



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

Unaudited First Quarter Financial Statement Announcement for the Financial Period Ended 31 March 2006

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) Income Statement

	Group		
	S\$'000		%
	Q1 2006	Q1 2005	Change
Sales	267,592	164,578	63
Cost of sales	(185,214)	(117,675)	57
Gross profit	82,378	46,903	76
Other gains [1]			
- Miscellaneous	9,270	11,070	(16)
Expenses			
- Distribution	(8,220)	(4,070)	102
- Administrative	(20,160)	(13,844)	46
- Finance	(4,974)	(3,472)	43
- Other	(150)	-	NM
Share of profit of associated companies [2]	133	134	(1)
Profit before income tax	58,277	36,721	59
Income tax expense	(5,616)	(3,928)	43
Profit for the financial period	52,661	32,793	61
Attributable to:			
Equity holders of the Company	37,582	25,799	46
Minority interest	15,079	6,994	116
	52,661	32,793	61
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)			
- basic	1.71	1.19*	44

- diluted	1.70	1.18*	44
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* Adjusted for the sub-division of 1 ordinary share into 2 ordinary shares as mentioned in Paragraph 1(d)(ii) below.

(ii) Breakdown and Explanatory Notes to Income Statement

	Group		
	S\$'000		%
	Q1 2006	Q1 2005	Change
Profit before tax is arrived at after (charging)/crediting:			
Other income including interest income	9,270	11,070	(16)
Interest on borrowings	(4,103)	(3,290)	25
Depreciation and amortisation	(15,780)	(12,356)	28
Allowance for impairment of receivables and bad debts written off	(9)	-	NM
(Loss)/Gain on disposal of property, plant and equipment	(40)	37	NM
Property, plant and equipment written off	(101)	-	NM
Foreign exchange loss	(870)	(182)	378
Adjustment for over provision of tax in respect of prior years:			
Income tax	44	-	NM

NOTES:

NM denotes not meaningful.

[1] Other miscellaneous gains include interest income and other income.

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

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
	31/03/2006	31/12/2005	31/03/2006	31/12/2005
Current assets				
Cash and cash equivalents	187,999	160,420	3,631	6,016
Trade and other receivables	167,650	150,651	31,335	498
Inventories	99,351	107,992	-	-
Trading properties	670	19,270	-	-
	455,670	438,333	34,966	6,514
Non-current assets				

Trade and other receivables	-	-	97,783	99,828
Available-for-sale financial assets	2,259	2,304	-	-
Club memberships	375	377	141	141
Investments in associated companies	2,912	2,813	1,000	1,000
Investments in subsidiaries	-	-	208,244	208,244
Property, plant and equipment	1,004,736	949,352	495	535
Intangible assets	9,339	9,357	-	-
	1,019,621	964,203	307,663	309,748
Total assets	1,475,291	1,402,536	342,629	316,262
Current liabilities				
Trade and other payables	273,685	281,323	3,810	4,172
Current income tax liabilities	10,368	7,435	201	201
Borrowings	121,399	107,666	-	-
Provision for other liabilities and charges	4,840	4,280	-	-
	410,292	400,704	4,011	4,373
Non-current liabilities				
Borrowings	326,474	302,173	-	-
Provision for other liabilities and charges	3,852	4,005	84	86
Deferred income tax liabilities	205	205	-	-
	330,531	306,383	84	86
Total liabilities	740,823	707,087	4,095	4,459
Net assets	734,468	695,449	338,534	311,803
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital	228,734	219,753	228,734	219,753
Share premium [see 1(d)(ii)]	-	8,834	-	8,834
Revaluation and other reserves	51,658	60,634	7,599	5,309
Retained earnings	268,642	230,484	102,199	77,907
	549,034	519,705	338,532	311,803
Minority interest	185,434	175,744	-	-
Total equity	734,468	695,449	338,532	311,803

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

Amount repayable in one year or less, or on demand

As at 31/03/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured

18,578,000	102,821,000	28,298,000	79,368,000
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Amount repayable after one year

As at 31/03/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
144,812,000	181,662,000	116,718,000	185,455,000

Details of any collateral

Secured borrowings are secured by the group's leasehold land and buildings, motor vessels, motor vehicles, investment properties and trading property with net book values totalling \$286,716,000 (2005: \$275,081,000).

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 2006	Q1 2005
<u>Cash flow from operating activities</u>		
Profit before tax	58,277	36,721
Adjustments for:		
Depreciation of property, plant and equipment	15,780	12,356
Loss/(Gain) on disposal of property, plant and equipment	40	(37)
Property, plant and equipment written off	101	-
Employees share option expense	2,290	765
Share of profit of associated companies	(133)	(134)
Interest expense (financing)	4,103	3,290
Interest income (investing)	(987)	(257)
Operating cash flow before working capital changes	79,471	52,704
Changes in operating assets and liabilities, net of effects from disposal of subsidiaries:		
Trading properties	18,600	-
Inventories	8,641	(14,256)
Trade and other receivables	(16,999)	(7,429)
Trade and other payables	(9,118)	(24,507)
Exchange differences	(2,339)	1,611
Cash generated from operations	78,256	8,123
Income tax paid	(2,683)	(5,846)
Net cash from operating activities	75,573	2,277
<u>Cash flows from investing activities</u>		
Acquisition of subsidiaries, net of cash acquired	-	80,541
Proceeds from disposal of property, plant and equipment	350	157
Purchase of property, plant and equipment	(92,072)	(34,522)
Interest received	987	251

Net cash (used in)/from investing activities	(90,735)	46,427
<u>Cash flows from financing activities</u>		
Repayment of borrowings	(9,496)	(25,319)
Proceeds from borrowings	56,051	39,642
Repayment of finance lease liabilities	(19)	(7)
(Increase)/Decrease in cash collateral	(1,119)	966
Dividends paid to minority shareholders of subsidiaries	(207)	(337)
Proceeds from issuance of ordinary shares	147	-
Interest paid	(3,735)	(5,526)
Net cash from financing activities	41,622	9,419
Net increase in cash and cash equivalents held	26,460	58,123
Cash and cash equivalents at the beginning of the financial period	158,843	91,326
Cash and cash equivalents at the end of the financial period	185,303	149,449
Cash and cash equivalents represented by:		
Bank and cash balances	173,407	107,276
Short-term bank deposits	14,592	43,928
Less: Cash collateral	(2,696)	(1,755)
	185,303	149,449

- 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.**

	← Attributable to equity holders of the Company →				Minority interest	Total Equity
	Share capital	Share premium	Revaluation and other reserves	Retained earnings		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Group						
Balance at 1 January 2006	219,753	8,834	60,634	230,484	175,744	695,449
Currency translation differences	-	-	(10,690)	-	(3,651)	(14,341)
Net loss recognised directly in equity	-	-	(10,690)	-	(3,651)	(14,341)
Net profit for the period	-	-	-	37,582	15,079	52,661
Total recognised (loss)/gains	-	-	(10,690)	37,582	11,428	38,320
Transfer from share premium to share capital	8,834	(8,834)	-	-	-	-
Employee share						

option scheme:						
- value of employee services	-	-	2,290	-	-	2,290
- proceeds from shares issued	147	-	-	-	-	147
Dividend paid by subsidiaries to minority shareholders of subsidiaries	-	-	-	-	(1,738)	(1,738)
Transfer from retained earnings to reserves	-	-	157	(157)	-	-
Transfer from reserves to retained earnings	-	-	75	(75)	-	-
Transfer of statutory reserves from retained earnings	-	-	(808)	808	-	-
At 31 March 2006	228,734	-	51,658	268,642	185,434	734,468
Balance at 1 January 2005						
- As previously reported	217,029	10	(10,420)	115,309	1,636	323,564
- Effect of changes in accounting policies						
-Adjusted retrospectively	-	-	2,105	(2,105)	-	-
	217,029	10	(8,315)	113,204	1,636	323,564
-Adjusted prospectively	-	-	-	(479)	-	(479)
- As restated	217,029	10	(8,315)	112,725	1,636	323,085
Revaluation gain on property, plant and equipment	-	-	32,335	-	(32,335)	-
Currency translation differences	-	-	4,251	-	1,464	5,715
Net income/(loss) recognised directly in equity	-	-	36,586	-	(30,871)	5,715
Net profit	-	-	-	25,799	6,994	32,793
Total recognised gains	-	-	36,586	25,799	(23,877)	38,508
Employee share option scheme:						
- value of employee services	-	-	765	-	-	765
Minority share of new subsidiaries acquired during the financial year	-	-	-	-	203,560	203,560

Minority share of new subsidiaries incorporated during the financial year	-	-	-	-	462	462
Changes in minority interest arising from acquisition of subsidiaries	-	-	-	-	(79,203)	(79,203)
Dividend declared by former associated companies	-	-	-	-	30,158	30,158
Transfer from retained earnings to reserves	-	-	1,055	(1,055)	-	-
At 31 March 2005	217,029	10	30,091	137,469	132,736	517,335
The Company						
Balance at 1 January 2006	219,753	8,834	5,309	77,907	-	311,803
Total recognised gains	-	-	-	24,292	-	24,292
Transfer from share premium to share capital	8,834	(8,834)	-	-	-	-
Employee share option scheme:						
- value of employee services	-	-	2,290	-	-	2,290
- proceeds from shares issued	147	-	-	-	-	147
At 31 March 2006	228,734	-	7,599	102,199	-	338,532
Balance at 1 January 2005						
- As previously reported	217,029	10	527	29,632	-	247,198
- Effect of changes in accounting policies						
- Adjusted retrospectively	-	-	2,105	(2,105)	-	-
	217,029	10	2,632	27,527	-	247,198
- Adjusted prospectively	-	-	-	(1,714)	-	(1,714)
- As restated	217,029	10	2,632	25,813	-	245,484
Total recognised gains	-	-	-	28,418	-	28,418
Employee share option scheme:						
- value of employee services	-	-	765	-	-	765
At 31 March 2005	217,029	10	3,397	54,231	-	274,667

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- 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.**

Following the amendments to the Companies Act ("The Companies (Amendment) Act 2005") on 30 January 2006, any amounts standing to the credit of the Company's share premium account and capital redemption reserve account shall become part of the Company's share capital. Accordingly, the share premium account has been combined into the share capital account.

The Company had sub-divided every one ordinary share of \$0.20 each in the issued and paid-up capital of the Company into two ordinary shares of \$0.10 each on 17 January 2006.

During Q1 2006, the Company issued 400,000 ordinary shares at \$0.3675 each from the exercise of option under the Cosco Group Employees' Share Option Scheme.

On 21 February 2006, share options totalling 23,100,000 were granted to eligible employees and directors of the Group at the exercise price of \$1.23 per share pursuant to the Cosco Group Employees' Share Option Scheme 2002.

The outstanding share options under the Cosco Group Employees' Share Option Scheme as at 31 March 2006 were 44,150,000 (2005: 21,450,000 after the sub-division of ordinary shares).

As at 31 March 2006, share capital of the Company comprised 2,197,934,954 ordinary shares (2005: 2,197,534,954 after the sub-division of ordinary 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 2005.

- 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 2006	Q1 2005
(i) Based on the weighted average number of ordinary shares on issue	1.71 cents	1.19 cents
(ii) On a fully diluted basis	1.70 cents	1.18 cents

NOTES:

The earnings per ordinary share is calculated by dividing the consolidated profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue of 2,197,801,621 (Q1 2005: 2,170,294,954) 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 weighted average number of ordinary shares outstanding for diluted earnings per share is 2,205,791,826 (Q1 2005: 2,187,135,302).

The comparative figures for earnings per ordinary share and weighted average number of ordinary shares in issue and outstanding have been adjusted to account for the effect of sub-division of ordinary shares as mentioned in Paragraph 1(d)(ii) above.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31/03/2006	31/12/2005	31/03/2006	31/12/2005
Net asset value per ordinary share	24.98 cents	23.65 cents	15.40 cents	14.19 cents

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 2,197,934,954 (2005: 2,197,534,954).

The comparative figures for Net asset value per ordinary share and number of ordinary shares outstanding have been adjusted to account for the effect of sub-division of ordinary shares as mentioned in Paragraph 1(d)(ii) above.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
(a) 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; and

(b) 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 another record high revenue and strong profit in Q1 2006 on rising contribution by its ship repair business and two new vessels added to its dry bulk carrier fleet in middle 2005.

The Group's ship repair & marine engineering business continued to gain significance as more high value conversion and fabrication contracts were secured by the ship repair arm in the quarter.

In its dry bulk fleet rationalization exercise, the Group took delivery of two new handymax vessels and entered into an agreement to dispose of four older vessels during the quarter. Pursuant to the rationalization exercise, the Group will operate a fleet of 12 vessels with a total capacity of 700,000dwt and an average age of 4.5 years.

Notably, the Group also further divested its non-core properties as part of its strategy to focus on strengthening its core ship repair and dry bulk shipping businesses. Its wholly-owned subsidiary, Harington Property Pte Ltd, completed the sales of its eight units of Telok Ayer shop houses in February 2006.

Turnover

Group revenue increased 62.6% from \$164.6 million in Q1 2005 to \$267.6m in Q1 2006 fueled by strong performances from its ship repair, dry bulk shipping businesses and the sale of Telok Ayer properties.

The Group's ship repair revenue jumped 53.9% from \$133.3 million in Q1 2005 to \$205.2 million in Q1 2006. This was driven by increase in the number of high value contracts secured and completed during the quarter, as well the Group's shipyard capacity upgrades – an additional 300,000 dwt floating dock at Dalian and two additional berths at Zhoushan. Ship repair revenue accounted for 76.7% of Group revenue in Q1 2006.

Bulk shipping revenue increased 47.7% from \$26.6 million in Q1 2005 to \$39.3 million in Q1 2006. Higher revenue from bulk shipping is due to contributions from two additional ships which joined the fleet in June and July 2005. Shipping revenue constituted 14.7% of Group revenue in Q1 2006.

Profitability

Gross profit rose 75.7% from \$46.9 million in Q1 2005 to \$82.4 million in Q1 2006 on higher revenue and margin expansion. Group overall gross margin improved from 28.4% in Q1 2005 to 30.8% in Q1 2006. This was on the back of better ship repair margin from 22.0% in Q1 2005 to 28.9% in Q1 2006 as more complex and high value contracts were secured. Improvement was however partially offset by lower shipping margin from 61.0% in 1Q05 to 56.6% in Q1 2006 in line with the softening of the freight rate.

Other income mainly comprised scrap metal and interest income. Distribution and administrative costs increased in line with rising volume of repair business handled. Finance cost increased by 43.3% due to higher interest rates and more borrowings by Cosco Shipyard Group.

The Group's effective tax rate fell from 10.7% in Q1 2005 to 9.6% in Q1 2006 due to higher tax exempt profit from shipping and tax exempt earnings from Zhoushan operations in the quarter.

Overall, Group net profit attributable to equity holders rose 45.7% from \$25.8 million in Q1 2005 to \$37.6 million in Q1 2006.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's results for Q1 2006 are in line with the commentary made in paragraph 10 of the Group's Full Year Financial Statement and Dividend Announcement released on 13 February 2006.

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.

With the buoyant international ship repair & conversion market and oil & gas sector, the Group is optimistic of its prospects in FY2006.

Further building on its track record in the more complex high-value ship repair & marine engineering projects, the Group has as of 30 April 2006 successfully secured a number of new contracts which include the construction of the lower pontoons of two units of semi-submersible rigs, single to double-hull ship conversions and four specialized ship repair & conversions. These rig-building and ship repair & conversion contracts totalled US\$137.15 million (S\$219 million) and affirm the Group capabilities in the offshore marine engineering and ship repair & conversion businesses.

The rig pontoon fabrication and rig accommodation work have commenced in April 2006 with delivery scheduled in April 2007. The single to double-hull ship conversions and most of the specialized ship repair & conversion work have commenced in April 2006 and are targeted to complete progressively in the 2nd and 3rd quarters of FY2006.

In a bid to further enhance the Group's ship repair & marine engineering capacity, its Zhoushan shipyard upgrading work remained on track:-

- (i) a 150,000 dwt dry dock is being modified to 300,000 dwt to handle two panamaxs concurrently representing a 100% increase in capacity. It will be ready by middle of 2006;
- (ii) a 80,000 dwt new dry dock is expected to be ready by end of 2006;
- (iii) a 300,000 dwt new dock is expected to be ready by middle of 2007; and
- (iv) 2 new berths are being developed and are expected to be ready by the time the above dry docks are operational.

Cosco Shipyard Group current docking capacity of 1.2 million dwt will increase to 1.35 million or 12.5% rise by mid-2006. By end of 2006 and mid-2007, the capacity will further climb to 1.43 million and 1.73 million dwt respectively.

The Group expects to attract more high value complex contracts with the expansion of its Zhoushan shipyard.

Barring unforeseen circumstances, the Group is confident that FY2006 will continue to be another profitable year.

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/recommended, a statement to that effect.

No interim dividend has been declared/recommended by the Directors in Q1 2006.

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 (S) Pte Ltd		352
Chimbusco Dalian Branch		1,822
Cosco (Hongkong) Shipping Co., Ltd		1,370
Cosco Bulk Carrier Co., Ltd		651
Cosco Chartering and Shipbroking (UK) Ltd		4,018
Cosco Container Lines		3,011
Cosco Nantong Steel Co., Ltd		378
Cosco Shipping Co., Ltd		163
Guangzhou Ocean Shipping		955
Cosco Shanghai Ship Management Co.		3,145

Qingdao Manning Co-operation Ltd		232
Qingdao Ocean Shipping		366
Shanghai Ocean Crew Co.		725
Shenzhen Ocean Shipping		2,589
Shanghai Pan-Asia Shipping		112
Tianjin TianHui Shipping & Enterprise Co.,Ltd		105
Total	Nil	19,994

BY ORDER OF THE BOARD

Mr Ji Haisheng
Vice Chairman and President
02/05/2006