



SEMBCORP MARINE LTD

Second Quarter Financial Statements and Dividend Announcement

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

| | 2Q 2006 \$'000 | Group 2Q 2005 \$'000 | + / (-) % | 1H 2006 \$'000 | Group 1H 2005 \$'000 | + / (-) % |
|--|-------------------|----------------------------|--------------|-------------------|----------------------------|--------------|
| Turnover | 1,041,207 | 470,354 | 121.4 | 1,540,314 | 918,089 | 67.8 |
| Cost of sales | (978,761) | (428,352) | 128.5 | (1,412,200) | (845,447) | 67.0 |
| Gross profit | 62,446 | 42,002 | 48.7 | 128,114 | 72,642 | 76.4 |
| Other operating income | 5,233 | 4,806 | 8.9 | 10,624 | 8,832 | 20.3 |
| Other operating expenses | (4,885) | (3,054) | 60.0 | (11,534) | (3,251) | 254.8 |
| General and administrative expenses | (13,257) | (11,177) | 18.6 | (26,926) | (22,076) | 22.0 |
| Operating profit | 49,537 | 32,577 | 52.1 | 100,278 | 56,147 | 78.6 |
| Dividend and interest income | 7,054 | 4,493 | 57.0 | 11,271 | 8,469 | 33.1 |
| Interest expenses | (1,842) | (1,169) | 57.6 | (3,204) | (2,318) | 38.2 |
| Non-operating income | 11,018 | - | n.m | 11,018 | - | n.m |
| Non-operating expenses | (875) | - | n.m | (7,002) | - | n.m |
| Share of results of associated companies and joint venture | 6,458 | 8,700 | (25.8) | 15,089 | 12,813 | 17.8 |
| Profit before tax | 71,350 | 44,601 | 60.0 | 127,450 | 75,111 | 69.7 |
| Taxation | (11,445) | (9,085) | 26.0 | (24,052) | (15,684) | 53.4 |
| Profit after taxation | 59,905 | 35,516 | 68.7 | 103,398 | 59,427 | 74.0 |
| Attributable to: | | | | | | |
| Shareholders of the Company | 57,543 | 34,585 | 66.4 | 98,376 | 58,398 | 68.5 |
| Minority Interests | 2,362 | 931 | 153.7 | 5,022 | 1,029 | 388.0 |
| | 59,905 | 35,516 | 68.7 | 103,398 | 59,427 | 74.0 |
| Attributable to Shareholders of the Company excluding non-operating items | 49,604 | 34,585 | 43.4 | 96,564 | 58,398 | 65.4 |
| Earnings per share (cents) | | | | | | |
| Basic | 3.96 | 2.40 | 65.0 | 6.77 | 4.08 | 65.9 |
| Diluted | 3.91 | 2.37 | 65.0 | 6.69 | 4.02 | 66.4 |

(a)(ii) items, which if significant must be included in the income statement.

| | 2Q 2006 \$'000 | Group 2Q 2005 \$'000 | + / (-) % | 1H 2006 \$'000 | Group 1H 2005 \$'000 | + / (-) % |
|---|-------------------|----------------------------|--------------|-------------------|----------------------------|--------------|
| Investment income | 1,400 | 799 | 75.2 | 1,408 | 830 | 69.6 |
| Interest income | 5,654 | 3,694 | 53.1 | 9,863 | 7,639 | 29.1 |
| Interest expenses | (1,842) | (1,169) | 57.6 | (3,204) | (2,318) | 38.2 |
| Depreciation and amortisation | (11,371) | (8,523) | 33.4 | (21,434) | (16,719) | 28.2 |
| Allowance for doubtful debts, net and bad debts written off | (2,027) | (327) | 519.9 | (119) | (311) | (61.7) |
| Allowance for stock obsolescence, net and stock written off | (341) | (20) | 1605.0 | (378) | (39) | 869.2 |
| Foreign exchange (loss)/gain, net | (4,775) | 3,118 | n.m | (11,366) | 3,772 | n.m |

| | 2Q 2006 | Group 2Q 2005 | + / (-) | 1H 2006 | Group 1H 2005 | + / (-) |
|---|---------|------------------|---------|---------|------------------|---------|
| Profit after taxation as a percentage of Turnover | 5.75% | 7.55% | (23.8) | 6.71% | 6.47% | 3.7 |
| Net profit attributable to shareholders as a percentage of Issued Capital and Reserves at end of period | 5.27% | 3.39% | 55.5 | 9.01% | 5.73% | 57.2 |

n.m. : not meaningful

Notes:

| | 2Q 2006 \$'000 | Group 2Q 2005 \$'000 | 1H 2006 \$'000 | Group 1H 2005 \$'000 |
|---|-------------------|----------------------------|-------------------|----------------------------|
| (i) Over/(under)-provision of tax in respect of prior years, net | 16 | - | 264 | (4) |
| (ii) (Loss)/gain on disposal of fixed assets, net | (82) | - | (76) | 33 |
| (iii) Non-operating income: Gain on disposal of subsidiary company | 11,018 | - | 11,018 | - |
| (iv) Non-operating expenses in respect of asset previously held for sale: | | | | |
| - Impairment in value | - | - | (6,127) | - |
| - Depreciation | (875) | - | (875) | - |
| | (875) | - | (7,002) | - |

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

Balance Sheet

| | Group | | Company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 30-Jun-2006 \$'000 | 31-Dec-2005 \$'000 | 30-Jun-2006 \$'000 | 31-Dec-2005 \$'000 |
| Non Current Assets | | | | |
| Fixed assets | 475,694 | 579,584 | 175,166 | 177,679 |
| Subsidiary companies | - | - | 490,481 | 490,852 |
| Associated companies and joint venture | 132,783 | 123,645 | 66,259 | 66,259 |
| Other long-term investments | 90,581 | 77,931 | 90,010 | 77,438 |
| Long-term trade debtors | 43,015 | 47,390 | 39,302 | 41,602 |
| Intangible assets | 3,551 | 3,601 | 122 | 122 |
| Deferred tax asset | 872 | 872 | - | - |
| Total Non Current Assets | 746,496 | 833,023 | 861,340 | 853,952 |
| Current Assets | | | | |
| Stocks and work-in-progress | 1,088,514 | 632,990 | - | - |
| Trade debtors | 185,858 | 239,199 | 21,518 | 44,278 |
| Asset held for sale | - | 52,230 | - | - |
| Other debtors | 46,786 | 37,238 | 9,379 | 101,033 |
| Fixed deposits | 419,168 | 457,468 | 98,426 | 51,746 |
| Bank and cash balances | 96,901 | 73,989 | 4,560 | 10,381 |
| Total Current Assets | 1,837,227 | 1,493,114 | 133,883 | 207,438 |
| Current Liabilities | | | | |
| Trade creditors | 713,062 | 558,749 | 7,598 | 11,248 |
| Other creditors and provisions | 41,623 | 22,991 | 2,355 | 3,226 |
| Excess progress billings over work-in-progress | 441,938 | 375,299 | - | - |
| Borrowings | 2,877 | - | - | - |
| Provision for taxation | 34,459 | 25,832 | 1,594 | 801 |
| Total Current Liabilities | 1,233,959 | 982,871 | 11,547 | 15,275 |
| Net Current Assets | 603,268 | 510,243 | 122,336 | 192,163 |
| Total Assets less Current Liabilities | 1,349,764 | 1,343,266 | 983,676 | 1,046,115 |
| Non-Current Liabilities | | | | |
| Long term borrowings | 149,756 | 149,720 | 149,756 | 149,720 |
| Deferred taxation | 71,529 | 69,567 | 44,392 | 41,872 |
| Hire purchase creditors | 122 | 213 | - | - |
| Other provisions | 8,173 | 8,069 | 2,895 | 2,895 |
| Total Non-Current Liabilities | 229,580 | 227,569 | 197,043 | 194,487 |
| | 1,120,184 | 1,115,697 | 786,633 | 851,628 |
| Capital & Reserves | | | | |
| Share Capital* | 409,398 | 145,036 | 409,398 | 145,036 |
| Reserves | 682,758 | 920,509 | 377,235 | 706,592 |
| | 1,092,156 | 1,065,545 | 786,633 | 851,628 |
| Minority interests | 28,028 | 50,152 | - | - |
| | 1,120,184 | 1,115,697 | 786,633 | 851,628 |

* Pursuant to the Companies (Amendment) Act 2005 effective 30 January 2006, the concept of authorised share capital and par value has been abolished. The credit in the share premium account has been transferred to the share capital account as at that date.

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-Jun-2006 | | As at 31-Dec-2005 | |
|-------------------|-----------|-------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| - | 2,877,000 | - | - |

Amount repayable after one year

| As at 30-Jun-2006 | | As at 31-Dec-2005 | |
|-------------------|-------------|-------------------|-------------|
| Secured | Unsecured | Secured | Unsecured |
| - | 149,756,000 | - | 149,720,000 |

Details of Collateral

Not Applicable.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Cash Flow Statement for the period ended 30 June

| | Group | | Group | |
|--|------------------|-----------------|-----------------|------------------|
| | 2Q 2006 | 2Q 2005 | 1H 2006 | 1H 2005 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash flow from operating activities: | | | | |
| Operating profit | 49,537 | 32,577 | 100,278 | 56,147 |
| Adjustments for: | | | | |
| Depreciation of fixed assets | 10,456 | 8,504 | 20,473 | 16,682 |
| Loss/(profit) on disposal of fixed assets | 82 | - | 76 | (33) |
| Fixed assets written off | 2 | 5 | 370 | 6 |
| Share-based payment expenses | 917 | 303 | 1,834 | 607 |
| Amortisation | 40 | 19 | 86 | 37 |
| Operating income before reinvestment in working capital | 61,034 | 41,408 | 123,117 | 73,446 |
| (Increase)/decrease in debtors | (15,655) | 6,023 | 50,373 | 102,142 |
| (Increase)/decrease in stocks and work-in-progress | (36,727) | (63,521) | (388,885) | 103,073 |
| Increase in creditors | 127,367 | 60,168 | 180,361 | 13,871 |
| Cash provided by/(used in) operations | 136,019 | 44,078 | (35,034) | 292,532 |
| Investment and interest income received | 7,039 | 4,202 | 11,257 | 7,659 |
| Interest paid | (720) | (47) | (3,205) | (2,318) |
| Income taxes paid | (14,239) | (6,189) | (15,764) | (7,603) |
| Net cash provided by/(used in) operating activities | 128,099 | 42,044 | (42,746) | 290,270 |
| Cash flow from investing activities: | | | | |
| Proceeds from disposal of a subsidiary company | 151,926 | - | 151,926 | - |
| Purchase of fixed assets | (40,811) | (27,259) | (57,038) | (53,855) |
| Purchase of associated companies | - | - | - | (47,456) |
| Purchase of long term investment | (78) | - | (78) | - |
| Proceeds from sale of fixed assets | 19 | - | 82 | 33 |
| Proceeds from sale of long term investment | - | - | - | 105 |
| Dividends from associated companies | - | 169 | - | 346 |
| Net cash provided by/(used in) investing activities | 111,056 | (27,090) | 94,892 | (100,827) |
| Cash flow from financing activities: | | | | |
| Dividend paid by the Company | (81,495) | (69,157) | (81,495) | (69,157) |
| Repayment of hire purchase creditors | (76) | (384) | (153) | (789) |
| Repayment of short term bank loans | (44,179) | - | (44,179) | - |
| Proceeds from short term bank loans | 300 | - | 44,479 | - |
| Proceeds from issue of new shares: | | | | |
| - by the Company | 2,489 | 4,149 | 4,822 | 11,041 |
| - by a subsidiary company to minority shareholder | 6,415 | 226 | 6,415 | 6,708 |
| Net cash used in financing activities | (116,546) | (65,166) | (70,111) | (52,197) |
| Net increase/(decrease) in cash and cash equivalents | 122,609 | (50,212) | (17,965) | 137,246 |
| Cash and cash equivalents at beginning of period | 390,883 | 656,942 | 531,457 | 469,484 |
| Cash and cash equivalents at end of period | 513,492 | 606,730 | 513,492 | 606,730 |

The disposal of subsidiary company has been shown as a single item. The effect on the individual assets and liabilities is set out below.

| | 2Q 2006 | Group | | 1H 2005 |
|--------------------------------|----------------|----------------|----------------|----------------|
| | \$'000 | 2Q 2005 | 1H 2006 | 1H 2005 |
| | | \$'000 | \$'000 | \$'000 |
| Fixed assets | (175,657) | - | (175,657) | - |
| Debtors | (28) | - | (28) | - |
| Bank and cash balances | (1,076) | - | (1,076) | - |
| Due to shareholders | 3,196 | - | 3,196 | - |
| Creditors | 29 | - | 29 | - |
| Net assets disposed | (173,536) | - | (173,536) | - |
| Minority interests | 31,552 | - | 31,552 | - |
| Gain on disposal | (11,018) | - | (11,018) | - |
| Dispose consideration received | (153,002) | - | (153,002) | - |

The disposal of subsidiary company, net of cash is represented by:

| | | | | |
|---------------------------------------|---------|---|---------|---|
| Cash received | 153,002 | - | 153,002 | - |
| Less: Bank and cash balances disposed | (1,076) | - | (1,076) | - |
| Net cash inflow | 151,926 | - | 151,926 | - |

Cash and cash equivalents included in the consolidated statement of cash flows comprise:

| | 30-Jun-2006 | 30-Jun-2005 |
|---------------------------------------|--------------------|--------------------|
| | \$'000 | \$'000 |
| Fixed deposit, bank and cash balances | 516,069 | 606,730 |
| Bank overdraft | (2,577) | - |
| | <u>513,492</u> | <u>606,730</u> |

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

Statement of Changes in Equity for the period ended 30 June

| GROUP | Attributable to equity holders of the Company | | | | | | | | |
|--|---|---------------|------------------|--------------------------------------|----------------|-----------------|-----------|-------------------|--------------|
| | Share capital | Share premium | Capital reserves | Foreign currency translation reserve | Other reserves | Revenue reserve | Total | Minority Interest | Total Equity |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 1Q 2006 | | | | | | | | | |
| At 1 January 2006 | 145,036 | 259,540 | 6,770 | (1,209) | 53,170 | 602,238 | 1,065,545 | 50,152 | 1,115,697 |
| Transfer to share capital | 259,540 | (259,540) | - | - | - | - | - | - | - |
| Issue of new shares - under Share Option Plan | 2,333 | - | - | - | - | - | 2,333 | - | 2,333 |
| Foreign currency translation | - | - | - | (3,688) | - | - | (3,688) | (457) | (4,145) |
| Net fair value changes | - | - | - | - | 8,391 | - | 8,391 | - | 8,391 |
| Cost of share-based payment | - | - | - | - | 907 | - | 907 | 10 | 917 |
| Profit for the period | - | - | - | - | - | 40,833 | 40,833 | 2,660 | 43,493 |
| At 31 March 2006 | 406,909 | - | 6,770 | (4,897) | 62,468 | 643,071 | 1,114,321 | 52,365 | 1,166,686 |
| 2Q 2006 | | | | | | | | | |
| Issue of new shares | | | | | | | | | |
| - under Share Option Plan | 2,489 | - | - | - | - | - | 2,489 | - | 2,489 |
| - to minority shareholder | - | - | - | - | - | - | - | 6,415 | 6,415 |
| Disposal of a subsidiary company | - | - | - | - | - | - | - | (31,552) | (31,552) |
| 2005 final dividend paid | - | - | - | - | - | (81,495) | (81,495) | - | (81,495) |
| Foreign currency translation | - | - | - | (3,281) | - | - | (3,281) | (1,572) | (4,853) |
| Net fair value changes | - | - | - | - | 1,672 | - | 1,672 | - | 1,672 |
| Cost of share-based payment | - | - | - | - | 907 | - | 907 | 10 | 917 |
| Profit for the period | - | - | - | - | - | 57,543 | 57,543 | 2,362 | 59,905 |
| At 30 June 2006 | 409,398 | - | 6,770 | (8,178) | 65,047 | 619,119 | 1,092,156 | 28,028 | 1,120,184 |

Statement of Changes in Equity for the period ended 30 June (cont'd)

| GROUP | Attributable to equity holders of the Company | | | | | | | | |
|--------------------------------|---|-------------------------|----------------------------|--|--------------------------|---------------------------|------------------|-----------------------------|------------------------|
| | Share capital \$'000 | Share premium \$'000 | Capital reserves \$'000 | Foreign currency translation reserve \$'000 | Other reserves \$'000 | Revenue reserve \$'000 | Total \$'000 | Minority Interest \$'000 | Total Equity \$'000 |
| 1Q 2005 | | | | | | | | | |
| At 1 January 2005 | | | | | | | | | |
| - As previously reported | 142,761 | 242,811 | 1,243 | (4,417) | - | 586,502 | 968,900 | 33,810 | 1,002,710 |
| - Changes in accounting policy | | | | | | | | | |
| FRS 102 | - | - | - | - | 1,135 | (1,135) | - | - | - |
| FRS 39 | - | - | - | - | 24,040 | (963) | 23,077 | 63 | 23,140 |
| - As restated | 142,761 | 242,811 | 1,243 | (4,417) | 25,175 | 584,404 | 991,977 | 33,873 | 1,025,850 |
| Issue of new shares | | | | | | | | | |
| - under Share Option Plan | 863 | 6,029 | - | - | - | - | 6,892 | - | 6,892 |
| - to minority shareholder | - | - | - | - | - | - | - | 6,482 | 6,482 |
| Foreign currency translation | - | - | - | (1,606) | - | - | (1,606) | (214) | (1,820) |
| Net fair value changes | - | - | - | - | 14,142 | - | 14,142 | - | 14,142 |
| Cost of share-based payment | - | - | - | - | 302 | - | 302 | 2 | 304 |
| Profit for the period | - | - | - | - | - | 23,813 | 23,813 | 98 | 23,911 |
| At 31 March 2005 | 143,624 | 248,840 | 1,243 | (6,023) | 39,619 | 608,217 | 1,035,520 | 40,241 | 1,075,761 |
| 2Q 2005 | | | | | | | | | |
| Issue of new shares | | | | | | | | | |
| - under Share Option Plan | 534 | 3,615 | - | - | - | - | 4,149 | - | 4,149 |
| - to minority shareholder | - | - | - | - | - | - | - | 226 | 226 |
| 2004 final dividend paid | - | - | - | - | - | (69,157) | (69,157) | - | (69,157) |
| Foreign currency translation | - | - | - | 3,582 | - | - | 3,582 | 227 | 3,809 |
| Net fair value changes | - | - | - | - | 10,872 | - | 10,872 | - | 10,872 |
| Cost of share-based payment | - | - | - | - | 302 | - | 302 | 1 | 303 |
| Profit for the period | - | - | - | - | - | 34,585 | 34,585 | 931 | 35,516 |
| At 30 June 2005 | 144,158 | 252,455 | 1,243 | (2,441) | 50,793 | 573,645 | 1,019,853 | 41,626 | 1,061,479 |

Statement of Changes in Equity for the period ended 30 June (cont'd)

| <u>COMPANY</u> | Share capital \$'000 | Share premium \$'000 | Capital reserves \$'000 | Other reserves \$'000 | Revenue reserve \$'000 | Total Equity \$'000 |
|--|----------------------------|----------------------------|-------------------------------|-----------------------------|------------------------------|---------------------------|
| 1Q 2006 | | | | | | |
| At 1 January 2006 | 145,036 | 259,540 | 960 | 50,196 | 395,896 | 851,628 |
| Transfer to share capital | 259,540 | (259,540) | - | - | - | - |
| Issue of new shares - under Share Option Plan | 2,333 | - | - | - | - | 2,333 |
| Net fair value changes | - | - | - | 8,395 | - | 8,395 |
| Cost of share-based payment | - | - | - | 160 | - | 160 |
| Loss for the period | - | - | - | - | (779) | (779) |
| At 31 March 2006 | 406,909 | - | 960 | 58,751 | 395,117 | 861,737 |
| 2Q 2006 | | | | | | |
| Issue of new shares - under Share Option Plan | 2,489 | - | - | - | - | 2,489 |
| 2005 final dividend paid | - | - | - | - | (81,495) | (81,495) |
| Net fair value changes | - | - | - | 1,672 | - | 1,672 |
| Cost of share-based payment | - | - | - | 159 | - | 159 |
| Profit for the period | - | - | - | - | 2,071 | 2,071 |
| At 30 June 2006 | 409,398 | - | 960 | 60,582 | 315,693 | 786,633 |

Statement of Changes in Equity for the period ended 30 June (cont'd)

| | Share capital \$'000 | Share premium \$'000 | Capital reserve \$'000 | Other reserves \$'000 | Revenue reserve \$'000 | Total Equity \$'000 |
|--------------------------------|-------------------------|-------------------------|---------------------------|--------------------------|---------------------------|------------------------|
| 1Q 2005 | | | | | | |
| At 1 January 2005 | | | | | | |
| - As previously reported | 142,761 | 242,811 | 960 | - | 417,377 | 803,909 |
| - Changes in accounting policy | | | | | | |
| FRS 102 | - | - | - | 224 | (224) | - |
| FRS 39* | - | - | - | 24,035 | - | 24,035 |
| - As restated | 142,761 | 242,811 | 960 | 24,259 | 417,153 | 827,944 |
| Issue of new shares | | | | | | |
| - under Share Option Plan | 863 | 6,029 | - | - | - | 6,892 |
| Net fair value changes* | - | - | - | 14,244 | - | 14,244 |
| Cost of share-based payment | - | - | - | 59 | - | 59 |
| Profit for the period | - | - | - | - | 5,982 | 5,982 |
| At 31 March 2005 | 143,624 | 248,840 | 960 | 38,562 | 423,135 | 855,121 |
| 2Q 2005 | | | | | | |
| Issue of new shares | | | | | | |
| - under Share Option Plan | 534 | 3,615 | - | - | - | 4,149 |
| 2004 final dividend paid | - | - | - | - | (69,157) | (69,157) |
| Net fair value changes* | - | - | - | 10,771 | - | 10,771 |
| Cost of share-based payment | - | - | - | 58 | - | 58 |
| Profit for the period | - | - | - | - | 4,244 | 4,244 |
| At 30 June 2005 | 144,158 | 252,455 | 960 | 49,391 | 358,222 | 805,186 |

* After adjustments for deferred taxation.

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

Pursuant to the Companies (Amendment) Act 2005 effective 30 January 2006, the concept of authorised share capital and par value has been abolished. The credit in the share premium account has been transferred to the share capital account as at that date.

During the financial period ended 30 June 2006, the Company issued 5,454,650 ordinary shares upon the exercise of options granted under the SembCorp Marine Share Option Plan (the "Plan").

As at 30 June 2006, there were 41,858,700 (31 December 2005: 48,412,175) unexercised options for un-issued ordinary shares under the Plan.

The details of the Plan (which was started in 1991 as the Jurong Shipyard Limited Executives' Share Option Scheme) were set out in the financial statements of that year.

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 by its auditors, Messrs Ernst & Young.

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 applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required including any required by an accounting standard, what has changed, as well as the reason for, and the effect of, the change

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

| | 2Q 2006 | Group 2Q 2005 | +/(-)% | 1H 2006 | Group 1H 2005 | +/(-)% |
|---|---------------|------------------|--------|---------------|------------------|--------|
| Earnings per ordinary share of the Group for the financial period based on net profit attributable to shareholders: | | | | | | |
| (i) Based on the weighted average number of shares (cents) | 3.96 | 2.40 | 65.0 | 6.77 | 4.08 | 65.9 |
| Weighted average number of shares | 1,454,203,307 | 1,438,560,439 | 1.1 | 1,452,163,432 | 1,432,557,125 | 1.4 |
| (ii) On a fully diluted basis (cents) | 3.91 | 2.37 | 65.0 | 6.69 | 4.02 | 66.4 |
| Adjusted weighted average number of shares | 1,472,098,307 | 1,458,532,439 | 0.9 | 1,470,058,432 | 1,452,529,125 | 1.2 |

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 period reported on and (b) immediately preceding financial year

| | Jun-2006 | Group Dec-2005 | +/(-) % | Jun-2006 | Company Dec-2005 | +/(-) % |
|---|----------|-------------------|------------|----------|---------------------|------------|
| Net asset value per ordinary share based on issued share capital at the end of the financial period (cents) | 75.02 | 73.47 | 2.1 | 54.03 | 58.72 | (8.0) |

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 period reported on**

Review of Group Performance

2Q 2006 versus 2Q 2005

| | 2Q 2006 | 2Q 2005 | +/(-) | +/(-) |
|-----------------------|----------------|--------------|--------------|--------------|
| | S\$'m | S\$'m | S\$'m | % |
| Repair | 127.5 | 135.1 | (7.6) | (5.6) |
| Conversion | 266.7 | 179.4 | 87.3 | 48.7 |
| Rig Building | 558.8 | 97.2 | 461.6 | 474.9 |
| Shipbuilding | 70.1 | 47.6 | 22.5 | 47.3 |
| Other Activities | 18.1 | 11.1 | 7.0 | 63.1 |
| Group Turnover | 1,041.2 | 470.4 | 570.8 | 121.4 |

Group turnover for 2Q 2006 increased by 121.4% from \$470.4 million in 2Q 2005 to \$1,041.2 million with growth mainly from the rig building, ship conversion and shipbuilding businesses. The minority shareholder exercised the call option granted to them upon the successful delivery of the Baker Marine Pacific Class ('BMC') 375 design jack-up rig. Full recognition of this sale is recognised in the 2Q 2006 Group Turnover.

Group Operating Profit and Pre-tax Profit

Group operating profits increased by 52.1% from \$32.6 million in 2Q 2005 to \$49.5 million in 2Q 2006. Group pre-tax profits increased by 60.0% from \$44.6 million in 2Q 2005 to \$71.4 million. The increase is mainly attributable to higher operating margin from rig building business as well as gain on disposal of a subsidiary company which was formed to own the first BMC 375 jack-up rig.

Group Profit Attributable to Members of the Company

Group attributable profits increased by 66.4% from \$34.6 million in 2Q 2005 to \$57.5 million. Excluding the non-operating items of \$7.9 million, Group attributable profits increased by 43.4% to \$49.6 million.

1H 2006 versus 1H 2005

| | 1H 2006 | 1H 2005 | +/(-) | +/(-) |
|-----------------------|----------------|--------------|--------------|-------------|
| | S\$'m | S\$'m | S\$'m | % |
| Repair | 257.7 | 231.2 | 26.5 | 11.5 |
| Conversion | 342.4 | 402.5 | (60.1) | (14.9) |
| Rig Building | 753.3 | 145.1 | 608.2 | 419.2 |
| Shipbuilding | 117.0 | 99.0 | 18.0 | 18.2 |
| Other Activities | 69.9 | 40.3 | 29.6 | 73.4 |
| Group Turnover | 1,540.3 | 918.1 | 622.2 | 67.8 |

Group turnover for 1H 2006 increased by 67.8% from \$918.1 million in 1H 2005 to \$1,540.3 million with growth attributable to rig building, ship repair and shipbuilding businesses. The lower conversion revenue is mainly due to the reduced level of activity on completion of the marine hull conversion of the turnkey FPSO project in April 2006.

Group Operating Profit and Pre-tax Profit

Group operating profits increased by 78.6% from \$56.1 million in 1H 2005 to \$100.3 million in 1H 2006. Group pre-tax profits increased by 69.7% from \$75.1 million in 1H 2005 to \$127.5 million. The increase is mainly attributable to higher operating margins from rig building and ship repair businesses, gain on disposal of a subsidiary company as well as better contribution from associated companies and joint venture.

Group Profit Attributable to Members of the Company

Group attributable profits increased by 68.5% from \$58.4 million in 1H 2005 to \$98.4 million. Excluding the non-operating items of \$1.8 million, Group attributable profits increased by 65.4% to \$96.6 million.

Review of Balance Sheet

Fixed assets

Group 'Fixed assets' decreased significantly mainly due to the disposal of a subsidiary company.

Stocks and work-in progress and Trade creditors

Group 'Stocks and work-in-progress' and 'Trade creditors' balances increased significantly mainly due to increase in rig building and conversion projects.

Trade debtors

Group 'Trade debtors' balances decreased mainly due to collection from customers.

Asset held for sale

Group 'Asset held for sale' as at 31 December 2005 of \$52.2 million relates to a vessel which was acquired in June 2004 when a subsidiary company exercised its rights as mortgagee to take possession of the asset when the owners defaulted on their payment under financing terms granted in respect of the vessel's repair.

This amount has been reclassified as fixed asset during the first quarter as the offer to buy the vessel has not materialised. Based on a recent independent external valuation, a further impairment in value of \$6.1 million has been recorded as a non-operating expense in the profit and loss account. The Group is actively pursuing various alternatives of either selling or chartering out this vessel soon.

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

There is no variance from the previous forecast.

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

New orders secured to-date stand at \$1.9 billion and total net order book as at 30 June 2006, excluding ship repair, stands at \$6.0 billion with completion and deliveries till 2009.

Going forward, the Group expects 2H 2006 to be strong based on the scheduled completion of projects. Overall performance for FY 2006 is expected to be stronger than FY 2005.

Ship repair demand remains strong especially in the specialised market of LNG/LPG gas tankers, container vessels and rig repairs.

Market fundamentals for Floating Production Storage Offloading (FPSO) vessels and Floating Storage Offloading (FSO) vessels continue to strengthen, driven by high oil prices and increase in worldwide exploration and production activities.

Fundamentals for the rig building sector remain strong attributable to high worldwide utilisation levels, unprecedented high charter rates as well as an aging rig fleet.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other companies and venues for the sale and distribution of goods and services, shifts in customer demands, customers and partners, changes in operating expenses, including employee wages, benefits and training, governmental and public policy changes. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes.

| | |
|------------------|--|
| Name of Dividend | Interim |
| Dividend | Cash |
| Dividend Rate | 3.50 cents per ordinary share less tax |
| Tax Rate | 20.0% |

(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 | Interim |
| Dividend Type | Cash |
| Dividend Rate | 2.50 cents per ordinary share less tax |
| Par value of shares | \$0.10 |
| Tax Rate | 20.0% |

(c) Date payable

The interim dividend will be paid on 31 August 2006.

(d) Books closure date

Notice is hereby given that the Transfer Book and Register of Member of the Company will be closed from 21 August 2006 to 22 August 2006, both dates inclusive, for the preparation of dividend warrants. Duly completed transfers received by the Registrar, Kon Choon Kooi Pte Ltd, 47 Hill Street #06-02, Chinese Chamber of Commerce & Industry Building, Singapore 179365, up to 5 p.m. on 18 August 2006 will be registered before entitlements to dividend are determined.

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

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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**

| | Ship & rig repair, building and conversion \$'000 | Ship chartering \$'000 | Others \$'000 | Eliminations \$'000 | Total \$'000 |
|---|--|------------------------------|------------------|------------------------|------------------|
| (a) By business segment: 1H 2006 | | | | | |
| Turnover | | | | | |
| Sales to external parties | 1,488,766 | - | 51,548 | - | 1,540,314 |
| Inter-segment sales | 106 | - | 66,701 | (66,807) | - |
| Consolidated sales | 1,488,872 | - | 118,249 | (66,807) | 1,540,314 |
| Results | | | | | |
| Segment results | 95,712 | (113) | 4,679 | - | 100,278 |
| Dividend and interest income | 10,984 | 106 | 181 | - | 11,271 |
| Interest expenses | (3,204) | - | - | - | (3,204) |
| Non-operating income | 11,018 | - | - | - | 11,018 |
| Non-operating expenses | (7,002) | - | - | - | (7,002) |
| Share of results of associated companies & joint venture | 13,300 | 1,671 | 118 | - | 15,089 |
| Profit before taxation | 120,808 | 1,664 | 4,978 | - | 127,450 |
| Taxation | (23,304) | - | (748) | - | (24,052) |
| Profit after taxation | 97,504 | 1,664 | 4,230 | - | 103,398 |
| Other information | | | | | |
| Capital expenditure | 57,016 | - | 100 | - | 57,116 |
| Depreciation | 20,713 | 78 | 557 | - | 21,348 |
| Amortisation | 86 | - | - | - | 86 |
| Other segment assets | | | | | |
| Other segment assets | 1,883,583 | 1,165 | 24,046 | - | 1,908,794 |
| Interest bearing assets | 519,872 | 5,003 | 14,215 | - | 539,090 |
| Investments in associated companies & joint venture | 107,157 | 20,655 | 4,971 | - | 132,783 |
| Deferred tax assets | 865 | - | 7 | - | 872 |
| Tax recoverable | 1,688 | - | 496 | - | 2,184 |
| Total segment assets | 2,513,165 | 26,823 | 43,735 | - | 2,583,723 |
| Other segment liabilities | | | | | |
| Other segment liabilities | 1,193,057 | 26 | 11,566 | - | 1,204,649 |
| Interest bearing liabilities | 152,902 | - | - | - | 152,902 |
| Deferred taxation | 70,197 | 59 | 1,273 | - | 71,529 |
| Provision for taxation | 32,118 | 522 | 1,819 | - | 34,459 |
| Total segment liabilities | 1,448,274 | 607 | 14,658 | - | 1,463,539 |

Information by segment on Group operations (cont'd)

| | Ship & rig repair, building and conversion | Ship chartering | Others | Eliminations | Total |
|---|---|----------------------------|---------------|---------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) By business segment: 1H 2005 | | | | | |
| Turnover | | | | | |
| Sales to external parties | 880,644 | - | 37,445 | - | 918,089 |
| Inter-segment sales | 63 | - | 55,596 | (55,659) | - |
| Consolidated sales | <u>880,707</u> | <u>-</u> | <u>93,041</u> | <u>(55,659)</u> | <u>918,089</u> |
| Results | | | | | |
| Segment results | 51,082 | 70 | 4,995 | - | 56,147 |
| Dividend and interest income | 8,258 | 163 | 48 | - | 8,469 |
| Interest expenses | (2,318) | - | - | - | (2,318) |
| Share of results of associated companies & joint venture | <u>12,348</u> | <u>456</u> | <u>9</u> | - | <u>12,813</u> |
| Profit before taxation | 69,370 | 689 | 5,052 | - | 75,111 |
| Taxation | (14,879) | (13) | (792) | - | (15,684) |
| Profit after taxation | <u>54,491</u> | <u>676</u> | <u>4,260</u> | - | <u>59,427</u> |
| Other information | | | | | |
| Capital expenditure | 101,111 | - | 200 | - | 101,311 |
| Depreciation | 16,014 | 77 | 591 | - | 16,682 |
| Amortisation | 37 | - | - | - | 37 |
| Other segment assets | | | | | |
| Interest bearing assets | 662,786 | 13,079 | 6,558 | - | 682,423 |
| Investments in associated companies & joint venture | 109,346 | 9,736 | 2,105 | - | 121,187 |
| Deferred tax asset | 1,463 | - | 7 | - | 1,470 |
| Tax recoverable | - | - | 118 | - | 118 |
| Total segment assets | <u>2,025,151</u> | <u>23,500</u> | <u>49,539</u> | - | <u>2,098,190</u> |
| Other segment liabilities | | | | | |
| Interest bearing liabilities | 164,129 | - | - | - | 164,129 |
| Deferred taxation | 47,212 | 93 | 1,518 | - | 48,823 |
| Provision for taxation | 19,821 | 93 | 1,860 | - | 21,774 |
| Total segment liabilities | <u>1,011,484</u> | <u>405</u> | <u>24,822</u> | - | <u>1,036,711</u> |

Pricing of inter-segment sales and transfers are carried out on an arm's length basis.

(b) By geographical area

The Group operates principally in the Republic of Singapore. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

| | Singapore \$'000 | Rest of Asia \$'000 | Europe \$'000 | Others \$'000 | Eliminations \$'000 | Total \$'000 |
|---------------------------------|---------------------|------------------------|------------------|------------------|------------------------|-----------------|
| 1H 2006 | | | | | | |
| Revenue from external customers | 345,466 | 257,532 | 759,795 | 177,521 | - | 1,540,314 |
| Total segment assets | 2,388,322 | 169,899 | - | 25,502 | - | 2,583,723 |
| Capital expenditure | 56,729 | 24 | - | 363 | - | 57,116 |
| 1H 2005 | | | | | | |
| Revenue from external customers | 156,990 | 90,405 | 527,648 | 143,046 | - | 918,089 |
| Total segment assets | 2,000,775 | 79,093 | - | 18,322 | - | 2,098,190 |
| Capital expenditure | 53,620 | 47,691 | - | - | - | 101,311 |

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

Please refer to paragraph 8.

15. A breakdown of sales

Not applicable.

16. Interested Person Transactions

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

| | 1H 2006 \$'000 | 1H 2005 \$'000 |
|---|--------------------------|--------------------------|
| Transaction for the Sales of Goods and Services | | |
| Keppel Corporation Ltd and its associates | 1,191 | 10,940 |
| Neptune Orient Lines Ltd and its associates | 4,328 | 1,300 |
| SembCorp Industries Limited and its associates | 1,123 | 2,466 |
| PSA International Pte Ltd and its associates | (391) | 1,264 |
| Transaction for the Purchase of Goods and Services | | |
| Keppel Corporation Ltd and its associates | 945 | - |
| SembCorp Industries Limited and its associates | 14,403 | 11,206 |
| Management and Support Services | | |
| SembCorp Industries Limited | 125 | 100 |
| Total Interested Person Transactions | 21,724 | 27,276 |
| Treasury Transactions | | |
| Placement of Funds with/(from) - as at 30 June | | |
| SembCorp Industries Limited and its associates | 9,813 | 38,997 |
| SembCorp Industries Limited and its associates | (8,876) | (13,538) |

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)

| | 1H 2006 \$'000 | 1H 2005 \$'000 |
|---|--------------------------|--------------------------|
| Transaction for the Purchase of Goods and Services | | |
| Neptune Orient Lines Ltd and its associates | - | 1,700 |
| Total Interested Person Transactions | - | 1,700 |

BY ORDER OF THE BOARD

KWONG SOOK MAY
Company Secretary
1 August 2006