



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

Unaudited Full Year Financial Statement And Dividend Announcement for the Financial Year Ended 31 December 2005

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		%
	2005	2004	Change
Sales	873,114	116,346	650
Cost of sales	(591,038)	(58,842)	904
Gross profit	282,076	57,504	391
Other gains			
- Miscellaneous [1]	43,656	4,597	850
- Exceptional gains	12,805	448	2,758
Expenses			
- Distribution	(24,076)	(1,052)	2,189
- Administrative	(72,171)	(14,567)	395
- Finance	(15,773)	(11,364)	39
- Other operating expenses	(1,478)	(290)	410
Share of profit of associated companies [2]	519	31,685	(98)
Amortisation of goodwill of an associated company	-	(578)	NM
Profit before income tax	225,558	66,383	240
Income tax expense	(18,417)	(1,393)	1,222
Profit for the financial year	207,141	64,990	219
Attributable to:			
Equity holders of the Company	160,494	64,159	150
Minority interest	46,647	831	5,513
	207,141	64,990	219
Earnings per share for profit attributable to the equity holders of			

the Company (expressed in cents per share)			
- basic	14.70	5.92	148
- diluted	14.66	5.91	148

(ii) Breakdown and Explanatory Notes to Income Statement

	Group		
	S\$'000		%
	2005	2004	Change
Profit before tax is arrived at after (charging)/crediting:			
Investment income	176	36	389
Other income including interest income	43,480	4,561	853
Interest on borrowings	(14,290)	(9,860)	45
Depreciation and amortisation	(55,546)	(24,083)	131
Allowance for impairment of receivables and bad debts written off	(415)	-	NM
Impairment in value of other long-term investments	(36)	(50)	(28)
Property, plant and equipment written off	(1,026)	(240)	328
Foreign exchange loss	(1,483)	(1,504)	(1)
The Group's exceptional gains comprise:			
Gain on disposal of a jointly operated vessel	16,105	-	NM
Gain on disposal of property, plant and equipment	645	8,010	(92)
Impairment in value of trading and investment properties	(3,945)	(7,562)	(48)
Adjustment for under/(over) provision of tax in respect of prior years:			
Income tax	(450)	(137)	228
Deferred tax	12	(194)	(106)

NOTES:

NM denotes not meaningful.

- [1] Other miscellaneous gains include interest income, other income and investment income.
- [2] Share of profit of associated companies is after tax and minority interest. It is lower as Cosco (Nantong) Shipyard Co., Ltd and Cosco (Dalian) Shipyard Co., Ltd became subsidiaries of the Group on 1 January 2005.

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
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
Current assets				
Cash and cash equivalents	160,420	94,046	6,016	41,954
Trade and other receivables	150,651	20,083	498	16,941
Inventories	107,992	-	-	-
Income tax recoverable	-	73	-	-
Trading properties	19,270	23,215	-	-
	438,333	137,417	6,514	58,895
Non-current assets				
Trade and other receivables	-	1,677	-	847
Available-for-sale financial assets	2,304	120	-	-
Club memberships	377	383	141	150
Investments in associated companies [1]	2,813	83,168	1,000	55,967
Investments in subsidiaries	-	-	308,072	141,308
Property, plant and equipment	949,352	321,294	535	381
Intangible assets [2]	9,357	-	-	-
	964,203	406,642	309,748	198,653
Total assets	1,402,536	544,059	316,262	257,548
Current liabilities				
Trade and other payables	281,323	49,600	4,172	9,098
Current income tax liabilities	7,435	1,670	201	655
Borrowings	107,666	26,599	-	500
Provision for other liabilities and charges	4,280	2,466	-	-
	400,704	80,335	4,373	10,253
Non-current liabilities				
Borrowings	302,173	135,805	-	-
Provision for other liabilities and charges	4,005	4,125	86	97
Deferred income tax liabilities	205	230	-	-
	306,383	140,160	86	97
Total liabilities	707,087	220,495	4,459	10,350
Net assets	695,449	323,564	311,803	247,198
Equity				
Capital and reserves attributable to the Company's equity holders				
Share capital	219,753	217,029	219,753	217,029
Share premium	8,834	10	8,834	10

Revaluation and other reserves	60,634	(8,315)	5,309	2,632
Retained earnings	230,484	113,204	77,907	27,527
	519,705	321,928	311,803	247,198
Minority interest	175,744	1,636	-	-
Total equity	695,449	323,564	311,803	247,198

NOTES:

- [1] Investment in associated companies is lower as Cosco (Nantong) Shipyard Co., Ltd and Cosco (Dalian) Shipyard Co., Ltd became subsidiaries of the Group on 1 January 2005.
[2] Intangible assets refer to goodwill on acquisition of subsidiaries.

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

Amount repayable in one year or less, or on demand

As at 31/12/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
28,298,000	79,368,000	26,099,000	500,000

Amount repayable after one year

As at 31/12/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
116,718,000	185,455,000	135,805,000	-

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 \$272,636,000 (2004: \$293,793,000).

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	
	2005	2004
<u>Cash flow from operating activities</u>		
Profit before tax	225,558	66,383
Adjustments for:		
Depreciation of property, plant and equipment	55,546	23,535

Depreciation of investment properties	-	114
Impairment in value of trading properties	3,945	1,200
Impairment in value of investment properties	-	6,362
Impairment in value of transferable country club memberships	36	50
Negative goodwill written off	-	(274)
Gain on disposal of property, plant and equipment	(645)	(8,010)
Property, plant and equipment written off	1,026	240
Employees share option expense	5,134	2,040
Preference shares dividend (financing)	-	6
Share of profit of associated companies	(519)	(31,685)
Amortisation of goodwill of an associated company	-	578
Interest expense (financing)	14,290	9,854
Interest income (investing)	(2,658)	(597)
Operating cash flow before working capital changes	301,713	69,796
Changes in operating assets and liabilities, net of effects from disposal of subsidiaries:		
Inventories	(53,320)	-
Trade and other receivables	(20,795)	(3,725)
Trade and other payables	90,448	7,176
Exchange differences	8,959	(2,262)
Cash generated from operations	327,005	70,985
Income tax paid	(18,519)	(864)
Net cash from operating activities	308,486	70,121
<u>Cash flows from investing activities</u>		
Acquisition of subsidiaries, net of cash acquired	180	-
Proceeds from disposal of subsidiaries, net of cash disposed	(1,358)	-
Minority shareholders' contribution for their equity stake in newly incorporated subsidiaries	1,159	-
Payment to minority shareholder for acquisition of additional shares in a subsidiary	-	(800)
Proceeds from disposal of property, plant and equipment	2,597	18,412
Purchase of property, plant and equipment	(224,992)	(8,587)
Purchase of transferable club memberships	(28)	-
Deferred expenditure incurred	(847)	(215)
Dividend income from associated companies	-	14,543
Interest received	2,658	599
Net cash (used in)/from investing activities	(220,631)	23,952
<u>Cash flows from financing activities</u>		
Repayment of borrowings	(175,988)	(56,978)
Proceeds from borrowings	232,548	13,000
Redemption of RCCPS	-	(55)
Repayment of finance lease liabilities	(64)	(23)
Decrease in cash collateral	1,143	87
Dividends paid to shareholders of the Company	(21,854)	(7,230)
Dividends paid to holders of RCCPS	-	(6)
Dividends paid to minority shareholders of subsidiaries	(12,229)	(746)
Dividends paid by a subsidiary to former shareholders of subsidiary	(35,061)	-
Payment in settlement of non-trade payables to related corporations	-	(13,957)
Proceeds from issuance of ordinary shares	9,091	976
Interest paid	(17,924)	(8,613)
Net cash used in financing activities	(20,338)	(73,545)

Net increase in cash and cash equivalents held	67,517	20,528
Cash and cash equivalents at the beginning of the financial year	91,326	70,798
Cash and cash equivalents at the end of the financial year	158,843	91,326
Cash and cash equivalents represented by:		
Bank and cash balances	101,992	63,356
Short-term bank deposits	58,428	30,690
Less: Cash collateral	(1,577)	(2,720)
	158,843	91,326

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 \$'000	Share premium	Revaluation and other reserves \$'000	Retained earnings \$'000		
The Group 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	-	-	13,056	-	6,256	19,312
Net income recognised directly in equity	-	-	45,391	-	(26,079)	19,312
Net profit	-	-	-	160,494	46,647	207,141
Total recognised gains	-	-	45,391	160,494	20,568	226,453
Employee share option scheme:						

- value of employee services	-	-	5,134	-	-	5,134
- proceeds from shares issued	2,724	8,824	(2,457)	-	-	9,091
Minority share of new subsidiaries acquired during the financial year	-	-	-	-	203,560	203,560
Minority share of new subsidiaries incorporated during the financial year	-	-	-	-	1,159	1,159
Minority share of subsidiaries disposed during the financial year	-	-	-	-	(1,358)	(1,358)
Changes in minority interest arising from acquisition of subsidiaries	-	-	-	-	(79,203)	(79,203)
Dividend declared by former associated companies	-	-	-	-	30,158	30,158
Dividend paid by subsidiaries to minority shareholders of subsidiaries	-	-	-	-	(776)	(776)
Dividend for 2004	-	-	-	(21,854)	-	(21,854)
Transfer from retained earnings to reserves	-	-	1,088	(1,088)	-	-
Transfer from reserves to retained earnings	-	-	(3,233)	3,233	-	-
Transfer of statutory reserves from retained earnings	-	-	23,026	(23,026)	-	-
At 31 December 2005	219,753	8,834	60,634	230,484	175,744	695,449
Balance at 1 January 2004	179,647	26,972	(1,192)	65,867	2,638	273,932
Currency translation differences	-	-	(9,696)	-	(13)	(9,709)
Net loss recognised directly in equity	-	-	(9,696)	-	(13)	(9,709)
Net profit						
- As previously reported	-	-	-	64,159	831	64,990
- Effect of changes in accounting						

policies	-	-	65	(65)	-	-
- As restated	-	-	65	64,094	831	64,990
Total recognised (losses)/gains	-	-	(9,631)	64,094	818	55,281
Employee share option scheme:						
- value of employee services	-	-	2,040	-	-	2,040
- proceeds from shares issued	974	2	-	-	-	976
Conversion of RCCPS into ordinary shares	257	128	-	-	-	385
Bonus issue of 1 ordinary share for every 5 existing ordinary shares of \$0.20 each	36,151	(27,092)	-	(9,059)	-	-
Acquisition of minority shareholder's interest in a subsidiary	-	-	-	-	(1,074)	(1,074)
Dividend paid by subsidiaries to minority shareholders of subsidiaries	-	-	-	-	(746)	(746)
Dividend for 2003	-	-	-	(7,230)	-	(7,230)
Transfer from retained earnings to reserves	-	-	494	(494)	-	-
Transfer of reserves to retained earnings	-	-	(26)	26	-	-
At 31 December 2004	217,029	10	(8,315)	113,204	1,636	323,564
The Company 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	-	-	-	73,948	-	73,948

gains						
Employee share option scheme:						
- value of employee services	-	-	5,134	-	-	5,134
- proceeds from shares issued	2,724	8,824	(2,457)	-	-	9,091
Dividend for 2004	-	-	-	(21,854)	-	(21,854)
At 31 December 2005	219,753	8,834	5,309	77,907	-	311,803
Balance at 1 January 2004						
	179,647	26,972	527	25,697	-	232,843
Net profit:						
- As previously reported	-	-	-	18,184	-	18,184
- Effect of changes in accounting policies	-	-	65	(65)	-	-
- Restated	-	-	65	18,119	-	18,184
Total recognised gains	-	-	65	18,119	-	18,184
Employee share option scheme:						
- value of employee services	-	-	2,040	-	-	2,040
- proceeds from shares issued	974	2	-	-	-	976
Conversion of RCCPS into ordinary share	257	128	-	-	-	385
Bonus issue of 1 ordinary share for every 5 existing ordinary shares of \$0.20 each	36,151	(27,092)	-	(9,059)	-	-
Dividend for 2003	-	-	-	(7,230)	-	(7,230)
At 31 December 2004	217,029	10	2,632	27,527	-	247,198

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.

During 2005, the issued and paid-up capital of the Company was increased from \$217,029,495 to \$219,753,495. This was due to the allotment and issue of:

- 800,000 ordinary shares of \$0.20 each at an exercise price of \$0.20 each from the exercise of option granted in 2002 under the Cosco Group Employees' Share Option Scheme
- 920,000 ordinary shares of \$0.20 each at an exercise price of \$0.20 each from the exercise of option granted in 2003 under the Cosco Group Employees' Share Option Scheme; and
- 11,900,000 ordinary shares of \$0.20 each at an exercise price of \$0.735 each from the exercise of option granted in 2004 under the Cosco Group Employees' Share Option Scheme.

During 2005, share options totalling 8,475,000 were granted to eligible employees and directors of the Group at the exercise price of \$1.614 per share pursuant to the Cosco Group Employees' Share Option Scheme 2002.

During 2005, 260,000 share options lapsed.

The outstanding share options under the Cosco Group Employees' Share Option Scheme as at 31 December 2005 were 10,725,000 (2004: 16,130,000).

Subsequent to the financial year end, shareholders of the Company had approved for the sub-division of every one ordinary share of S\$0.20 each into two ordinary shares of S\$0.10 each at an Extraordinary General Meeting held on 17 January 2006.

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 2004.

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.

In 2005, the Group and the Company adopted the Financial Reporting Standards (FRS) below. The 2004 comparatives have been amended where as required, in accordance with the relevant transitional provisions in the respective FRS.

FRS 1 (revised 2004) Presentation of Financial Statements
FRS 2 (revised 2004) Inventories
FRS 8 (revised 2004) Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 (revised 2004) Events after the Balance Sheet Date
FRS 16 (revised 2004) Property, Plant and Equipment
FRS 17 (revised 2004) Leases
FRS 21 (revised 2004) The Effects of Changes in Foreign Exchange Rates
FRS 24 (revised 2004) Related Party Disclosures

FRS 27 (revised 2004) Consolidated and Separate Financial Statements
FRS 28 (revised 2004) Investments in Associates
FRS 32 (revised 2004) Financial Instruments: Disclosure and Presentation
FRS 33 (revised 2004) Earnings per Share
FRS 36 (revised 2004) Impairment of Assets
FRS 38 (revised 2004) Intangible Assets
FRS 39 (revised 2004) Financial Instruments: Recognition and Measurement
FRS 102 Share-based Payments
FRS 103 Business Combinations
FRS 105 Non-current Assets Held for Sale and Discontinued Operations

The adoption of the above FRS did not result in changes to the Group's and Company's accounting policies except as disclosed below:

I Effect of changes to the financial statements

Group - 2005

	Increase/(Decrease) \$'000			
	FRS 39 (revised 2004)	FRS 102	FRS 103	Total
Consolidated Balance Sheet items at 31 December 2005				
Share option reserve	-	4,782	-	4,782
Share premium reserve	-	2,457	-	2,457
Retained earnings	-	(7,239)	1,813	(5,426)
Intangible assets	-	-	1,813	1,813
Consolidated Income Statement for the financial year ended 31 December 2005				
Finance expenses	(1,714)	-	-	(1,714)
Administrative expenses	-	5,134	-	5,134
Other operating expenses	-	-	(578)	(578)
Profit for the financial year	1,714	(5,134)	578	(2,842)
Basic earnings per share (cents)	0.157	(0.470)	0.053	(0.260)
Diluted earnings per share (cents)	0.157	(0.469)	0.053	(0.259)

Group - 2004

	Increase/(Decrease) \$'000			
	FRS 39 (revised 2004)	FRS 102	FRS 103	Total
Consolidated Balance Sheet items at 31 December 2004				
Share option reserve	-	2,105	-	2,105
Retained earnings	-	(2,105)	-	(2,105)

Consolidated Income Statement for the financial year ended 31 December 2004				
Administrative expenses	-	2,040	-	2,040
Profit for the financial year	-	(2,040)	-	(2,040)
Basic earnings per share (cents)	-	(0.188)	-	(0.188)
Diluted earnings per share (cents)	-	(0.188)	-	(0.188)

II Description of changes

(a) FRS 27 (revised 2004) *Consolidated and Separate Financial Statements*

Previously, there was no requirement for the presentation of minority interests within equity. FRS 27 (revised 2004) requires minority interests to be presented with equity of the Group retrospectively.

(b) FRS 39 (revised 2004) *Financial Instruments: Recognition and Measurement* and FRS 32 (revised 2004) *Financial Instruments: Disclosure and Presentation*

(i) Classification and consequential accounting for financial assets and financial liabilities

- Under FRS 39 (revised 2004), the investments in equity interests of other companies are classified as “available-for-sale financial assets” and are initially recognised at fair value and subsequently measured at fair values at the balance sheet date with all gains and losses other than impairment loss taken to equity. Impairment losses are taken to the income statement in the period it arises. On disposal, gains and losses previously taken to equity are included in the income statement.

This change did not materially affect the financial statements as at 1 January 2005 and 31 December 2005.

- Previously, the Group’s trade and other payables and bank borrowings were stated at cost. Bank borrowings were stated at the proceeds received and transaction costs on borrowings were classified as deferred charges and amortised on a straight-line basis over the period of the borrowings. These financial liabilities are not held for trading and have not been designated as fair value through profit or loss at inception on adoption of FRS 39 (revised 2004). In accordance with FRS 39 (revised 2004), they are initially recognised at fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method.

This change did not materially affect the financial statements for the year ended 31 December 2005.

(ii) Impairment and uncollectibility of financial assets

- Previously, investments in equity interests were reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. On adoption of FRS 39 (revised 2004), the Group is now required to assess at each balance sheet date if there is any objective evidence that a financial asset or group of financial assets is impaired.

This change did not materially affect the financial statements for the year ended 31 December 2005.

(iii) Fair values of financial assets and liabilities

- Previously, the Fair values of unquoted financial assets and liabilities were measured based on last transacted prices of recent arm’s length transactions.

Fair value estimation is now carried out in accordance with guidance set out in FRS 39 (revised 2004).

This change did not materially affect the financial statements for the year ended 31 December 2005.

(c) *FRS 102 Share-based Payments*

Previously, the provision of share options to employees did not result in any charge in the income statement. The Group and Company recognised an increase in share capital and share premium when the options were exercised. On adoption of FRS 102, an expense is recognised in the income statement for share options issued with a corresponding increase in the share option reserve.

This change was effected retrospectively for share options granted after 22 November 2002 and not yet vested by 1 January 2005.

(d) *FRS 103 Business Combinations, FRS 36 (revised 2004) Impairment of Assets and FRS 38 (revised 2004) Intangible Assets*

(i) *Goodwill*

Until 31 December 2004, goodwill was amortised on a straight line basis over a maximum period of 10 years; and at each balance sheet date, the Group assessed if there was any indication of impairment of the cash-generating-unit in which the goodwill is attached to. In accordance with FRS 103 and FRS 36 (revised 2004), the Group ceased amortisation of goodwill from 1 January 2005 and accumulated amortisation as at 31 December 2004 amounting to \$1,686,000 has been eliminated with a corresponding decrease in the cost of goodwill. Goodwill is thereafter tested at least annually for impairment.

(ii) *Negative goodwill*

Until 31 December 2004, the excess of fair value of the Group's share of the net identifiable assets acquired over the cost of acquisition ("negative goodwill") for acquisitions between 1 January 2001 and 31 December 2004, was capitalised on the balance sheet and recognised in the income statement as follows:

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is taken to the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary depreciable assets acquired, is taken to the income statement over the remaining average useful life of those assets; negative goodwill in excess of the fair values of those assets is taken to the income statement immediately.

In accordance with the transitional provision of FRS 103, unamortised negative goodwill as at 31 December 2004 was adjusted against retained earnings at 1 January 2005. Any negative goodwill arising on business combinations post 1 January 2005 is taken immediately to the income statement.

(iii) *Accounting for acquisitions in 2005*

FRS 22 (that had been superseded by FRS 103) did not require the recognition of contingent liabilities assumed in a business combination but this is required in FRS 103. In addition, FRS 22 allowed the recognition of liabilities for terminating or reducing the activities of the acquiree if certain conditions are met but FRS 103 allows these liabilities to be recognised only if the acquiree, at the acquisition date, had an existing obligation in accordance with FRS 37. Previously, FRS 38 (superseded by FRS 38 (revised 2004)) did not include the presumption that

future economic benefit is always satisfied for an intangible asset acquired as part of a business combination. This presumption is included in FRS 38 (revised 2004).

The change did not materially affect the financial statements for the year ended 31 December 2005.

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	
	2005	2004
Before sub-division of shares:		
(i) Based on the weighted average number of ordinary shares on issue	14.70 cents	5.92 cents
(ii) On a fully diluted basis	14.66 cents	5.91 cents
After sub-division of shares*:		
(i) Based on the weighted average number of ordinary shares on issue	7.35 cents	2.96 cents
(ii) On a fully diluted basis	7.33 cents	2.95 cents

* Basic earnings per share and diluted earnings per share after the sub-division of shares of \$0.20 each to shares of \$0.10 each on 17 January 2006 have been presented for illustrative purposes.

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 1,091,849,976 (2004: 1,083,181,948) 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 (2004: includes RCCPS) which would dilute the basic earnings per share. The weighted average number of ordinary shares outstanding for diluted earnings per share is 1,094,467,230 (2004: 1,085,947,048).

The comparative figures for earnings per ordinary share had been adjusted to account for the effect of changes in accounting policies as mentioned in Paragraph 5 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	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
Net asset value per ordinary share (before sub-division of shares)	47.30 cents	29.67 cents	28.38 cents	22.78 cents
Net asset value per ordinary share* (after sub-division of shares)	23.65 cents	14.83 cents	14.19 cents	11.39 cents

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* Net asset value per ordinary share after the sub-division of shares of \$0.20 each to shares of \$0.10 each on 17 January 2006 have been presented for illustrative purposes.

The comparative figures for Net asset value per ordinary share had been adjusted to account for the effect of changes in accounting policies as mentioned in Paragraph 5 above.

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 1,098,767,477 (2004: 1,085,147,477).

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

Record turnover and net profit was achieved by the Group in FY 2005, arising from strong contributions from its core businesses of ship repair and dry bulk shipping.

Income statement and balance sheet items are not comparable to FY 2004 as Cosco Shipyard Group's results and balance sheet were consolidated into the Group from 1 January 2005. The comparable numbers for FY 2004 had also been adjusted to comply with the new Financial Reporting Standards that the Group and the Company adopted with effect from 1 January 2005.

Turnover

In FY 2005, Group turnover grew 650% to \$873.1 million from \$116.3 million in FY 2004 mainly due to the acquisition of the Cosco Shipyard Group. Ship repair was the main contributor with a turnover of \$707.8 million in FY 2005. This was 81.1% of total turnover in FY2005. Shipping and agencies constituted 16.7% and 2.2% of FY 2005 total turnover respectively.

Profitability

Gross profit rose 391% to \$282.1 million in FY 2005 on the back of higher turnover. Gross margins were compressed to 32.3% compared to 49.4% in FY 2004, owing to the change in margin mix. The Group turnover in FY 2004 consisted mainly of dry bulk shipping revenue which yielded higher margins of 63% as compared to gross margin of 26% from the ship repair business. Dry bulk shipping contributed 53% of gross profit.

Net exceptional gains of \$12.8 million arose mainly from the sale of a jointly operated vessel *M.V. Cos Hero* in August 2005, net of the impairment charges for the Group's property at Telok Ayer Street. The pending sale of the property at Telok Ayer Street is in line with the objective of concentrating on the Group's core business of ship repair.

Income tax expense rose to \$18.4 million due to increase in profit and a higher proportion of taxable profit from ship repair. The effective rate in FY 2005 was 8.17%, which is considerably lower than the Singapore statutory income tax rate of 20% due to preferential income tax rate of 12.5% enjoyed by the

Group's shipyards and tax exemption of shipping income under the Approved International Shipping Status

Net profit attributable to equity holders rose 150% to \$160.5 million in FY 2005 on strong contributions from ship repair and bulk shipping business and net exceptional gains of \$12.8 million.

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 2005 are in line with the commentary made in paragraph 10 of the Group's Third Quarter Financial Statement Announcement released on 7 November 2005.

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.

Revenue from ship repair will continue to grow in FY 2006 predicated on capacity expansion at the Group's shipyards, notably at Cosco Zhoushan Shipyard.

Additional capacity coming on stream in FY 2006 at Cosco Zhoushan Shipyard, includes a modified 150,000 dwt dry dock. Expected to be completed in mid 2006, it will be able to accommodate two Panamax class vessels simultaneously.

Concurrently at Zhoushan Shipyard, three new berths and two dry docks of 80,000 dwt and 300,000 dwt respectively are under construction. The three new berths will be progressively ready for deployment from the second half of 2006. The two new dry docks are expected to be fully operational by end 2006 and mid 2007 respectively.

FY 2006 will also see full contribution from a 300,000 dwt floating dock at Dalian Shipyard. This dock is the largest floating dock in the Group and in the People's Republic of China.

Capacity expansion at Zhoushan Shipyard will be funded partly through an equity injection of RMB 750 million or S\$154.55million (RMB 1 to S\$0.206061). The Company's share of 51% or S\$78.82 million will be funded internally and will be paid progressively through April 2007.

Ship repair margins are expected to improve through better deployment of resources for higher margin repair jobs and cost control.

The Group will compete for higher yield repair jobs such as conversion of single hull tankers to double hull, fabrication work of oil rigs and from repair and modification of Floating, Production, Storage and Offloading vessels (FPSOs).

Barring unforeseen circumstances, we remain optimistic of the prospects for FY 2006 and expect it to be another profitable year.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Ordinary Share Final (Proposed)
Dividend Type	Cash
Dividend Rate	2.0 cents per ordinary share (one-tier tax)
Par value of shares	\$0.10
Tax Rate	N.A.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Ordinary Share Final (Proposed)	Preference Share Dividend (Paid)
Dividend Type	Cash	Cash
Dividend Rate	2.0 cents per ordinary share (one-tier tax)	5.7 cents per preference share (less tax)
Par value of shares	\$0.20	\$0.01
Tax Rate	N.A.	20%

(c) Date payable

Details on payment of proposed dividend and related books closure date will be announced in due course.

(d) Books closure date

Refer to 11(c).

12. If no dividend has been declared/recommended, a statement to that effect.

Not Applicable

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

(a) Business segments

	Shipping	Ship repairing and marine	Rental of property and	Investment holding	Group
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	S\$'000	related activities S\$'000	property trading S\$'000	S\$'000	S\$'000
Financial year ended 31 December 2005					
Sales:					
- External sales	164,065	707,759	1,290	-	873,114
- Inter-segment sales	6	333	492	91,654	92,485
	164,071	708,092	1,782	91,654	965,599
Elimination					(92,485)
					873,114
Segment results	91,673	102,055	117	(9,494)	184,351
Other gains – miscellaneous					43,656
Other gains – exceptional gains					12,805
Finance expense					(15,773)
Share of profit of associated companies					519
Profit before income tax					225,558
Income tax expenses					(18,417)
Profit for the financial year					207,141
Other segment items					
Capital expenditure					
– property, plant and equipment	7,279	217,767	13	309	225,368
Depreciation	21,207	33,630	553	156	55,546
Segment assets	395,445	945,161	42,776	6,984	1,390,366
Associated companies					2,813
Intangible assets					9,357
Consolidated total assets					1,402,536
Segment liabilities	65,202	219,713	2,915	1,778	289,608
Borrowings					409,839
Current income tax liabilities					7,435
Deferred income tax liabilities					205
Consolidated total liabilities					707,087

	Shipping S\$'000	Ship repairing and marine related activities S\$'000	Rental of property and property trading S\$'000	Investment holding S\$'000	Group S\$'000
Financial year ended 31 December 2004					
Sales:					
- External sales	111,242	3,878	1,226	0	116,346
- Inter-segment sales	1	6	562	56,157	56,726
	111,243	3,884	1,788	56,157	173,072
Elimination					(56,726)
					116,346
Segment results	48,448	(163)	(73)	(6,617)	41,595
Other gains – miscellaneous					4,597
Other gains – exceptional gains					448
					46,640
Finance expense					(11,364)
Share of profit of associated companies					31,685
Amortisation of goodwill of an associated company					(578)
Profit before tax					66,383
Income tax expenses					(1,393)
Profit for the financial year					64,990
Other segment items					
Capital expenditure					
– Property, plant and equipment	14,565	58	8	38	14,669
Depreciation of property, plant and equipment	22,588	265	557	125	23,535
Depreciation of investment properties	-	-	113	-	113
Segment assets	364,756	7,102	45,403	43,630	460,891
Associated companies					83,168
Consolidated total assets					544,059
Segment liabilities	50,212	1,347	446	4,188	56,193
Borrowings					162,402
Current income tax liabilities					1,670
Deferred income tax liabilities					230
Consolidated total liabilities					220,495

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Refer to note 8.

15. A breakdown of sales

	Group		
	2005 S\$'000	2004 S\$'000	Change %
(a) Sales reported for first half year	375,299	52,214	619
(b) Operating profit/loss after tax before deducting minority interests reported for first half year	84,739	30,670	176
(c) Sales reported for second half year	497,815	64,132	676
(d) Operating profit/loss after tax before deducting minority interests reported for second half year	122,402	34,320	257

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend

	Latest Full Year S\$'000	Previous Full Year S\$'000
Ordinary (Paid)	21,854	7,230
Preference (Paid)	-	6
Total	21,854	7,236

The Directors proposed a first and final exempt (one-tier) dividend of 2 cents per ordinary share of \$0.10 each (2004: 2 cent per ordinary share of \$0.20 each) amounting to a total of \$43,951,000 based on current number of shares issued as of 31 December 2005 (Proposed in 2004: \$21,854,000) for the shareholders' approval at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2006.

17. 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'	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)

	mandate pursuant to Rule 920)	
	S\$'000	S\$'000
<u>Between Subsidiaries and:</u>		
Cosco Container Lines		15,527
Cosco Xiamen		691
Cosco Anhui		534
Cosco (Hongkong) Shipping		3,953
Cosco Bulk Carrier Co., Ltd		6,406
Cosco Shipping Co., Ltd		2,711
Cosco Chartering and Shipbroking (UK) Ltd		18,373
Guangzhou Ocean Shipping		1,809
Qingdao Manning Co-operation Ltd		927
Shanghai Ocean Crew Co.		2,568
Dalian Ocean Shipping		1,204
Shenzhen Ocean Shipping		457
Shanghai Ocean Shipping		2,886
Shanghai Pan-Asia Shipping		594
Cosco Nantong Steel Co., Ltd		2,679
Han Yuan Technical Service Centre		289
Nantong Cosco Ship Equipment Co.		226
Nantong Cosco KHI Ship Engineering Co., Ltd		6,153
Cosco Shanghai Ship Management Co.		480
Chinese-Polish Joint Stock Shipping Co.		821
Chung Chiao Shipping Sdn Bhd		132
Xing Yuan Pte Ltd		240
Chimbusco (S) Pte Ltd		1,678
Total	Nil	71, 338

BY ORDER OF THE BOARD

Mr Ji Haisheng
President
13/02/2006