



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

Unaudited Second Quarter Financial Statement Announcement for the Period Ended 30 June 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		%	S\$'000		%
	Q2 2006	Q2 2005		1H 2006	1H 2005	
Turnover	265,349	210,721	26	532,941	375,299	42
Cost of sales	(179,940)	(139,336)	29	(365,154)	(257,011)	42
Gross profit	85,409	71,385	20	167,787	118,288	42
Other gains, net						
- Miscellaneous [1]	14,836	11,649	27	24,106	22,682	6
- Exceptional gains	6,029	17	NM	5,989	54	NM
Expenses						
-Distribution	(7,340)	(6,853)	7	(15,560)	(10,923)	42
-Administrative	(18,955)	(15,145)	25	(39,115)	(28,989)	35
-Finance	(5,916)	(3,672)	61	(10,890)	(7,144)	52
-Other	(78)	(45)	73	(188)	(45)	318
Share of profit of associated companies [2]	156	118	32	289	252	15
Profit before income tax	74,141	57,454	29	132,418	94,175	41
Income tax expense	(3,959)	(5,508)	(28)	(9,575)	(9,436)	1
Profit for the financial period	70,182	51,946	35	122,843	84,739	45
Attributable to:						
Equity holders of the Company	51,003	39,360	30	88,585	65,159	36
Minority interest	19,179	12,586	52	34,258	19,580	75
	70,182	51,946	35	122,843	84,739	45
Earnings per share for profit attributable to the equity holders of the Company (expressed in cents per share)						

- basic	2.31	1.81	28	4.02	3.00	34
- diluted	2.30	1.80	28	4.01	2.98	35

(ii) Breakdown and Explanatory Notes to Income Statement

	Group					
	S\$'000		%	S\$'000		%
	Q2 2006	Q2 2005		1H 2006	1H 2005	
Profit before tax is arrived at after (charging)/crediting:						
Investment income	-	173	NM	-	173	NM
Other income including interest income	14,836	11,649	27	24,106	22,509	7
Interest on borrowings	(4,479)	(3,155)	42	(8,582)	(6,445)	33
Depreciation and amortisation	(16,149)	(13,986)	15	(31,929)	(26,342)	21
Allowance for impairment of receivables and bad debts written off	(78)	(5)	1,460	(87)	(5)	1,640
Property, plant and equipment written off	-	(41)	NM	(101)	(41)	146
Foreign exchange loss	(1,438)	(517)	178	(2,308)	(699)	230
The Group's exceptional gains comprise the following:						
Gain on disposal of property, plant and equipment	6,029	17	NM	5,989	54	NM
Adjustments for over/(under) provision of income tax in respect of prior years	3,524	(12)	NM	3,568	(12)	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
	30/06/2006	31/12/2005	30/06/2006	31/12/2005

Current assets				
Cash and cash equivalents	197,779	160,420	9,593	6,016
Trade and other receivables [1, 2]	208,495	150,651	30,859	498
Inventories [2]	140,467	107,992	-	-
Trading properties	670	19,270	-	-
	547,411	438,333	40,452	6,514
Non-current assets				
Trade and other receivables	-	-	81,161	99,828
Available-for-sale financial assets	2,219	2,304	-	-
Club memberships	372	377	141	141
Investments in associated companies	3,034	2,813	1,000	1,000
Investments in subsidiaries	-	-	208,244	208,244
Property, plant and equipment	1,014,064	949,352	661	535
Intangible assets	9,323	9,357	-	-
	1,029,012	964,203	291,207	309,748
Total assets	1,576,423	1,402,536	331,659	316,262
Current liabilities				
Trade and other payables [2]	362,887	281,323	5,317	4,172
Current income tax liabilities	8,943	7,435	265	201
Borrowings	64,521	107,666	-	-
Provision for other liabilities and charges	5,289	4,280	-	-
	441,640	400,704	5,582	4,373
Non-current liabilities				
Borrowings	374,390	302,173	-	-
Provision for other liabilities and charges	3,723	4,005	81	86
Deferred income tax liabilities	204	205	-	-
	378,317	306,383	81	86
Total liabilities	819,957	707,087	5,663	4,459
Net assets	756,466	695,449	325,996	311,803
Equity				
Capital and reserves attributable to the shareholders of the Company				
Share capital	238,062	219,753	238,062	219,753
Share premium	-	8,834	-	8,834
Revaluation and other reserves	42,747	60,634	9,043	5,309
Retained earnings	276,288	230,484	78,891	77,907
	557,097	519,705	325,996	311,803
Minority interest	199,369	175,744	-	-
Total equity	756,466	695,449	325,996	311,803

NOTES:

- [1] The increase in Trade and other receivables of the Company is due to dividend receivable from its subsidiaries.
- [2] The increases in Trade and other receivables, Inventories and Trade and other payables of the Group are mainly due to the increase in volume of ship repair business.

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

Amount repayable in one year or less, or on demand

As at 30/06/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
19,211,000	45,310,000	28,298,000	79,368,000

Amount repayable after one year

As at 30/06/2006		As at 31/12/2005	
Secured	Unsecured	Secured	Unsecured
136,801,000	237,589,000	116,718,000	185,455,000

Details of any collateral

Secured borrowings are generally secured by the group's leasehold land and buildings, motor vessels, motor vehicles and trading properties with net book values totalling \$270,131,000 (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	
	Q2 2006	Q2 2005
<u>Cash flow from operating activities</u>		
Profit before tax	74,141	57,454
Adjustments for:		
Depreciation of property, plant and equipment	16,149	13,986
Gain on disposal of property, plant and equipment	(6,029)	(17)
Property, plant and equipment written off	-	41
Employees share option expense	1,444	1,626

Share of profit of associated companies	(156)	(118)
Interest expense (financing)	4,479	3,155
Interest income (investing)	(1,136)	(546)
Operating cash flow before working capital changes	88,892	75,581
Changes in operating assets and liabilities, net of effects from disposal of subsidiaries:		
Inventories	(41,116)	(16,720)
Trade and other receivables	(40,844)	(30,133)
Trade and other payables	90,481	61,618
Exchange differences	(2,948)	6,153
Cash generated from operations	94,465	96,499
Income tax paid	(5,384)	(5,146)
Net cash from operating activities	89,081	91,353
<u>Cash flows from investing activities</u>		
Net cash outflow from disposal of a subsidiary, net of cash disposed	-	(124)
Proceeds from disposal of property, plant and equipment	12,808	1,366
Purchase of property, plant and equipment	(49,795)	(54,189)
Interest received	1,136	551
Net cash used in investing activities	(35,851)	(52,396)
<u>Cash flows from financing activities</u>		
Repayment of borrowings	(59,795)	(5,824)
Proceeds from borrowings	58,209	80,870
Repayment of finance lease liabilities	(11)	(12)
Decrease in cash collateral	1,131	185
Dividends paid to shareholders of the Company	(44,141)	(21,854)
Dividends paid to minority shareholders of subsidiaries	(2,615)	(788)
Dividends paid by a subsidiary to former shareholders of subsidiary	-	(35,061)
Repayment of amount due to a related corporation for acquisition of subsidiaries/an associated company	-	(34,804)
Proceeds from issuance of ordinary shares	9,328	5,622
Interest paid	(4,427)	(2,006)
Net cash used in financing activities	(42,321)	(13,672)
Net increase in cash and cash equivalents held	10,909	25,285
Cash and cash equivalents at the beginning of the financial period	185,303	149,450
Cash and cash equivalents at the end of the financial period	196,212	174,735
Cash and cash equivalents represented by:		
Bank and cash balances	121,298	141,994
Short-term bank deposits	76,481	34,310
Less: Cash collateral	(1,567)	(1,569)
	196,212	174,735

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 S\$'000	Share premium S\$'000	Revaluation and other reserves S\$'000	Retained earnings S\$'000		
The Group						
Balance at 1 April 2006	228,734	-	51,658	268,642	185,434	734,468
Currency translation differences	-	-	(9,571)	-	(3,604)	(13,175)
Net loss recognised directly in equity	-	-	(9,571)	-	(3,604)	(13,175)
Net profit for the period	-	-	-	51,003	19,179	70,182
Total recognised (loss)/gains	-	-	(9,571)	51,003	15,575	57,007
Employee share option scheme:						
- value of employee services	-	-	1,444	-	-	1,444
- proceeds from shares issued	9,328	-	-	-	-	9,328
Dividend paid by subsidiaries to minority shareholders of subsidiaries	-	-	-	-	(1,640)	(1,640)
Dividend for 2005	-	-	-	(44,141)	-	(44,141)
Transfer from reserves to retained earnings	-	-	(808)	808	-	-
Transfer of statutory reserves from retained earnings	-	-	24	(24)	-	-
At 30 June 2006	238,062	-	42,747	276,288	199,369	756,466
Balance at 1 April 2005	217,029	10	30,091	137,469	132,736	517,335
Currency translation differences	-	-	7,977	-	3,071	11,048
Net income recognised directly in equity	-	-	7,977	-	3,071	11,048
Net profit	-	-	-	39,360	12,586	51,946
Total recognised gains	-	-	7,977	39,360	15,657	62,994

Employee share option scheme:						
- value of employee services	-	-	1,626	-	-	1,626
- proceeds from shares issued	1,540	5,204	(1,122)	-	-	5,622
Minority share of a subsidiary disposed during the financial period	-	-	-	-	(124)	(124)
Dividend paid by subsidiaries to minority shareholders of subsidiaries	-	-	-	-	(813)	(813)
Dividend for 2004	-	-	-	(21,854)	-	(21,854)
At 30 June 2005	218,569	5,214	38,572	154,975	147,456	564,786
The Company						
Balance at 1 April 2006	228,734	-	7,599	102,199	-	338,532
Total recognised gains	-	-	-	20,833	-	20,833
Employee share option scheme:						
- value of employee services	-	-	1,444	-	-	1,444
- proceeds from shares issued	9,328	-	-	-	-	9,328
Dividend for 2005	-	-	-	(44,141)	-	(44,141)
At 30 June 2006	238,062	-	9,043	78,891	-	325,996
Balance at 1 April 2005	217,029	10	3,397	54,231	-	274,667
Total recognised gains	-	-	-	8,453	-	8,453
Employee share option scheme:						
- value of employee services	-	-	1,626	-	-	1,626
- proceeds from shares issued	1,540	5,204	(1,122)	-	-	5,622
Dividend for 2004	-	-	-	(21,854)	-	(21,854)
At 30 June 2005	218,569	5,214	3,901	40,830	-	268,514

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 Q2 2006, the issued and paid-up capital of the Company was increased from \$228,734,632 to \$238,062,577. This was due to the allotment and issue of:

- 1,260,000 ordinary shares at \$0.3675 each from the exercise of option granted in 2004 under the Cosco Group Employees' Share Option Scheme ("Scheme"); and
- 10,985,000 ordinary shares at \$0.807 each from the exercise of option granted in 2005 under the Scheme.

During Q2 2006, 350,000 share options were lapsed.

The outstanding share options under the Scheme as at 30 June 2006 were 31,555,000 (2005: 21,450,000 after sub-division of shares).

As at 30 June 2006, share capital of the Company comprised 2,210,179,954 ordinary shares (2005: 2,197,534,954 after sub-division of 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			
	Q2 2006	Q2 2005	1H 2006	1H 2005

(i) Based on the weighted average number of ordinary shares on issue	2.31 cents	1.81 cents	4.02 cents	3.00 cents
Weighted average number of ordinary shares	2,207,839,954	2,180,501,620	2,202,820,787	2,175,398,288
(ii) On a fully diluted basis	2.30 cents	1.80 cents	4.01 cents	2.98 cents
Adjusted weighted average number of ordinary shares	2,213,317,789	2,192,866,340	2,207,225,993	2,185,491,456

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 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 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 which was approved by shareholders at an Extraordinary General Meeting held on 17 January 2006.

- 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	
	30/06/2006	31/12/2005	30/06/2006	31/12/2005
Net asset value per ordinary share	25.21 cents	23.65 cents	14.75 cents	14.19 cents

The number of ordinary shares outstanding for the computation of net asset value per ordinary share is 2,210,179,954 (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 which was approved by shareholders at an Extraordinary General Meeting held on 17 January 2006.

- 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 quarter of high turnover and net profit in Q2 2006 on the back of strong growth in its core Ship Repair & Marine Engineering business.

Net profit attributable to equity holders rose 30% to \$51.0 m on turnover of \$265.3m in Q2 2006. Compared to 1H 2005, net profit attributable to equity holders jumped 36% to \$88.6m on turnover of \$532.9m in 1H 2006.

Turnover

Group turnover increased 25.9% from \$210.7m in Q2 2005 to \$265.3m in Q2 2006 fuelled by successful expansion of the Group's Ship Repair & Marine Engineering business. Compared to 1H 2005, Group turnover jumped 42.0% to \$532.9m in 1H 2006.

Turnover by Activities (Q2 2006 vs. Q2 2005)

	Q2 2006		Q2 2005		Change
	S\$m	%	S\$m	%	%
Ship Repair & Marine Engineering	223.8	84	171.7	82	+30.3
Dry Bulk Shipping	36.8	14	34.2	16	+7.6
Shipping Agency	4.6	2	4.5	2	+2.2
Property Rental/Trading	0.1	0	0.3	0	-66.7
Group Total	265.3	100	210.7	100	+25.9

Turnover by Activities (1H 2006 vs. 1H 2005)

	1H 2006		1H 2005		Change
	S\$m	%	S\$m	%	%
Ship Repair & Marine Engineering	429.0	81	305.0	81	+40.7
Dry Bulk Shipping	76.1	14	60.8	16	+25.2
Shipping Agency	8.9	2	8.9	2	-
Property Rental/Trading	18.9	4	0.6	0	+3050.0
Group Total	532.9	100	375.3	100	+42.0

Ship Repair & Marine Engineering turnover expanded 30.3% to \$223.8m in Q2 2006 as the Group continued to deliver more high-value ship repair & conversion and offshore marine engineering projects.

This was further boosted by upgrades to the Group's shipyard facilities to meet rising demand. In Q4 2005, the Group added a 300,000 dwt floating dock at Dalian which had begun contributing to Group earnings during the period. The better utilisation of the deployment of the 80,000 dwt floating dock from Cosco Dalian Shipyard to Cosco Guangzhou Shipyard had also contributed to an improvement in earnings during the period.

Dry Bulk Shipping turnover increased 7.6% to \$36.8m in Q2 2006. The improvement was mainly due to contributions from two additional vessels which joined the fleet in February and March 2006.

Profitability

Gross profit rose 20% from \$71.4m in Q2 2005 to \$85.4m in Q2 2006 on the back of higher turnover. Gross profit margins were lower at 32.2% compared to 33.9% in Q2 2005 owing to a change in the margin mix. The softening of charter-hire rates in bulk shipping was mitigated by higher gross margin repairs of ship repair business.

Net margin improved from 24.6% in Q2 2005 to 26.4% in Q2 2006. Higher margin was attributed by the ship repair business through higher yield projects, skills enhancement and efficiency.

Exceptional gain comprised \$6.0m from the sale of MV Cos Angel, one of the four ships slated for disposal, which was delivered to the buyer on 3 June 2006.

Distribution and administrative costs increased in line with the rising volume of repair business handled. Finance cost increased due to higher interest rates and more borrowings by COSCO Shipyard.

The effective tax rate in Q2 2006 of 5.3% was much lower compared with 9.6% in Q2 2005. The lower effective rate was attributed to a tax refund by the PRC tax authority and tax exemptions on shipping income.

Overall Group net profit attributable to equity holders of the Company rose 30.0% in Q2 2006 to \$51.0m on robust contributions from the ship repair business, and an one-off exceptional gain of \$6.0m from the sale of a ship in June 2006. Against 1H 2005, net profit attributable to equity holders jumped 36.0% to \$88.6m in 1H 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 Q2 2006 are in line with the commentary made in paragraph 10 of the Group's First Quarter Financial Statement Announcement released on 2 May 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.

Leveraging on COSCO Shipyard Group's ("CSG") leading position in China, its successful track record in delivering technically demanding specialised offshore marine engineering work, as well as the substantial shipyard capacity upgrades underway, the Group expects to attract more complex, high- value Ship Repair & Marine Engineering contracts from the robust oil & gas industry going forward.

The high-yield ship repair, conversion and offshore marine engineering projects secured during 1H 2006 amounting to \$400m (US\$250m) had exceeded those secured in the whole of FY 2005, underscoring the Group's capabilities in the highly specialised offshore business. Works on these projects secured in 1H 2006 are still in progress with some of them expected to be completed in Q3 2006.

To cope with the rapidly rising demand for offshore marine engineering work, the Group's shipyards have been undergoing massive facility and infrastructure upgrades. In June 2006, Zhoushan Shipyard completed its doubling of dry dock capacity from 150,000 dwt to 300,000 dwt to handle two panamax vessels concurrently. This new capacity will add to Group earnings in 2H 2006 and increase the total docking capacity of CSG by 12.5% from 1.2m dwt to the current 1.35m dwt.

Further upgrading work remains on track. At Zhoushan, one new 80,000 dwt dry dock is scheduled for completion by end of 2006 and another new 300,000 dwt dry dock is expected to be ready by middle of 2007. Two new berths are being constructed in Zhoushan and are expected to be ready by the time the above dry docks are operational. At Dalian, a 23,000 sq metre warehouse and a slipway are under construction on a 280,000 sq metre developed land. These infrastructures are targeted for

completion by the end of 2006. By end of 2006 and middle of 2007, the Group's shipyard docking capacity will further increase to 1.43m dwt and 1.73m dwt respectively.

These new capacities will allow the Group to further penetrate into the niche markets of high-value offshore marine engineering work such as new buildings and conversion of oil-related facilities like rigs and FPSO/FSO, special purpose ships such as pipe/cable layers, heavy lift vessels, tugs and barges. These higher yield contracts will further strengthen the Group's order book and returns.

The ship repair business has identified a requirement of S\$178 million (RMB900 million) for the above capacity expansion up to middle of 2007. The shareholders of CSG will inject RMB750 million progressively from 2H 2006 to 1H 2007, as previously announced on 9 January 2006. The balance will be funded through bank borrowings by CSG.

The capital contribution of RMB383 million (S\$76 million) by the Company will be funded through internally generated funds.

Barring unforeseen circumstances, the Group is confident that FY 2006's performance will be better than FY 2005.

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 Q2 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	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)

	under shareholders' mandate pursuant to Rule 920)	
	S\$'000	
	Q2 2006	1H 2006
<u>Between Subsidiaries and:</u>		
Chimbusco (S) Pte Ltd	227	579
Chimbusco Dalian Branch	3,882	5,704
Cosco (Hongkong) Shipping Co., Ltd	-	1,370
Cosco Bulk Carrier Co., Ltd	595	1,246
Cosco Chartering and Shipbroking (UK) Ltd	3,949	7,967
Cosco Container Lines	4,283	7,294
Cosco LianYunGang Navi.Repair Dept	111	111
Cosco Nantong Steel Co., Ltd	722	1,100
Cosco Shipping Co., Ltd	655	818
Dalian Ocean Shipping	313	313
Guangzhou Ocean Shipping	447	1,402
Nantong Chimbusco Marine Bunker	1,208	1,208
Nantong Cosco Ship Engineering Co.,Ltd	117	3,262
Penavico-Nantong	179	179
Qingdao Manning Co- operation Ltd	352	584
Qingdao Ocean Shipping	-	366
Shanghai Ocean Crew Co.	730	1,455
Shanghai Ocean Shipping	1,705	4,294
Shanghai Pan-Asia Shipping	122	234
Tianjin TianHui Shipping & Enterprise Co.,Ltd	-	105
Xiamen Ocean Shipping	272	272
Xing Yuan Pte Ltd	105	105
	NIL	39,968

BY ORDER OF THE BOARD

Mr Ji Haisheng
Vice Chairman and President
31/07/2006