).

Total borrowings increased by \$622.4 million to \$2.8 billion due to additional funding procured to finance shipyard operations.

Shareholder's equity remained almost unchanged at \$1.3 billion as decrease in currency translation reserves partially offset the transfer of Q1 2012 profits to retained earnings.

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 2012, the Group's order book stood at US\$5.8 billion with progressive deliveries up to 2014. This order book is subject to revision from any new orders or cancellation of orders that may arise.

New orders received in 1st quarter 2012 amounting to US\$0.5 billion include 1 wind turbine installation vessel, 2 pipelay heavylift offshore construction vessels, 3 bulk carriers and 4 platform supply vessels.

The Group successfully delivered 12 dry bulk carriers in the 1st quarter of 2012. Of these, COSCO Guangdong shipyard delivered 3 bulk carriers, COSCO Zhoushan shipyard delivered 5 bulk carriers and COSCO Dalian shipyard delivered 4 bulk carriers. In addition, COSCO Nantong shipyard delivered 2 offshore marine engineering vessels - the Sevan Brasil, a cylindrical drilling unit, and a shuttle tanker.

As the Group continues construction in 2012 on new ship building contracts that were secured in 2010 at low contract values due to the slumping bulk carrier shipping market then, the Group expects the operating margins on new shipbuilding projects to be under even greater pressure notwithstanding improving gains in efficiency and productivity.

In offshore marine engineering operations, the Group aims to enhance its offerings. It is currently one of the largest marine engineering groups in the People's Republic of China with 19 outstanding offshore marine projects in its order book as at 31 March 2012. This includes 1 deep-water drillship, 1 semi-submersible barge, 2 wind turbine installation vessels, 2 semi submersibles, 2 jack-up rigs, 2 pipelay vessels, 2 Sevan 650 drilling units, 3 tender rigs and 4 platform supply vessels. However, as a relatively new entrant, the Group expects to incur higher costs during the execution of offshore marine engineering projects on new product types. Progressively, the Group will gather expertise and capabilities to reach out to a broader customer base, laying a firmer foundation for long-term sustainable growth in offshore and marine engineering operations.

The BDI started the year 2012 at 1,624 points and ended the 1st quarter at 934 points after reaching a 25-year low of 647 points on 6 February 2012. The first quarter average BDI was at 867 points which is a 36.5% decrease from the corresponding quarter average BDI in 2011 of 1,365 points. Any rebound in BDI may remain subdued as expansion in the global bulk carrier fleet is expected to outpace demand.

The Group maintains a cautious outlook for 2012 as the global economic recovery remains fragile with ongoing concerns over the sovereign debt crisis in Europe and emerging geopolitical uncertainties. Overall, the Group expects business and operating conditions for the rest of 2012 to remain difficult and challenging.

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 2012.

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		5,869
Chimbusco Guangzhou Branch		1,481
Chimbusco Lianyungang Branch		492
Chimbusco Zhoushan Branch		2,498
Cosco (Cayman) Mercury Co., Ltd		154
Cosco (HK) Shipping Co., Ltd		3,454
Cosco Bulk Carrier Co., Ltd		1,260
Cosco Container Lines Co., Ltd		3,889
Cosco Finance Co., Ltd		500,970
Cosco Logistics (Nantong)		156
Cosco Petroleum Pte Ltd		1,226
Cosco Wallem Ship Management Co., Ltd		120
Dalian Ocean Shipping Company		596
Nantong Cosco Ship Equipment Company		1,266
Qingdao Manning Co-operation Ltd		821
Qingdao Ocean Shipping Company		288
Shanghai Ocean Crew Co., Ltd		1,204
Shenzhen Ocean Shipping Company		1,267
Xiamen Mintai Ferry Co., Ltd		430
Xiamen Ocean Shipping Company		430
Total		527,871

	As at 31/03/2012	As at 31/12/2011
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	171,217	409,222
- Short-term bank deposits	1,033,549	765,759
	1,204,766	1,174,981

BY ORDER OF THE BOARD

Mr Wu Zi Heng
Vice Chairman and President
8/5/2012

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 2012 financial results to be false or misleading.

On behalf of the directors

Mr Wu Zi Heng
Vice Chairman and President

Mr Liu Lian An
Director

8/5/2012