



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

Unaudited Third Quarter Financial Statement Announcement for the Financial Period Ended 30 September 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					
	S\$'000		%	S\$'000		%
	Q3 2013	Q3 2012		Change	YTD 2013	
Turnover	989,433	937,002	6	2,612,754	2,891,063	(10)
Cost of sales	(916,228)	(821,892)	11	(2,365,140)	(2,559,737)	(8)
Gross profit	73,205	115,110	(36)	247,614	331,326	(25)
Other income (net) [1]	39,750	31,342	27	66,640	109,649	(39)
Expenses						
- Distribution	(20,103)	(20,691)	(3)	(48,835)	(54,793)	(11)
- Administrative	(41,116)	(49,667)	(17)	(120,418)	(132,229)	(9)
- Finance	(27,847)	(25,715)	8	(83,526)	(73,531)	14
Share of profit of associated companies [2]	107	144	(26)	368	496	(26)
Profit before income tax [3]	23,996	50,523	(53)	61,843	180,918	(66)
Income tax expense [4]	(7,607)	(8,878)	(14)	(10,982)	(44,305)	(75)
<b>Net profit</b>	<b>16,389</b>	<b>41,645</b>	<b>(61)</b>	<b>50,861</b>	<b>136,613</b>	<b>(63)</b>
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	<b>4,224</b>	<b>26,556</b>	<b>(84)</b>	<b>26,009</b>	<b>81,995</b>	<b>(68)</b>
Non-controlling interests	12,165	15,089	(19)	24,852	54,618	(54)
Net profit	16,389	41,645	(61)	50,861	136,613	(63)
<b>Earnings per share for profit attributable to the equity holders of the Company</b> (expressed in cents per share)						
- basic	0.19	1.19	(84)	1.16	3.66	(68)
- diluted	0.19	1.19	(84)	1.16	3.66	(68)

(ii) Consolidated Statement of Comprehensive Income

	Group					
	S\$'000		%	S\$'000		%
	Q3 2013	Q3 2012	Change	YTD 2013	YTD 2012	Change
<b>Net Profit</b>	16,389	41,645	(61)	50,861	136,613	(63)
<b>Other comprehensive income/(loss):</b>						
Available-for-sale financial assets - Net fair value gain/(loss)	18	(23)	NM	(53)	(18)	194
Currency translation differences arising from consolidation	(14,360)	(37,489)	(62)	86,761	(98,171)	NM
<b>Total comprehensive income for the period</b>	2,047	4,133	(50)	137,569	38,424	258
<b>Total comprehensive income attributable to:</b>						
<b>Equity holders of the Company</b>	<b>(4,576)</b>	<b>2,807</b>	NM	<b>76,555</b>	<b>21,074</b>	263
Non-controlling interests	6,623	1,326	399	61,014	17,350	252
	2,047	4,133	(50)	137,569	38,424	258

(iii) Breakdown and Explanatory Notes to Consolidated Income Statement

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

	Q3 2013	Q3 2012	Change	YTD 2013	YTD 2012	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sale of scrap materials	11,898	12,667	(6)	32,664	48,987	(33)
Net gain on disposal of property, plant and equipment	126	89	42	508	89	471
Rental income	1,076	535	101	1,836	2,395	(23)
Dividend income	-	9	(100)	-	409	(100)
Interest income	11,818	8,000	48	27,071	30,598	(12)
Currency exchange (loss)/gain - net	(146)	144	NM	(14,632)	13,991	NM
Fair value gain on forward currency contracts	404	-	NM	404	-	NM
Compensation received from customers	13,234	608	2,077	13,244	608	2,078
Government grants	792	6,548	(88)	2,209	8,369	(74)
Sundry income	548	2,742	(80)	3,336	4,203	(21)
	39,750	31,342	27	66,640	109,649	(39)

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:

	Q3 2013	Q3 2012	Change	YTD 2013	YTD 2012	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Interest on borrowings	(27,847)	(25,715)	8	(83,526)	(73,531)	14
Depreciation and amortisation	(46,609)	(44,636)	4	(136,978)	(134,208)	2
Net allowance for impairment of trade and other receivables	(2,296)	(3,678)	(37)	(1,857)	(2,677)	(31)
Net (allowance for)/reversal of inventory write-down	(15,785)	(790)	1,898	(16,176)	1,372	NM
Write-off for property, plant and equipment	(7)	(22)	(68)	(154)	(103)	50
Net (allowance for)/reversal of expected losses recognised on construction contracts	(33,907)	8,884	NM	(34,696)	10,938	NM

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

	Q3 2013	Q3 2012	Change	YTD 2013	YTD 2012	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Current income tax	(3,201)	33	NM	(7,123)	(39,825)	(82)
Deferred income tax	3,105	267	1,062	(681)	19,405	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
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
<b>Current assets</b>				
Cash and cash equivalents	1,719,234	1,692,836	55,890	83,905
Forward currency contract	409	-	-	-
Trade and other receivables	3,514,912	2,738,701	31,255	16,877
Inventories	1,148,215	352,183	-	-
Construction contract work-in-progress	113,554	93,009	-	-
Other current assets	14,694	11,865	240	191
	<b>6,511,018</b>	<b>4,888,594</b>	<b>87,385</b>	<b>100,973</b>
<b>Non-current assets</b>				
Trade and other receivables	31,983	44,344	-	-
Available-for-sale financial assets	4,371	4,244	-	-
Club memberships	313	310	99	99
Investments in associated companies	4,806	4,235	-	-
Investments in subsidiaries	-	-	370,269	370,269
Investment properties	11,592	11,730	-	-
Property, plant and equipment	2,223,872	2,225,689	802	905
Intangible assets	9,522	9,477	-	-
Deferred expenditure	3,052	3,020	-	-
Deferred income tax assets	244,133	201,914	-	-
	<b>2,533,644</b>	<b>2,504,963</b>	<b>371,170</b>	<b>371,273</b>
<b>Total assets</b>	<b>9,044,662</b>	<b>7,393,557</b>	<b>458,555</b>	<b>472,246</b>
<b>Current liabilities</b>				
Trade and other payables	2,871,450	2,244,367	18,808	17,886
Current income tax liabilities	37,143	10,383	1,613	896
Borrowings	1,853,593	1,467,910	-	-
Provision for other liabilities	57,615	55,719	-	-
	<b>4,819,801</b>	<b>3,778,379</b>	<b>20,421</b>	<b>18,782</b>
<b>Non-current liabilities</b>				
Borrowings	2,075,369	1,558,541	-	-
Deferred income tax liabilities	7,851	7,432	7,722	7,302
	<b>2,083,220</b>	<b>1,565,973</b>	<b>7,722</b>	<b>7,302</b>
<b>Total liabilities</b>	<b>6,903,021</b>	<b>5,344,352</b>	<b>28,143</b>	<b>26,084</b>
<b>Net assets</b>	<b>2,141,641</b>	<b>2,049,205</b>	<b>430,412</b>	<b>446,162</b>
<b>Equity</b>				
Share capital	270,608	270,608	270,608	270,608
Statutory and other reserves	224,385	152,927	45,105	45,105
Retained earnings	818,283	857,971	114,699	130,449
Shareholders' equity	1,313,276	1,281,506	430,412	446,162
Non-controlling interests	828,365	767,699	-	-
<b>Total equity</b>	<b>2,141,641</b>	<b>2,049,205</b>	<b>430,412</b>	<b>446,162</b>

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

**Amount repayable in one year or less, or on demand**

As at 30/09/2013		As at 31/12/2012	
Secured	Unsecured	Secured	Unsecured
676,063,000	1,177,530,000	378,215,000	1,089,695,000

**Amount repayable after one year**

As at 30/09/2013		As at 31/12/2012	
Secured	Unsecured	Secured	Unsecured
449,891,000	1,625,478,000	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 \$1,125,954,000 (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	
	Q3 2013	Q3 2012
<u>Cash flows from operating activities</u>		
Net profit	16,389	41,645
Adjustments for:		
Income tax expense	7,607	8,878
Depreciation and amortisation	46,609	44,636
Net allowance for impairment of trade and other receivables	2,296	3,678
Net allowance for inventory write-down	15,785	790
Net gain on disposal of property, plant and equipment	(126)	(89)
Net allowance for/(reversal of) expected losses recognised on construction contracts	33,907	(8,884)
Provision for onerous contracts	852	-
Write-off for property, plant and equipment	7	22
Net fair value gain on forward currency contracts	(404)	-
Share of profit of associated companies	(107)	(144)
Dividend income	-	(9)
Interest expense (financing)	27,847	25,715
Interest income (investing)	(11,818)	(8,000)
	138,844	108,238
Changes in working capital:		
Inventories and construction contract work-in-progress	(771,380)	68,677
Trade and other receivables	(22,485)	(230,852)
Trade and other payables	342,823	(126,730)
Other current assets	3,057	2,513
Deferred expenditure	-	41
Provision for other liabilities	1,560	(2,185)
Exchange differences	(3,472)	(3,826)
Cash used in operations	(311,053)	(184,124)
Income tax paid	(5,245)	(9,475)
<b>Net cash used in operating activities</b>	<b>(316,298)</b>	<b>(193,599)</b>

<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(17,125)	(30,293)
Proceeds from disposal of property, plant and equipment	210	1,032
Dividend received	-	126
Interest received	3,078	7,994
<b>Net cash used in investing activities</b>	<b>(13,837)</b>	<b>(21,141)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	383,120	715,781
Repayments of borrowings	(114,417)	(266,377)
Decrease in bank deposits pledged	16,618	961
Interest paid	(29,269)	(26,967)
Dividend paid to non-controlling interests of subsidiaries	(200)	(402)
<b>Net cash provided by financing activities</b>	<b>255,852</b>	<b>422,996</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(74,283)</b>	<b>208,256</b>
Cash and cash equivalents at beginning of financial period	1,807,862	1,349,357
Effects of currency translation on cash and cash equivalents	(16,044)	(26,703)
<b>Cash and cash equivalents at end of financial period</b>	<b>1,717,535</b>	<b>1,530,910</b>
<b>Cash and cash equivalents represented by:</b>		
Cash at bank and on hand	494,398	747,843
Short-term bank deposits	1,224,836	800,484
Less: Bank deposits pledged	(1,699)	(17,417)
	<b>1,717,535</b>	<b>1,530,910</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.**

	<b>Share capital S\$'000</b>	<b>Statutory and other reserves S\$'000</b>	<b>Retained earnings S\$'000</b>	<b>Non-controlling interests S\$'000</b>	<b>Total S\$'000</b>
<b>The Group</b>					
<b>At 1 July 2013</b>	270,608	232,064	815,180	821,845	2,139,697
Total comprehensive income for the period	-	(8,800)	4,224	6,623	2,047
Dividend declared by subsidiaries to non-controlling interests of subsidiaries	-	-	-	(103)	(103)
Transfer from asset revaluation reserve to retained earnings	-	(805)	805	-	-
Transfer from retained earnings to statutory reserves	-	1,926	(1,926)	-	-
<b>At 30 September 2013</b>	<b>270,608</b>	<b>224,385</b>	<b>818,283</b>	<b>828,365</b>	<b>2,141,641</b>

	Share capital S\$'000	Statutory and other reserves S\$'000	Retained earnings S\$'000	Non-controlling interests S\$'000	Total S\$'000
<b>At 1 July 2012</b>	270,608	163,543	818,172	714,866	1,967,189
Total comprehensive income for the period	-	(23,749)	26,556	1,326	4,133
Transfer from asset revaluation reserve to retained earnings	-	(805)	805	-	-
Transfer from retained earnings to statutory reserves	-	(98)	98	-	-
<b>At 30 September 2012</b>	<b>270,608</b>	<b>138,891</b>	<b>845,631</b>	<b>716,192</b>	<b>1,971,322</b>
<b>The Company</b>					
<b>At 1 July 2013</b>	270,608	45,105	116,531	-	432,244
Total comprehensive loss for the period	-	-	(1,832)	-	(1,832)
<b>At 30 September 2013</b>	<b>270,608</b>	<b>45,105</b>	<b>114,699</b>	<b>-</b>	<b>430,412</b>
<b>At 1 July 2012</b>	270,608	45,105	138,165	-	453,878
Total comprehensive loss for the period	-	-	(4,567)	-	(4,567)
<b>At 30 September 2012</b>	<b>270,608</b>	<b>45,105</b>	<b>133,598</b>	<b>-</b>	<b>449,311</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 Q3 2013, 780,000 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 30 September 2013 were 14,990,000 (30 September 2012: 23,050,000).

**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 30 September 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			
	Q3 2013	Q3 2012	YTD 2013	YTD 2012
(i) Based on the weighted average number of ordinary shares on issue (cents per share)	0.19	1.19	1.16	3.66
Weighted average number of ordinary shares ('000)	2,239,245	2,239,245	2,239,245	2,239,245
(ii) On a fully diluted basis (cents per share)	0.19	1.19	1.16	3.66
Adjusted weighted average number of ordinary shares ('000)	2,239,245	2,239,245	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 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. 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 current financial period reported on and the corresponding period of the immediately preceding 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	
	30/09/2013	31/12/2012	30/09/2013	31/12/2012
Net asset value per ordinary share (cents)	58.65	57.23	19.22	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 \$4.2 million on turnover of \$989.4 million in Q3 2013. For the nine months ended 30 September 2013, Group net profit attributable to equity holders amounted to \$26.0 million on turnover of \$2.6 billion.

#### Turnover

Group turnover inched up 5.6% to \$989.4 million in Q3 2013 from \$937.0 million in Q3 2012 owing to increases in shipyard revenue.

Turnover from shipyard operations increased marginally by 5.7% to \$976.0 million in Q3 2013 from \$923.5 million in Q3 2012 mainly due to growth in revenue from marine engineering segment which more than offset the lower revenue contribution from ship building & ship repair segments.

The Group delivered 2 bulk carriers in Q3 2013 from COSCO Guangdong shipyard and 2 barges from COSCO Qidong shipyard.

Turnover from dry bulk shipping and other businesses remained relatively unchanged at \$13.4 million (Q3 2012: \$13.5 million) as most of the current quarter short-term charter rates were secured earlier in the last quarter (at average BDI of 888) which are comparable to rates received in Q3 2012. The Baltic Dry Index (BDI), which is a measure of shipping costs for commodities, started Q3 2013 at 1,179 points and ended the quarter slightly higher at 2,003 points. In Q3 2013, the BDI averaged 1,292 points which is a 52.9% increase from the average of Q3 2012 of 845 points.

Shipyard business remained the biggest revenue contributor, making up 98.6% of Group turnover in Q3 2013.

## **Profitability**

Gross profit decreased 36.4% from \$115.1 million in Q3 2012 to \$73.2 million in Q3 2013 mainly due to higher inventory write-downs and provisions for expected losses recognized on construction contracts which resulted in lower profit contributions from ship building and marine engineering segments,

Other income comprised gain from the disposal of scrap metal, interest income, net currency exchange gain/(loss) and others. Compared to Q3 2012, other income increased by 26.8% to \$39.7 million in Q3 2013 mainly due to a one-off compensation received from customer in Q3 2013.

Administration costs decreased by 17.2% to \$41.1 million mainly due to waiver of one-off compensation expense.

Interest expense increased by 8.3% to \$27.8 million in Q3 2013 due to higher bank borrowings used to fund shipyard operations.

The decrease in income tax expense by 14.3% to \$7.6 million in Q3 2013 was mainly due to lower profit contributions from shipyard operations.

On 17 October 2013, the Group issued an update on the DP3 Deepwater Drillship contract stating that the shipowner has served notice of termination and submitted a request for arbitration in London for which the shipowner claimed for a refund of the first installment of the contract amounting to US\$110 million and other advances paid by the shipowner together with interests thereon, damages and interest thereon, indemnity for future losses, further or other relief and costs. Given the current stage of arbitration proceedings, it is difficult to quantify the eventual financial impact of the arbitration at this point in time.

Overall, net profit attributable to equity holders of the Company decreased 84.1% from \$26.6 million in Q3 2012 to \$4.2 million in Q3 2013 mainly due to lower contributions from dry bulk shipping and shipyard operations.

Compared to the first nine months in 2012, net profit attributable to equity holders of the Company decreased 68.3% from \$82.0 million to \$26.0 million in the first nine months in 2013.

## **Balance Sheet and Cash Flow**

(30 September 2013 vs 31 December 2012)

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

Trade and other receivables increased \$776.2 million to \$3.5 billion mainly due 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 \$988.2 million).

Trade and other payables increased \$627.1 million to \$2.9 billion mainly due to higher accruals for operating expenses and an increase in advances received from customers (from \$391.7 million to \$509.5 million).

Total borrowings increased by \$902.5 million to \$3.9 billion due to additional funding procured to finance shipyard operations.

Shareholder's equity increased marginally by \$31.8 million mainly due to increase in currency translation reserve and the transfer of first nine months 2013 profits to retained earnings, partially offset by the payment of dividends in May 2013.

**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 30 September 2013, the Group's order book stood at US\$7.2 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 first nine months 2013 include 1 semi-submersible tender assist drilling rig, 1 LNG vessel, 1 float-over launch barge, 1 stinger barge, 1 floating accommodation unit, 1 semi-submersible accommodation vessel, 1 jack-up drilling rig, 1 semi-submersible accommodation rig, 2 salvage lifting vessels, 2 module carriers, 4 bulk carriers, 5 oil tankers and 10 platform supply vessels.

The Group successfully delivered 16 bulk carriers in the first nine months of 2013. Of these, COSCO Zhoushan shipyard delivered 6 bulk carriers, COSCO Dalian shipyard delivered 5 bulk carriers and COSCO Guangdong shipyard delivered 5 bulk carriers. In addition, COSCO Nantong shipyard delivered 2 tender rigs and COSCO Qidong shipyard delivered 2 barges.

As the Group continues construction in the rest of 2013 on new ship building contracts that were secured since 2010 at low contract values due to the slumping 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 is currently one of the largest marine engineering groups in the People's Republic of China. Offshore marine projects in its order book cover a wide product range that includes FPSO, semi-submersible accommodation rig and vessel, jack-up barge and tender barge, float-over launch barge, wind turbine installation vessel, pipelay vessel, Sevan 650 drilling unit, tender rig, jack-up rig, platform supply vessel and others. For new product types, the Group expects to incur higher costs during execution.

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 the first nine months at 2,003 points. The BDI averaged 997 points for first nine months 2013, which is a 9.6% increase from the average of the corresponding period in 2012 of 910 points. Any rebound in BDI is likely to be subdued as expansion in the global bulk carrier fleet continues to outpace demand.

With continuing 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.

On 17 October 2013, the Group issued an update on the DP3 Deepwater Drillship contract stating that the shipowner has served notice of termination and submitted a request for arbitration in London for which the shipowner claimed for a refund of the first installment of the contract amounting to US\$110 million and other advances paid by the shipowner together with interests thereon, damages and interest thereon, indemnity for future losses, further or other relief and costs. Given the current stage of arbitration proceedings, it is difficult to quantify the eventual financial impact of the arbitration at this point in time.

The Group maintains a cautious outlook for rest of 2013 as the state of the global economy remains uncertain with the possibility of a prolonged period of sluggish global economic growth.

Moreover, the availability and cost of credit may tighten, particularly if there is an unwinding of monetary policy stimulus which may adversely affect the ability of customers to meet their financial obligations. Any further strengthening of the Chinese Yuan against the United States Dollar and 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, may exert even greater downward pressure on the operating margins of the shipyard operations of the Group.

Overall, the Group continues to expect difficult and challenging business and operating conditions for the rest of 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.**

Not Applicable.

### 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	
	Q3 2013	YTD 2013	Q3 2013	YTD 2013
<u>Between Subsidiaries and:</u>				
Chimbusco Dalian Branch	-	-	2,566	9,717
Chimbusco Guangzhou Branch	-	-	614	1,328
Chimbusco Zhoushan Branch	-	-	1,414	5,390
Cosco (Cayman) Mercury Co., Ltd	-	-	-	1,367
Cosco (HK) Insurance Brokers Ltd	-	-	248	248
Cosco (HK) Investment & Development Co., Ltd	-	-	-	170
Cosco (HK) Shipping Co., Ltd	-	-	1,417	5,616
Cosco Bulk Carrier Co., Ltd	-	-	4,535	8,232
Cosco Bulk Carrier Holdings (Cayman) Limited	-	-	127	127
Cosco Bulk Tianjin Forwarding Co., Ltd	-	-	242	242
Cosco Container Lines Co., Ltd	-	-	254	4,772
Cosco Far-Reaching Shipping Co.,Ltd	-	-	195	751
Cosco Finance Co., Ltd	-	-	71,355	726,921
Cosco Jiangsu International Freight Co., Ltd	-	-	-	2,986
Cosco Logistics (Nantong)	-	-	981	2,012
Nantong COSCO Heavy Industry Co., Ltd	-	-	204	322
Cosco Petroleum Pte Ltd	-	-	1,121	5,226
Cosco Shipping Co., Ltd	-	-	12,991	22,021
Cosco Wallem Ship Management Co., Ltd	-	-	-	618
Dalian Ocean Shipping Company	-	-	326	1,076
Myanmar Cosco Limited	-	-	132	132
Nantong Chimbusco Marine Bunker	-	-	1,181	3,582
Nantong Cosco Ship Equipment Company	-	-	-	480
Qingdao Manning Co-operation Ltd	-	-	822	2,421
Qingdao Ocean Shipping Company	-	-	323	1,576
Shanghai Ocean Crew Co., Ltd	-	-	1,242	3,597
Shanghai Ocean Shipping Company	-	-	-	370
Shenzhen Ocean Shipping Company	-	-	631	1,556
Xiamen Mintai Ferry Co., Ltd	-	-	-	347
Xiamen Ocean Shipping Company	-	-	125	780
<b>Total</b>	-	-	<b>103,046</b>	<b>813,983</b>

	<b>As at 30/09/2013</b>	<b>As at 31/12/2012</b>
	S\$'000	S\$'000
Balances placed with a fellow subsidiary, Cosco Finance Co., Ltd :		
- Cash at bank	92,516	187,552
- Short-term bank deposits	433,216	407,625
	525,732	595,177
Loan from a fellow subsidiary, Cosco Finance Co., Ltd	24,210	33,712

**BY ORDER OF THE BOARD**

Mr Wu Zi Heng  
Vice Chairman and President  
5/11/2013

## **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 30 September 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

5/11/2013