



Unaudited First Quarter Financial Statement Announcement for the Financial Period Ended 31 March 2013

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		% Change
	S\$'000		
	Q1 2013	Q1 2012	
Sales	732,995	978,723	(25)
Cost of sales	(654,376)	(879,917)	(26)
Gross profit	78,619	98,806	(20)
Other income (net) [1]	10,910	44,324	(75)
Expenses			
- Distribution	(9,458)	(15,150)	(38)
- Administrative	(31,614)	(42,872)	(26)
- Finance	(27,275)	(21,765)	25
Share of profit of associated companies [2]	177	193	(8)
Profit before income tax [3]	21,359	63,536	(66)
Income tax expense	(5,817)	(17,108)	(66)
Net profit	15,542	46,428	(67)
Profit attributable to:			
Equity holders of the Company	9,744	27,827	(65)
Non-controlling interests	5,798	18,601	(69)
	15,542	46,428	(67)
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)			
- Basic	0.44	1.24	(65)
- Diluted	0.44	1.24	(65)

(ii) Consolidated Statement of Comprehensive Income

	Group		
	S\$'000		%
	Q1 2013	Q1 2012	Change
Net Profit	15,542	46,428	(67)
Other comprehensive income/(loss):			
Available-for-sale financial assets - Net fair value (loss)/gain	(20)	19	NM
Currency translation differences arising from consolidation	35,932	(56,267)	NM
Total comprehensive income/(loss) for the period	51,454	(9,820)	NM
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	31,075	(7,073)	NM
Non-controlling interests	20,379	(2,747)	NM
	51,454	(9,820)	NM

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Q1 2013	Q1 2012	Change
	S\$'000	S\$'000	%
Sale of scrap materials	7,570	16,334	(54)
Net gain/(loss) on disposal of property, plant and equipment	17	(44)	NM
Rental income	326	1,071	(70)
Interest income	6,562	9,710	(32)
Currency exchange (loss)/gain - net	(4,314)	15,288	NM
Government grants	602	1,320	(54)
Sundry income	147	645	(77)
	10,910	44,324	(75)

NM denotes not meaningful.

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

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

	Q1 2013	Q1 2012	Change
	S\$'000	S\$'000	%
Interest on borrowings	(27,275)	(21,765)	25
Depreciation and amortisation	(44,893)	(44,760)	-
Net reversal of/(allowance for) impairment of trade and other receivables	4,066	(1,601)	NM
Net (allowance for)/reversal of inventory write-down	(1,103)	1,212	NM
Write-off for property, plant and equipment	(3)	(36)	(92)
Net reversal of/(allowance for) expected losses recognised on construction contracts	19	(13,802)	NM

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
	31/03/2013	31/12/2012	31/03/2013	31/12/2012
Current assets				
Cash and cash equivalents	1,691,960	1,692,836	83,296	83,905
Trade and other receivables	3,154,019	2,738,701	17,170	16,877
Inventories	409,258	352,183	-	-
Construction contract work-in-progress	107,473	93,009	-	-
Other current assets	16,941	11,865	147	191
	5,379,651	4,888,594	100,613	100,973
Non-current assets				
Trade and other receivables	41,285	44,344	-	-
Available-for-sale financial assets	4,298	4,244	-	-
Club memberships	312	310	99	99
Investments in associated companies	4,493	4,235	-	-
Investments in subsidiaries	-	-	370,269	370,269
Investment properties	11,694	11,730	-	-
Property, plant and equipment	2,227,554	2,225,689	870	905
Intangible assets	9,495	9,477	-	-
Deferred expenditure	3,038	3,020	-	-
Deferred income tax assets	230,688	201,914	-	-
	2,532,857	2,504,963	371,238	371,273
Total assets	7,912,508	7,393,557	471,851	472,246
Current liabilities				
Trade and other payables	2,300,992	2,244,367	17,607	17,886
Current income tax liabilities	41,052	10,383	911	896
Borrowings	1,522,423	1,467,910	-	-
Provision for other liabilities	55,359	55,719	-	-
	3,919,826	3,778,379	18,518	18,782

Non-current liabilities				
Borrowings	1,884,238	1,558,541	-	-
Deferred income tax liabilities	7,785	7,432	7,655	7,302
	1,892,023	1,565,973	7,655	7,302
Total liabilities	5,811,849	5,344,352	26,173	26,084
Net assets	2,100,659	2,049,205	445,678	446,162
Equity				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	173,453	152,927	45,105	45,105
Retained earnings	868,520	857,971	129,965	130,449
Shareholders' equity	1,312,581	1,281,506	445,678	446,162
Non-controlling interests	788,078	767,699	-	-
Total equity	2,100,659	2,049,205	445,678	446,162

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

Amount repayable in one year or less, or on demand

As at 31/03/2013		As at 31/12/2012	
Secured	Unsecured	Secured	Unsecured
292,947,000	1,229,476,000	378,215,000	1,089,695,000

Amount repayable after one year

As at 31/03/2013		As at 31/12/2012	
Secured	Unsecured	Secured	Unsecured
833,389,000	1,050,849,000	453,327,000	1,105,214,000

Details of any collateral

The collaterals for secured borrowings comprise the Group's trade receivables with net book value totalling \$1,126,607,000 (2012: \$1,006,722,000).

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 2013	Q1 2012
<u>Cash flows from operating activities</u>		
Net profit	15,542	46,428
Adjustments for:		
Income tax expense	5,817	17,108
Depreciation and amortisation	44,893	44,760
Net (reversal of)/allowance for impairment of trade and other receivables	(4,066)	1,601
Net allowance for/(reversal of) inventory write-down	1,103	(1,212)
Net (gain)/loss on disposal of property, plant and equipment	(17)	44
Net (reversal of)/allowance for expected losses recognised on construction contracts	(19)	13,802
Write-off for property, plant and equipment	3	36
Share of profit of associated companies	(177)	(193)
Interest expense (financing)	27,275	21,765
Interest income (investing)	(6,562)	(9,710)
	83,792	134,429
Changes in working capital:		
Inventories and construction contract work-in-progress	(72,641)	(27,715)
Trade and other receivables	(412,205)	(237,892)
Trade and other payables	56,681	(38,860)
Other current assets	(5,076)	(2,911)
Deferred expenditure	-	(52)
Provision for other liabilities	(360)	(5,456)
Exchange differences	19,923	455
Cash used in operations	(329,886)	(178,002)
Income tax paid	(88)	(43,148)
Net cash used in operating activities	(329,974)	(221,150)
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(5,483)	(16,817)
Proceeds from disposal of property, plant and equipment	63	1,956
Interest received	10,629	6,577
Net cash provided by/(used in) investing activities	5,209	(8,284)
<u>Cash flows from financing activities</u>		
Proceeds from borrowings	530,095	731,050
Repayments of borrowings	(207,294)	(42,915)
Increase in bank deposits pledged	(504)	(9,291)
Interest paid	(27,189)	(21,484)
Dividends paid to non-controlling interests of subsidiaries	(200)	(100)
Net cash provided by financing activities	294,908	657,260
Net (decrease)/increase in cash and cash equivalents	(29,857)	427,826
Cash and cash equivalents at beginning of financial period	1,675,272	1,584,048
Effects of currency translation on cash and cash equivalents	28,477	(44,579)
Cash and cash equivalents at end of financial period	1,673,892	1,967,295
Cash and cash equivalents represented by:		
Cash at bank and on hand	1,056,539	656,070
Short-term bank deposits	635,421	1,321,737
Less: Bank deposits pledged	(18,068)	(10,512)
	1,673,892	1,967,295

- 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 2013	270,608	152,927	857,971	767,699	2,049,205
Total comprehensive income for the period	-	21,331	9,744	20,379	51,454
Transfer from asset revaluation reserve to retained earnings	-	(805)	805	-	-
At 31 March 2013	270,608	173,453	868,520	788,078	2,100,659
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
The Company					
At 1 January 2013	270,608	45,105	130,449	-	446,162
Total comprehensive loss for the period	-	-	(484)	-	(484)
At 31 March 2013	270,608	45,105	129,965	-	445,678
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

- 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 2013, 2,900,000 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 2013 were 16,650,000 (31 March 2012: 26,710,000).

- 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 2013, share capital of the Company comprised 2,239,244,954 ordinary shares (31 December 2012: 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 period as compared with the audited financial statements for the financial year ended 31 December 2012.

- 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 2013, the Group and the Company adopted the Financial Reporting Standard ("FRS") 113 *Fair Value Measurement* which is effective for annual periods beginning on or after 1 January 2013.

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 2013	Q1 2012
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	0.44	1.24
Weighted average number of ordinary shares('000)	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	0.44	1.24
Adjusted weighted average number of ordinary shares ('000)	2,239,245	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. 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	
	31/03/2013	31/12/2012	31/03/2013	31/12/2012
Net asset value per ordinary share (cents)	58.62	57.23	19.90	19.92

The net asset value per ordinary share is calculated based on the total number of issued shares of 2,239,244,954 (2012: 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 achieved net profit attributable to equity holders of \$9.7 million on turnover of \$733.0 million in Q1 2013.

Turnover

Group turnover decreased 25.0% to \$733.0 million in Q1 2013 from \$978.7 million in Q1 2012 owing to a decrease in shipyard revenue.

In Q1 2013, turnover from shipyard operations decreased by 25.5% to \$719.2 million from \$965.9 million in Q1 2012, owing to lower revenue contribution from the ship repair and ship building segment.

The Group delivered 7 bulk carriers in Q1 2013. Of these, COSCO Zhousan and COSCO Guangdong shipyard delivered 2 bulk carriers each while COSCO Dalian shipyard delivered 3 bulk carriers.

Turnover from dry bulk shipping and other businesses increased 7.8% from \$12.8 million in Q1 2012 to \$13.8 million in Q1 2013.

The BDI started the year 2013 at 698 points and ended Q1 2013 at 910 points. The BDI averaged 796 points for Q1 2013, which is a 8.2% decrease from the average of Q1 2012 of 867 points.

Shipyard business remained the biggest revenue contributor, making up 98.1% of Group turnover in Q1 2013.

Profitability

Gross profit decreased 20.4% from \$98.8 million in Q1 2012 to \$78.6 million in Q1 2013 mainly due to lower profit contributions from dry bulk shipping and shipyard operations.

Other income comprised gain from the disposal of scrap metal, interest income, net currency exchange gain/(loss) and others. Compared to Q1 2012, other income decreased 75.4% to \$10.9 million in Q1 2013 mainly due to lower sale value of scrap materials and an exchange loss of \$4.3 million (Q1 2012: exchange gain of \$9.7 million).

Distribution and administration costs decreased 37.6% and 26.3% respectively in line with the decline in revenue.

Interest expense increased 25.3% to \$27.2 million in Q1 2013 due to higher bank borrowings deployed to fund shipyard operations.

Net profit attributable to equity holders of the Company decreased 65.0% from \$27.8 million in Q1 2012 to \$9.7 million in Q1 2013.

Balance Sheet and Cash Flow

(31 March 2013 vs 31 December 2012)

Cash and cash equivalents remained unchanged at \$1.7 billion. Please refer to note 1(c) Cash Flow Statement for more details.

Trade and other receivables increased \$412.3 million to \$3.2 billion mainly owing to higher construction contracts due from customers in the marine engineering segment and an increase in advances paid to suppliers (from \$672.8 million to \$813.1 million).

Trade and other payables increased \$56.6 million to \$2.3 billion mainly owing to higher accruals for operating expenses and construction contracts due to customers albeit a decrease in advances received from customers (from \$391.7 million to \$385.6 million).

Total borrowings increased \$380.2 million to \$3.4 billion due to additional funding procured to finance shipyard operations.

Shareholder's equity increased marginally by \$31.0 million to \$1.3 billion mainly due to increase in currency translation reserve and the transfer of Q1 2013 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 2013, the Group's order book stood at US\$6.4 billion with progressive deliveries up to 2015. This order book is subject to revision from any new or cancellation of orders that may arise.

New orders received in Q1 2013 amounting to about US\$254.0 million include 1 semi-submersible tender assist drilling rig and 2 platform supply vessels.

As the Group continues construction in 2013 on new ship building contracts that were secured in 2010 to 2012 at low contract values due to the slumping bulk carrier shipping market then, the Group expects operating margins on these new shipbuilding projects to continue to be under great 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. Offshore marine projects in its order book as at 31 March 2013 include 1 deep-water drillship, 1 FPSO, 1 semi-submersible accommodation rig, 1 semi-submersible accommodation vessel, 1 jack-up barge, 1 semi submersible, 1 wind turbine installation vessels, 2 pipelay vessels, 2 Sevan 650 drilling units, 2 tender barge, 3 jack-up rigs, 4 tender rigs and 10 platform supply vessels. However, for new product types, as a relatively new entrant, the Group expects to incur higher costs during the execution of offshore marine engineering projects on such new product types.

As an early mover in the offshore marine segment among Chinese shipyards and with the experience and expertise gained over the years, the Group is now a leading player among Chinese shipyards in the offshore marine segment. With the benefit of such experience and expertise gained over the years, the Group is now better positioned to understand and meet customers' expectations. Nevertheless, as the Group's offerings move further up the value chain in the offshore marine segment, it will be subject to further technical challenges in the production of higher value products. The Group will continue in its strive to gather expertise and capabilities to reach out to a broader customer base to lay an even firmer foundation for long-term sustainable growth in offshore and marine engineering operations. This will however have to take place amidst an increasing number of players in the offshore marine engineering segment.

The BDI started the year 2013 at 698 points and ended Q1 FY 2013 at 910 points. The BDI averaged 796 points for Q1 FY2013, which is a 8.2% decrease from the average of Q1 2012 of 867 points. Any

rebound in BDI is likely to be subdued as expansion in the global bulk carrier fleet continues to outpace demand.

With excess capacity in the shipping industry and the uncertain and weak global economic conditions, shipowners may be reluctant to place new orders for vessels and the Group may experience a decline in new orders in ship building which may lead to excess shipyard capacity.

The Group maintains a cautious outlook for rest of 2013 as the state of the global economy remains uncertain with the possibility of prolonged economic stagnation in Europe, continuing and emerging geopolitical uncertainties and fragile recovery in global economic growth. Moreover, the availability and cost of credit may tighten further, particularly following recent events in Europe, and this may adversely affect the ability of customers to meet their financial obligations. The further depreciation of the United States Dollar against the Chinese Yuan and a potential rise in general Chinese wages, prices of raw materials required for production as well as higher financing costs, and the entry of new players especially in the offshore marine segment, together may exert even greater downward pressure on the operating margins of the shipyard operations of the Group.

Overall, the Group expects even more difficult and challenging business and operating conditions in 2013.

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 2013.

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		4,843
Chimbusco Guangzhou Branch		380
Chimbusco Zhoushan Branch		1,249
Cosco (Cayman) Mercury Co., Ltd		199
Cosco (HK) Shipping Co., Ltd		1,018
Cosco Bulk Carrier Co., Ltd		1,169
Cosco Container Lines Co., Ltd		2,087
Cosco Far-Reaching Shipping Co.,Ltd		162
Cosco Finance Co., Ltd		64,124
Cosco Jiangsu International Freight Co., Ltd		1,256
Cosco Petroleum Pte Ltd		2,011
Cosco Shipping Co., Ltd		1,907
Dalian Ocean Shipping Company		406
Nantong Chimbusco Marine Bunker		956
Nantong Cosco Ship Equipment Company		480
Qingdao Manning Co-operation Ltd		797
Qingdao Ocean Shipping Company		254
Shanghai Ocean Crew Co., Ltd		1,169
Shanghai Ocean Shipping Company		370
Xiamen Mintai Ferry Co., Ltd		347
Xiamen Ocean Shipping Company		655
Total		85,839

	As at 31/03/2013	As at 31/12/2012
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	127,200	187,552
- Short-term bank deposits	232,874	407,625
	360,074	595,177
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	34,352	33,712

BY ORDER OF THE BOARD

Mr Wu Zi Heng
Vice Chairman and President
3/5/2013

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 2013 financial results to be false or misleading.

On behalf of the directors

Mr Wu Zi Heng
Vice Chairman and President

Mr Tom Yee Lat Shing
Director

3/5/2013