



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

Unaudited Third Quarter Financial Statement Announcement for the Period Ended 30 September 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		%	S\$'000		%
	Q3 2005	Q3 2004		Change	YTD 2005	
Turnover	235,090	32,465	624	610,389	84,679	621
Cost of sales	(159,587)	(15,720)	915	(416,598)	(45,723)	811
Gross profit	75,503	16,745	351	193,791	38,956	397
Other gains, net [1]	11,534	1,920	501	34,059	3,668	829
Distribution costs	(6,760)	(276)	2,349	(17,683)	(830)	2,030
Administrative expenses	(17,258)	(3,451)	400	(46,247)	(9,926)	366
Other operating expenses	(68)	(231)	(71)	(113)	(231)	(51)
Exceptional items	16,017	(6,362)	NM	16,017	(6,362)	NM
Finance costs	(4,098)	(3,094)	32	(11,031)	(7,533)	46
Share of profit of associated companies [2]	126	6,937	(98)	377	25,896	(99)
Amortisation of goodwill of an associated company	-	(145)	NM	-	(434)	NM
Profit before income tax	74,996	12,043	523	169,170	43,204	292
Income tax expense	(5,676)	(418)	1,258	(15,112)	(909)	1,562
Net profit for the period (include Minority interest)	69,320	11,625	496	154,058	42,295	264
Attributable to:						
Shareholders of the Company	56,566	11,332	399	121,724	41,629	192
Minority interest	12,754	293	4,253	32,334	666	4,755
Net profit for the period	69,320	11,625	496	154,058	42,295	264
Earnings per share for profit attributable to the shareholders of the Company during the period (expressed in cents)						

per share)						
- basic	5.17	1.04	395	11.17	3.85	190
- diluted	5.14	1.04	393	11.12	3.84	190

(ii) Breakdown and Explanatory Notes to Income Statement

	Group					
	S\$'000		%	S\$'000		%
	Q3 2005	Q3 2004	Change	YTD 2005	YTD 2004	Change
Profit before tax is arrived at after (charging)/crediting:						
Investment income	-	36	NM	173	36	381
Other income including interest income	11,806	1,884	527	34,370	3,632	846
Interest on borrowings	(3,952)	(2,221)	78	(10,397)	(6,976)	49
Depreciation and amortisation	(12,666)	(5,956)	113	(39,008)	(18,280)	113
Provision for doubtful debts and bad debts written off	-	-	-	(5)	-	NM
Gain on disposal of property, plant and equipment	43	-	NM	97	3	3,133
Property, plant and equipment written off	(67)	(231)	(71)	(108)	(231)	(53)
Foreign exchange (loss)	(420)	(873)	(52)	(1,119)	(557)	101
The Group's exceptional items comprise the following:						
Gain on disposal of a jointly operated vessel	16,017	-	NM	16,017	-	NM
Impairment in value of investment properties	-	(6,362)	NM	-	(6,362)	NM
Adjustments for under provision of tax in respect of prior years:						
Income tax	(1)	(38)	(97)	(13)	(32)	(59)

NOTES:

NM denotes not meaningful.

[1] Other gains, net include investment income, interest income, fair value gain/loss on interest rate swap and other income.

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

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
	30/09/2005	31/12/2004	30/09/2005	31/12/2004
Current assets				
Cash and cash equivalents	187,450	94,046	10,710	41,954
Trade and other receivables	180,876	20,082	25,855	16,941
Inventories	106,747	-	-	-
Income tax recoverable	-	73	-	-
Trading properties	23,215	23,215	-	-
Derivative financial instruments [1]	386	-	386	-
	498,674	137,416	36,951	58,895
Non-current assets				
Non-trade receivables	-	1,677	-	847
Other investments	2,719	503	150	150
Investments in associated companies	2,693	83,168	1,000	55,967
Investments in subsidiaries	-	-	313,891	141,308
Property, plant and equipment	901,921	321,294	574	381
Intangible assets [2]	9,367	-	-	-
	916,700	406,642	315,615	198,653
Total assets	1,415,374	544,058	352,566	257,548
Current liabilities				
Trade and other payables	335,578	49,600	53,219	9,099
Borrowings	168,853	26,599	-	500
Provision for other liabilities and charges	4,027	2,466	-	-
Current income tax liabilities	7,870	1,670	655	655
	516,328	80,335	53,874	10,254
Non-current liabilities				
Provision for other liabilities and charges	4,116	4,125	89	97
Borrowings	246,511	135,805	30,394	-
Deferred income tax liabilities	231	230	-	-
	250,858	140,160	30,483	97
Total liabilities	767,186	220,495	84,357	10,351
Net assets	648,188	323,563	268,209	247,197
Equity				
Capital and reserves attributable to the shareholders of the Company				
Share capital	219,077	217,029	219,077	217,029

Share premium	7,251	10	7,251	10
Translation reserves	6,404	(13,845)	-	-
Share option reserve	4,068	2,105	4,068	2,105
Other reserves	35,782	3,425	527	527
Retained earnings	211,519	113,203	37,286	27,526
	484,101	321,927	268,209	247,197
Minority interest	164,087	1,636	-	-
Total equity	648,188	323,563	268,209	247,197

NOTES:

[1] Derivative financial instruments relate to interest rate swap transactions.

[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 30/09/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
19,179,000	149,674,000	26,099,000	500,000

Amount repayable after one year

As at 30/09/2005		As at 31/12/2004	
Secured	Unsecured	Secured	Unsecured
163,043,000	83,468,000	135,805,000	-

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 \$287,480,000 (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	
	Q3 2005	Q3 2004

<u>Cash flow from operating activities</u>		
Profit before tax and share of profits of associated companies	74,870	5,250
Adjustments for:		
Depreciation of property, plant and equipment	12,666	5,810
Depreciation of investment properties	-	38
Impairment in value of investment properties	-	6,362
Gain on disposal of property, plant and equipment	(43)	-
Property, plant and equipment written off	67	231
Employees share option expense	1,372	765
Preference shares dividend (financing)	-	1
Interest expense (financing)	3,952	2,221
Interest income (investing)	(668)	(131)
Operating cash flow before working capital changes	92,216	20,547
Changes in operating assets and liabilities, net of effects from disposal of subsidiaries:		
Inventories	(19,753)	-
Trade and other receivables	(13,454)	1,991
Trade and other payables	49,724	3,043
Exchange differences	5,162	(789)
Cash generated from operations	113,895	24,792
Income tax (paid)/refunded	(3,760)	249
Net cash from operating activities	110,135	25,041
<u>Cash flows from investing activities</u>		
Proceeds from disposal of property, plant and equipment	253	-
Purchase of property, plant and equipment	(61,730)	(467)
Increase in deferred expenditure	-	(101)
Dividend income received from associated companies	-	153
Interest received	664	114
Net cash used in investing activities	(60,813)	(301)
<u>Cash flows from financing activities</u>		
Repayment of borrowings	(36,735)	(9,274)
Proceeds from borrowings	4,749	-
Repayment of finance lease liabilities	(19)	(6)
(Increase)/Decrease in cash collateral	(18)	35
Dividends paid to minority shareholders of subsidiaries	(1,555)	-
Proceeds from issuance of ordinary shares	1,867	-
Interest paid	(6,483)	(3,496)
Net cash used in financing activities	(38,194)	(12,741)
Net increase in cash and cash equivalents held	11,128	11,999
Cash and cash equivalents at the beginning of the financial period	174,735	62,406
Cash and cash equivalents at the end of the financial period	185,863	74,405
Cash and cash equivalents represented by:		
Bank and cash balances	85,866	22,290
Short-term bank deposits	101,584	55,653
Less: Bank overdrafts	-	-
Less: Cash collateral	(1,587)	(3,538)
	185,863	74,405

recognised directly in equity:								
- currency translation differences	-	-	-	(4,651)	-	-	(7)	(4,658)
Profit for the period ended 30 September 2004	-	-	-	-	-	11,332	293	11,625
Total recognised (loss)/gains for period ended 30 September 2004	-	-	-	(4,651)	-	11,332	286	6,967
Employee share option scheme:								
- value of employee services	-	-	765	-	-	-	-	765
Transfer from retained earnings to other reserves	-	-	-	-	4,041	(4,041)	-	-
At 30 September 2004	216,908	-	1,340	(6,719)	7,492	87,100	1,484	307,605
The Company At 1 July 2005	218,569	5,214	3,374	-	527	40,830	-	268,514
Loss for the period ended 30 September 2005	-	-	-	-	-	(3,544)	-	(3,544)
Employee share option scheme:								
- value of employee services	-	-	1,372	-	-	-	-	1,372
- proceeds from shares issued	508	2,037	(678)	-	-	-	-	1,867
At 30 September 2005	219,077	7,251	4,068	-	527	37,286	-	268,209
At 1 July 2004	216,908	-	575	-	527	28,243	-	246,253

Loss for the period ended 30 September 2004	-	-	-	-	-	(4,484)	-	(4,484)
Employee share option scheme:								
- value of employee services	-	-	765	-	-	-	-	765
At 30 September 2004	216,908	-	1,340	-	527	23,759	-	242,534

- 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 Q3 2005, the issued and paid-up capital of the Company was increased from \$218,569,495 to \$219,077,495. This was due to the allotment and issue of 2,540,000 ordinary shares of \$0.20 each at an exercise price of \$0.735 each from the exercise of option granted in FY2004 under the Cosco Group Employees' Share Option Scheme.

The outstanding share options under the Cosco Group Employees' Share Option Scheme as at 30 September 2005 were 14,155,000 (2004: 16,130,000).

- 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 period 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 and their impact on the financial statements is not significant 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 30 September 2005				
Share option reserve	-	4,068	-	4,068
Share premium reserve	-	678	-	678
Retained earnings	175	(4,746)	1,561	(3,010)
Intangible assets	-	-	(1,561)	(1,561)
Current assets	175	-	-	175
Consolidated Income Statement for Q3 2005				
Other gains, net	439	-	-	439
Administrative expenses	-	1,372	-	1,372
Other operating expenses	-	-	(108)	(108)
Total profit for the period	439	(1,372)	108	(825)
Basic earnings per share (cents)	0.040	(0.125)	0.01	(0.075)
Diluted earnings per share (cents)	0.040	(0.125)	0.01	(0.075)

Consolidated Income Statement for YTD 2005				
Other gains, net	1,890	-	-	1,890
Administrative expenses	-	3,763	-	3,763
Other operating expenses	-	-	(326)	(326)
Total profit for the period	1,890	(3,763)	326	(1,547)
Basic earnings per share (cents)	0.173	(0.345)	0.03	(0.142)
Diluted earnings per share (cents)	0.173	(0.344)	0.03	(0.141)

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 Q3 2004				
Administrative expenses	-	765	-	765
Total profit for the period	-	(765)	-	(765)
Basic earnings per share (cents)	-	(0.071)	-	(0.071)
Diluted earnings per share (cents)	-	(0.070)	-	(0.070)
Consolidated Income Statement for YTD 2004				
Administrative expenses	-	1,275	-	1,275
Total profit for the period	-	(1,275)	-	(1,275)
Basic earnings per share (cents)	-	(0.118)	-	(0.118)
Diluted earnings per share (cents)	-	(0.118)	-	(0.118)

II Description of changes

Please refer to Note 5 (II) of First Quarter Announcement made on 3 May 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			
	Q3 2005	Q3 2004	YTD 2005	YTD 2004
(i) Based on the weighted average number of ordinary shares on issue	5.17 cents	1.04 cents	11.17 cents	3.85 cents
(ii) On a fully diluted basis	5.14 cents	1.04 cents	11.12 cents	3.84 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 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 (2004: includes RCCPS) which would dilute the basic earnings per share.

The comparative figures for earnings per ordinary share had been adjusted to account for the effect of bonus issue in FY2004 and 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	
	30/09/2005	31/12/2004	30/09/2005	31/12/2004
Net asset value per ordinary share	44.19 cents	29.67 cents	24.49 cents	22.78 cents

The comparative figures for Net asset value per ordinary share had been adjusted to account for the effect of bonus issue in FY2004 and the effect of changes in accounting policies as mentioned in Paragraph 5 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 continued to achieve record turnover and net profit in Q3 2005, owing to strong contributions from its core businesses of ship repair and dry bulk shipping.

The income statement and the balance sheet items are not comparable to FY 2004 as the COSCO Shipyard Group results and balance sheet were consolidated into the Group with effect from 1 January 2005.

Turnover

In Q3 2005, the Group turnover grew 624% to \$235.1 million from \$32.5 million in Q3 2004. Shipyard operations continued to be the main contributor with a turnover of \$188.2 million in Q3 2005. This was 80% and 80.3% of total turnover in Q3 2005 and YTD 2005 respectively. Average revenue per ship repaired in Q3 2005 was \$1.4 million, up from \$1.1 million in Q3 2004.

Shipping revenue was boosted by two new ships to the fleet. *M V Hai Huang Xing* and *M V Ju Da* were added in June and July 2005. With this increase, the shipping revenue constituted 17.5% and 16.7% of the Q3 2005 and YTD 2005 consolidated revenue respectively.

Profitability

Gross profit rose 351% to \$75.5 million in Q3 2005 on the back of higher turnover. Although gross margins were lower at 32% compared to 51.6% in Q3 2004 due to the change in revenue streams, they were a marginal improvement over YTD 2005 gross profit margin of 31.7%. Dry bulk shipping yielded higher margins of 62.6% for YTD 2005 compared to 25.6% from the ship repair business. The net effect was a compression in YTD 2005 gross margins to 31.7% compared to 46% for the corresponding period in 2004. Overall margins remained healthy.

Exceptional gain of \$16.0 million comprised the sale of a jointly operated vessel *M.V. Cos Hero* in August 2005.

Profit before tax (PBT) margins improved to 31.9% in Q3 2005 from 27.7% in the YTD 2005 owing to enhanced efficiency of the ship repair operations.

Tax expense rose 1,258% to \$5.7 million on increased profit and a larger proportion of higher taxable profit from ship repairs. The effective tax rate in Q3 2005 and YTD 2005 were 7.6% and 8.9% respectively, considerably lower than Singapore statutory tax rate of 20% owing to tax exemption of shipping income under the Approved International Shipping Status and preferential tax rate of 12.5% enjoyed by the Group's shipyards.

Overall Group net profit attributable to shareholders of the Company rose 399% in Q3 2005 to \$56.6 million on robust contributions from ship repair and bulk shipping business and a one-off exceptional gain of \$16 million on the sale of a ship in Q3 2005.

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 Q3 2005 are in line with the commentary made in paragraph 10 of the Group's Second Quarter Financial Statement Announcement released on 2 August 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.

At Cosco Zhoushan Shipyard, modification on an existing 150,000 dwt dry dock commenced in September 2005 and is expected to complete in mid 2006. On completion, it will be able to accommodate two Panamax class vessels simultaneously.

Concurrently at Zhoushan Shipyard, three new berths and two dry docks of 300,000 dwt and 80,000 dwt respectively are under construction. The three new berths will be ready in early 2006. The two new dry docks are expected to be fully operational by end 2006 and early 2007 respectively.

On 22 Oct 2005, a new 300,000 dwt floating dock, which is the largest floating dock in China and the largest in the Group was commissioned for operation. The dock will be deployed to service VLCCs, which yield higher margins. With the dock, Group capacity has increased by 33.3% from 900,000 dwt to 1,200,000 dwt.

Two new 74,000 dwt ships, M V Hai Huang Xing and M V Ju Da joined the bulk carrier fleet in Q3 2005. Full contributions will accrue in Q4 2005. Two new 55,000 dwt bulk carriers which were contracted for in 2003 will be delivered in the first half of FY2006.

Barring unforeseen circumstances, the Group expects both turnover and net profit for FY 2005 to substantially exceed those of FY2004.

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.

The directors do not recommend the payment of interim dividend on the ordinary shares for the current financial period.

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	
		Q3 2005	YTD 2005
<u>Between Subsidiaries and:</u>			
Cosco Container Lines		4,771	10,994
Cosco Xiamen		-	387
Cosco (Hongkong) Shipping		255	255
Cosco Bulk Carrier Co., Ltd		3,833	3,988
Cosco Shipping Co., Ltd		2,575	2,694
Cosco Chartering and Shipbroking (UK) Ltd		4,989	13,095

Guangzhou Ocean Crew Co.	474	1,328
Qingdao Ocean Crew Co.	261	688
Shanghai Ocean Crew Co.	721	1,875
Dalian Ocean Shipping	522	1,204
Shanghai Ocean Shipping	2,925	2,925
Shanghai Pan-Asia Shipping	594	594
Cosco Nantong Steel Co., Ltd	941	1,807
Han Yuan Technical Service Centre	-	205
Nantong Cosco Ship Equipment Co.	-	123
Cosco Shanghai Ship Management Co.	-	480
Xing Yuan Pte Ltd	239	239
Chimbusco (S) Pte Ltd	610	1,465
	23,710	44,346

BY ORDER OF THE BOARD

Mr Ji Haisheng
President
07/11/2005