



SEMBCORP MARINE LTD & ITS SUBSIDIARIES  
Registration Number: 196300098Z

## SECOND QUARTER 2008 FINANCIAL STATEMENTS ANNOUNCEMENT

### TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Group Profit and Loss Statement	1 – 2
Balance Sheets	3
Consolidated Cash Flow Statement	4 – 5
Statements of Changes in Equity	6 – 10
Audit	11
Auditors' Report	11
Accounting Policies	11
Changes in Accounting Policies	11
Earnings and Net Asset Value per Ordinary Share	11
Review of Group Performance	12 – 14
Variance from Prospect Statement	14
Prospects	15
Dividend Distribution	15
Segmental Reporting	16 – 18
Breakdown of Sales	18
Interested Person Transactions	18
Confirmation by the Board	19

**SEMBCORP MARINE LTD**
**Second Quarter Financial Statements**
**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**
**1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group			Group		
	2Q 2008 \$'000	2Q 2007 \$'000	+ / (-) %	1H 2008 \$'000	1H 2007 \$'000	+ / (-) %
<b>Turnover</b>	<b>1,386,093</b>	<b>1,051,598</b>	<b>31.8</b>	<b>2,302,211</b>	<b>2,005,341</b>	<b>14.8</b>
Cost of sales	(1,248,162)	(971,177)	28.5	(2,067,512)	(1,844,476)	12.1
Gross profit	137,931	80,421	71.5	234,699	160,865	45.9
Other operating income	(624)	11,974	n.m.	11,596	19,818	(41.5)
Other operating expenses	4,223	(1,535)	n.m.	(2,334)	(1,627)	43.5
General and administrative expenses	(30,075)	(16,812)	78.9	(53,042)	(30,907)	71.6
<b>Operating profit</b>	<b>111,455</b>	<b>74,048</b>	<b>50.5</b>	<b>190,919</b>	<b>148,149</b>	<b>28.9</b>
Dividend and interest income	12,513	10,858	15.2	18,176	14,331	26.8
Finance costs	(1,952)	(3,089)	(36.8)	(6,092)	(6,270)	(2.8)
Non-operating income	-	-	-	-	624	(100.0)
Non-operating expenses	-	(876)	(100.0)	-	(1,751)	(100.0)
Share of results of associated companies and joint ventures	38,704	25,758	50.3	72,863	36,279	100.8
<b>Profit before tax</b>	<b>160,720</b>	<b>106,699</b>	<b>50.6</b>	<b>275,866</b>	<b>191,362</b>	<b>44.2</b>
Taxation	(27,849)	(19,080)	46.0	(48,528)	(28,613)	69.6
<b>Profit after taxation</b>	<b>132,871</b>	<b>87,619</b>	<b>51.6</b>	<b>227,338</b>	<b>162,749</b>	<b>39.7</b>
Attributable to:						
<b>Shareholders of the Company</b>	<b>128,253</b>	<b>85,100</b>	<b>50.7</b>	<b>219,592</b>	<b>158,838</b>	<b>38.2</b>
Minority Interests	4,618	2,519	83.3	7,746	3,911	98.1
	<b>132,871</b>	<b>87,619</b>	<b>51.6</b>	<b>227,338</b>	<b>162,749</b>	<b>39.7</b>
<b>Attributable to Shareholders of the Company excluding non-operating items and prior years' tax over/under-provision</b>	<b>127,660</b>	<b>86,556</b>	<b>47.5</b>	<b>219,008</b>	<b>155,533</b>	<b>40.8</b>
<b>Earnings per share (cents)</b>						
Basic	6.23	*4.14	50.5	10.62	*7.74	37.2
Diluted	6.18	*4.11	50.4	10.54	*7.67	37.4

\*Adjusted for two Bonus Shares for every five existing ordinary shares in financial year 2007.

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

	Group			Group		
	2Q 2008 \$'000	2Q 2007 \$'000	+ / (-) %	1H 2008 \$'000	1H 2007 \$'000	+ / (-) %
Investment income	7,801	6,022	29.5	7,804	6,022	29.6
Interest income	4,712	4,836	(2.6)	10,372	8,309	24.8
Interest expenses	(1,952)	(3,089)	(36.8)	(6,092)	(6,270)	(2.8)
Depreciation and amortisation	(16,877)	(14,818)	13.9	(32,647)	(28,946)	12.8
(Allowance)/write-back of doubtful debts/bad debts, net	(104)	8	n.m.	(104)	10	n.m.
Allowance for stock obsolescence, net	(68)	(72)	(5.6)	(147)	(88)	67.0
Foreign exchange gain/(loss), net	4,364	4,403	(0.9)	(1,907)	4,967	n.m.

	Group			Group		
	2Q 2008 \$'000	2Q 2007 \$'000	+ / (-) %	1H 2008 \$'000	1H 2007 \$'000	+ / (-) %
Profit after taxation as a percentage of Turnover	9.59%	8.33%	15.1	9.87%	8.12%	21.6
Net profit attributable to shareholders as a percentage of Issued Capital and Reserves at end of period	8.21%	5.48%	49.8	14.06%	10.24%	37.3

n.m. : not meaningful

**Notes:**

	Group		Group	
	2Q 2008 \$'000	2Q 2007 \$'000	1H 2008 \$'000	1H 2007 \$'000
(i) Over/(under)-provision of tax in respect of prior years, net	593	(580)	584	4,432
(ii) Gain on disposal of fixed assets, net	874	105	890	105
(iii) Non-operating income: Gain on disposal of subsidiary company	-	-	-	624
(iv) Non-operating expenses: Depreciation of asset previously held for sale	-	(876)	-	(1,751)

(v) The lower interest expense is due to repayment of borrowing during the period.

(vi) Other operating income decreased mainly due to lower foreign exchange gains and fair value adjustment of financial instruments.

(vii) Other operating expenses increased primarily because of higher foreign exchange losses.

(viii) The higher general and administrative expenses is mainly due to higher personnel related costs as a result of an increase in the number of projects undertaken by the Group.

**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 Sheets	Group		Company	
	30-Jun-2008	31-Dec-2007	30-Jun-2008	31-Dec-2007
	\$'000	\$'000	\$'000	\$'000
<b>Non Current Assets</b>				
Fixed assets	689,903	675,585	113,061	114,423
Investment Properties	-	-	54,997	55,950
Investment in subsidiary companies	-	-	624,769	631,243
Investment in associated companies and joint ventures	259,140	205,502	107,369	109,161
Other long-term investments	399,053	689,554	255,245	435,353
Long-term trade debtors	19,731	21,400	22,106	21,400
Long-term other debtors	16,737	17,001	220,598	229,693
Intangible assets	6,858	7,589	122	122
<b>Total Non-Current Assets</b>	<b>1,391,422</b>	<b>1,616,631</b>	<b>1,398,267</b>	<b>1,597,345</b>
<b>Current Assets</b>				
Stocks and work-in-progress	1,220,998	1,560,709	-	-
Trade debtors	447,415	450,714	15,541	22,588
Other debtors, deposits and prepayments	129,124	81,463	19,204	20,718
Derivative financial assets	64,800	12,853	-	-
Fixed deposits	1,110,429	526,558	41,499	67,508
Bank and cash balances	325,728	213,919	18,227	6,574
<b>Total Current Assets</b>	<b>3,298,494</b>	<b>2,846,216</b>	<b>94,471</b>	<b>117,388</b>
<b>Current Liabilities</b>				
Trade creditors	1,534,045	1,384,701	14,308	15,430
Other creditors	24,024	69,772	45,960	110,826
Provisions	10,534	2,797	-	-
Progress billings in excess of work-in-progress	839,352	564,608	-	-
Borrowings	241,020	259,800	-	-
Derivative financial liabilities	403	731	-	-
Provision for taxation	128,959	115,014	1,848	2,830
<b>Total Current Liabilities</b>	<b>2,778,337</b>	<b>2,397,423</b>	<b>62,116</b>	<b>129,086</b>
<b>Net Current Assets/(Liabilities)</b>	<b>520,157</b>	<b>448,793</b>	<b>32,355</b>	<b>(11,698)</b>
<b>Total Assets less Current Liabilities</b>	<b>1,911,579</b>	<b>2,065,424</b>	<b>1,430,622</b>	<b>1,585,647</b>
<b>Non-Current Liabilities</b>				
Long-term borrowings	176,907	181,869	149,907	149,869
Deferred taxation	129,572	168,738	63,468	95,850
Long-term other creditors	3,113	1,599	115,549	-
Other provisions	7,305	7,502	2,895	2,895
<b>Total Non-current Liabilities</b>	<b>316,897</b>	<b>359,708</b>	<b>331,819</b>	<b>248,614</b>
	<b>1,594,682</b>	<b>1,705,716</b>	<b>1,098,803</b>	<b>1,337,033</b>
<b>Capital &amp; Reserves</b>				
Share Capital	443,347	442,549	443,347	442,549
Reserves	1,118,838	1,237,511	655,456	894,484
	1,562,185	1,680,060	1,098,803	1,337,033
Minority interests	32,497	25,656	-	-
	1,594,682	1,705,716	1,098,803	1,337,033

**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-2008		As at 31-Dec-2007	
Secured	Unsecured	Secured	Unsecured
12,000,000	229,020,000	12,000,000	247,800,000

**Amount repayable after one year**

As at 30-Jun-2008		As at 31-Dec-2007	
Secured	Unsecured	Secured	Unsecured
27,000,000	149,907,000	32,000,000	149,869,000

**Details of Collateral**

Borrowing amounting to \$39,000,000 is secured on corporate guarantee from a subsidiary company.

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		Group	
	2Q 2008	2Q 2007	1H 2008	1H 2007
	\$'000	\$'000	\$'000	\$'000
		(Restated)		(Restated)
<b>Cash flow from operating activities:</b>				
<b>Operating profit</b>	<b>111,455</b>	<b>74,048</b>	<b>190,919</b>	<b>148,149</b>
Adjustments for:				
Depreciation of fixed assets, net	16,480	13,913	31,852	27,146
Gain on disposal of fixed assets, net	(874)	(105)	(890)	(105)
Fixed assets written off	-	3	-	3
Share-based payment expenses	6,513	2,278	9,342	4,296
Fair value adjustment of financial instruments	13,633	63	8,019	(2,188)
Amortisation	397	29	795	49
<b>Operating cash flow before changes in working capital</b>	<b>147,604</b>	<b>90,229</b>	<b>240,037</b>	<b>177,350</b>
(Increase)/decrease in debtors	(94,749)	88,382	(41,640)	89,294
(Increase)/decrease in stocks and work-in-progress	(152,289)	126,288	614,455	(108,105)
Increase in creditors	158,071	93,506	108,512	239,687
<b>Cash generated from operations</b>	<b>58,637</b>	<b>398,405</b>	<b>921,364</b>	<b>398,226</b>
Investment and interest income received	12,235	10,399	17,695	14,171
Interest paid	(2,051)	(1,308)	(6,008)	(5,780)
Income taxes paid	(14,568)	(18,503)	(21,323)	(22,201)
<b>Net cash provided by operating activities</b>	<b>54,253</b>	<b>388,993</b>	<b>911,728</b>	<b>384,416</b>
<b>Cash flow from investing activities:</b>				
Proceeds from disposal of a subsidiary company, net	-	-	-	3,208
Investment in associated companies and joint ventures	-	(4,319)	-	(4,319)
Purchase of fixed assets	(25,649)	(37,853)	(49,815)	(60,278)
Capital refund from an associated company	-	-	-	52
Dividend from associated company	10,318	12,760	10,318	12,760
Purchase of long term investment	-	(7,536)	-	(7,536)
Proceeds from sale of other long term investments	-	25	-	25
Proceeds from sale of fixed assets	1,134	102	1,150	110
<b>Net cash used in investing activities</b>	<b>(14,197)</b>	<b>(36,821)</b>	<b>(38,347)</b>	<b>(55,978)</b>
<b>Cash flow from financing activities:</b>				
Dividend paid				
- by the Company	(106,353)	(142,483)	(106,353)	(142,483)
- by a subsidiary company to minority shareholder	(446)	-	(446)	(2,958)
Repayment of hire purchase creditors	(412)	(359)	(573)	(465)
Loan from hire purchase creditors	-	796	-	796
Repayment of bank loans	(164,431)	(91,565)	(391,687)	(147,680)
Proceeds from bank loans	181,102	117,651	363,861	136,462
Proceeds from issue of shares by the Company	3,005	3,793	3,803	7,515
Purchase of Treasury shares	-	-	(50,326)	-
<b>Net cash used in financing activities</b>	<b>(87,535)</b>	<b>(112,167)</b>	<b>(181,721)</b>	<b>(148,813)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(47,479)</b>	<b>240,005</b>	<b>691,660</b>	<b>179,625</b>
Cash and cash equivalents at beginning of period	1,479,616	432,768	740,477	493,148
<b>Cash and cash equivalents at end of period</b>	<b>1,432,137</b>	<b>672,773</b>	<b>1,432,137</b>	<b>672,773</b>

The disposal of a subsidiary company in 1H 2007 was shown as a single item. There was no disposal in 1H 2008.

	Group		Group	
	2Q 2008	2Q 2007	1H 2008	1H 2007
	\$'000	\$'000	\$'000	\$'000
Fixed assets	-	-	-	(578)
Investment in associated company	-	-	-	(2,099)
Stocks and work-in-progress	-	-	-	(1,036)
Debtors	-	-	-	(18,390)
Other assets	-	-	-	(26)
Bank and cash balances	-	-	-	(222)
Creditors	-	-	-	17,374
Bank overdraft	-	-	-	577
Provision for taxation and deferred taxation	-	-	-	347
Net assets disposed	-	-	-	(4,053)
Minority interests	-	-	-	1,824
Gain on disposal	-	-	-	(624)
Disposal consideration received	-	-	-	(2,853)

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

Cash received	-	-	-	2,853
Less: Bank and cash balances disposed	-	-	-	(222)
Add: Bank overdraft disposed	-	-	-	577
Net cash inflow	-	-	-	3,208

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

	30-Jun-2008	30-Jun-2007
	\$'000	\$'000
Fixed deposit, bank and cash balances	1,436,157	676,946
Bank overdraft	(4,020)	(4,173)
	<u>1,432,137</u>	<u>672,773</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**

**Statements of Changes in Equity for the period ended 30 June**

**Attributable to equity holders of the Company**

<b>GROUP</b>	Share capital	Treasury shares	Capital reserves	Foreign currency translation reserve	Other reserves	Revenue reserve	Total	Minority interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>1Q 2008</b>									
At 1 January 2008	442,549	-	14,084	(18,304)	506,393	735,338	1,680,060	25,656	1,705,716
Foreign currency translation Net fair value changes	-	-	-	(5,393)	-	-	(5,393)	(504)	(5,897)
Net income recognised directly in equity	-	-	-	(5,393)	(139,067)	-	(144,460)	(504)	(144,964)
Profit for the period	-	-	-	-	-	91,339	91,339	3,128	94,467
Total recognised income and expenses for the period	-	-	-	(5,393)	(139,067)	91,339	(53,121)	2,624	(50,497)
Issue of new shares - under Share Option Plan	798	-	-	-	-	-	798	-	798
Purchase of treasury shares	-	(50,326)	-	-	-	-	(50,326)	-	(50,326)
Issuance of treasury shares	-	8,148	-	-	(8,148)	-	-	-	-
Cost of share-based payment - charged to profit and loss account	-	-	-	-	2,809	-	2,809	20	2,829
<b>At 31 March 2008</b>	443,347	(42,178)	14,084	(23,697)	361,987	826,677	1,580,220	28,300	1,608,520
<b>2Q 2008</b>									
Foreign currency translation Net fair value changes	-	-	-	4,882	-	-	4,882	(1)	4,881
Net income recognised directly in equity	-	-	-	4,882	(50,619)	-	(45,737)	(1)	(45,738)
Profit for the period	-	-	-	-	-	128,253	128,253	4,618	132,871
Total recognised income and expenses for the period	-	-	-	4,882	(50,619)	128,253	82,516	4,617	87,133
Issuance of treasury shares	-	7,390	-	-	(4,756)	-	2,634	-	2,634
Dividend paid to - Company's shareholders - minority shareholder	-	-	-	-	-	(106,353)	(106,353)	-	(106,353)
Cost of share-based payment - charged to profit and loss account	-	-	-	-	3,168	-	3,168	26	3,194
<b>At 30 June 2008</b>	443,347	(34,788)	14,084	(18,815)	309,780	848,577	1,562,185	32,497	1,594,682

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

### Attributable to equity holders of the Company

<u>GROUP</u>	Share capital	Capital reserves	Foreign currency translation reserve	Other reserves	Revenue reserve	Total	Minority interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>1Q 2007</b>								
At 1 January 2007	418,631	14,419	(12,055)	206,729	710,615	1,338,339	31,884	1,370,223
Foreign currency translation Net fair value changes	-	-	664	-	-	664	(96)	568
Net income recognised directly in equity	-	-	664	73,948	-	74,612	(96)	74,516
Profit for the period	-	-	-	-	73,738	73,738	1,392	75,130
Total recognised income and expenses for the period	-	-	664	73,948	73,738	148,350	1,296	149,646
Issue of new shares - under Share Option Plan	3,722	-	-	-	-	3,722	-	3,722
Dividend paid to - minority shareholder	-	-	-	-	-	-	(2,958)	(2,958)
Disposal of subsidiary companies	-	-	-	-	-	-	(1,824)	(1,824)
Cost of share-based payment - charged to profit and loss account	-	-	-	2,008	-	2,008	10	2,018
<b>At 31 March 2007</b>	422,353	14,419	(11,391)	282,685	784,353	1,492,419	28,408	1,520,827
<b>2Q 2007</b>								
Foreign currency translation Net fair value changes	-	-	3,302	-	-	3,302	91	3,393
Net income recognised directly in equity	-	-	3,302	107,327	-	110,629	91	110,720
Profit for the period	-	-	-	-	85,100	85,100	2,519	87,619
Total recognised income and expenses for the period	-	-	3,302	107,327	85,100	195,729	2,610	198,339
Issue of new shares - under Share Option Plan	3,793	-	-	-	-	3,793	-	3,793
Dividend paid to - Company's shareholders	-	-	-	-	(142,483)	(142,483)	-	(142,483)
Cost of share-based payment - charged to profit and loss account	-	-	-	2,256	-	2,256	22	2,278
<b>At 30 June 2007</b>	426,146	14,419	(8,089)	392,268	726,970	1,551,714	31,040	1,582,754



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

<b><u>COMPANY</u></b>	Share capital	Treasury shares	Capital reserves	Other reserves	Revenue reserve	<b>Total Equity</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>1Q 2008</b>						
At 1 January 2008	442,549	-	960	347,065	546,459	1,337,033
Net fair value changes	-	-	-	(119,477)	-	(119,477)
Net income recognised directly in equity	-	-	-	(119,477)	-	(119,477)
Profit for the period	-	-	-	-	836	836
Total recognised income and expenses for the period	-	-	-	(119,477)	836	(118,641)
Issue of new shares - under Share Option Plan	798	-	-	-	-	798
Purchase of treasury shares	-	(50,326)	-	-	-	(50,326)
Issuance of treasury shares	-	8,148	-	(8,148)	-	-
Cost of share-based payment - charged to profit and loss account - issued to employees of subsidiary companies	-	-	-	614	-	614
	-	-	-	2,191	-	2,191
<b>At 31 March 2008</b>	<b>443,347</b>	<b>(42,178)</b>	<b>960</b>	<b>222,245</b>	<b>547,295</b>	<b>1,171,669</b>
<b>2Q 2008</b>						
Net fair value changes	-	-	-	(28,249)	-	(28,249)
Net income recognised directly in equity	-	-	-	(28,249)	-	(28,249)
Profit for the period	-	-	-	-	55,689	55,689
Total recognised income and expenses for the period	-	-	-	(28,249)	55,689	27,440
Issue of new shares - under Share Option Plan	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-
Issuance of treasury shares	-	7,390	-	(4,385)	-	3,005
Dividend paid to - Company's shareholders	-	-	-	-	(106,353)	(106,353)
Cost of share-based payment - charged to profit and loss account - issued to employees of subsidiary companies	-	-	-	818	-	818
	-	-	-	2,224	-	2,224
<b>At 30 June 2008</b>	<b>443,347</b>	<b>(34,788)</b>	<b>960</b>	<b>192,653</b>	<b>496,631</b>	<b>1,098,803</b>

## **Statements of Changes in Equity for the period ended 30 June (cont'd)**

<b><u>COMPANY</u></b>	Share capital	Capital reserves	Other reserves	Revenue reserve	<b>Total Equity</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>1Q 2007</b>					
At 1 January 2007					
- As previously stated	418,631	960	120,720	393,335	933,646
- Changes in accounting policy	-	-	8,498	-	8,498
- As restated	418,631	960	129,218	393,335	942,144
Net fair value changes	-	-	35,100	-	35,100
Net income recognised directly in equity	-	-	35,100	-	35,100
Profit for the period	-	-	-	9,525	9,525
Total recognised income and expenses for the period	-	-	35,100	9,525	44,625
Issue of new shares					
- under Share Option Plan	3,722	-	-	-	3,722
Cost of share-based payment					
- charged to profit and loss account	-	-	514	-	514
- issued to employees of subsidiary companies	-	-	1,320	-	1,320
<b>At 31 March 2007</b>	<b>422,353</b>	<b>960</b>	<b>166,152</b>	<b>402,860</b>	<b>992,325</b>
<b>2Q 2007</b>					
Net fair value changes	-	-	49,969	-	49,969
Net income recognised directly in equity	-	-	49,969	-	49,969
Profit for the period	-	-	-	33,873	33,873
Total recognised income and expenses for the period	-	-	49,969	33,873	83,842
Issue of new shares					
- under Share Option Plan	3,793	-	-	-	3,793
Dividend paid to					
- Company's shareholders	-	-	-	(142,483)	(142,483)
Cost of share-based payment					
- charged to profit and loss account	-	-	515	-	515
- issued to employees of subsidiary companies	-	-	1,843	-	1,843
<b>At 30 June 2007</b>	<b>426,146</b>	<b>960</b>	<b>218,479</b>	<b>294,250</b>	<b>939,835</b>

**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**

Issued Share Capital

During 2Q 2008, no (2Q 2007: 2,820,350) ordinary share is issued by the Company for cash upon the exercise of options granted under the Sembcorp Marine Share Option Plan (the "Plan"). As at 30 June 2008, the Company's issued and paid up capital, excluding 9,884,838 (30 June 2007: Nil) treasury shares held comprises 2,061,486,632 (30 June 2007: 1,469,798,665) ordinary shares.

Share Options

During 2Q 2008, there is no share option (2Q 2007: Nil) granted under the Plan. As at 30 June 2008, there were 32,383,876 (30 June 2007: 36,265,175) unexercised options for unissued 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.

Performance Shares

During 2Q 2008, 790,000 (2Q 2007: 700,000) performance shares granted under the Company's Performance Share Plan ("PSP"). The total number of performance shares in awards granted conditionally and representing 100% of targets achieved but not released as at 30 June 2008 was 2,610,000 (30 June 2007: 2,075,000).

Under the PSP, the awards granted conditional on performance targets are set based on medium-term corporate objectives at the start of each rolling three-year performance qualifying period. A minimum of threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, performance shares to be delivered at the end of the 3-year performance cycle will range from 0% to 150% of the original award.

Restricted Shares

During 2Q 2008, 3,573,000 (2Q 2007: 3,038,940) restricted shares were granted conditionally under the Company's Restricted Stock Plan ("RSP"). The total number of restricted shares in awards granted conditionally and representing 100% of targets achieved but not released as at 30 June 2008 was 7,499,486 (30 June 2007: 4,218,290).

Under the RSP, the awards granted conditional on performance targets are set based on corporate objectives at the start of each rolling two-year performance qualifying period. A minimum of threshold performance must be achieved to trigger an achievement factor, which in turn determines the number of shares to be finally awarded. Based on the criteria, restricted shares to be delivered will range from 0% to 130% of the original award.

A specific number of restricted shares shall be awarded at the end of the two-year performance cycle depending on the extent of the achievement of the performance conditions established at the onset. There is a further vesting of three years after the performance period, during which one-third of the awarded shares are released each year. As at 30 June 2008, 1,353,935 restricted shares has vested for the performance period 2006 to 2007, which will be released in 2009 and 2010.

Treasury Shares

During 2Q 2008, the Company made no purchases of its shares after acquiring 14,300,000 ordinary shares in 1Q 2008. It transferred 2,100,009 (2Q 2007: Nil) ordinary shares from the treasury shares held pursuant to the exercise of options granted under the Plan and for the grant of RSP and PSP. As at 30 June 2008, 9,884,838 treasury shares were held that may be issued upon the exercise of the options under the Plan, and upon the release of performance shares and restricted shares under the PSP and RSP respectively.

**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. However, our auditors have performed certain procedures agreed with management. These procedures are substantially less in scope than an audit or a review performed in accordance with Singapore Standard on Review Engagements (SSRE) 2410.

**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 2007.

**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 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**

	Group			Group		
	2Q 2008	2Q 2007	+/(-)%	1H 2008	1H 2007	+/(-)%
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)	6.23	*4.14	50.5	10.62	*7.74	37.2
Weighted average number of shares	2,060,283,967	*2,055,195,902	0.3	2,067,457,025	*2,052,005,428	0.8
(ii) On a fully diluted basis (cents)	6.18	*4.11	50.4	10.54	*7.67	37.4
Adjusted weighted average number of shares	2,076,784,967	*2,073,337,102	0.2	2,083,958,025	*2,070,146,628	0.7

\* Adjusted for two Bonus Shares for every five existing ordinary shares in financial year 2007.

**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**

	Group			Company		
	Jun-2008	Dec-2007	+/(-) %	Jun-2008	Dec-2007	+/(-) %
Net asset value per ordinary share based on issued share capital at the end of the financial period (cents)	75.78	81.13	(6.6)	53.30	64.56	(17.4)

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 2008 versus 2Q 2007

	2Q 2008	2Q 2007	+ / (-)	+ / (-)
	S\$m	S\$m	S\$m	%
Rig Building	861.3	560.1	301.2	53.8
Offshore and Conversion	312.7	262.9	49.8	18.9
Repair	194.5	183.5	11.0	6.0
Shipbuilding	1.2	29.3	(28.1)	(95.9)
Other Activities	16.4	15.8	0.6	3.8
<b>Group Turnover</b>	<b>1,386.1</b>	<b>1,051.6</b>	<b>334.5</b>	<b>31.8</b>

Group turnover for 2Q 2008 increased by 31.8% from \$1,051.6 million in 2Q 2007 to \$1,386.1 million.

#### **Group Operating Profit and Pre-tax Profit**

Group operating profits increased by 50.5% from \$74.0 million in 2Q 2007 to \$111.5 million in 2Q 2008.

Group pre-tax profits increased by 50.6% from \$106.7 million in 2Q 2007 to \$160.7 million. The increase is mainly attributable to higher operating margins from rig building and ship repair businesses and better contribution from associated companies.

#### **Group Investment Income**

Group investment income increased by 29.5% from \$6.0 million in 2Q 2007 to \$7.8 million in 2Q 2008 because of higher dividend income received from quoted investments.

#### **Group Depreciation and Amortisation**

Group depreciation and amortisation increased by 13.9% from \$14.8 million in 2Q 2007 to \$16.9 million in 2Q 2008 mainly due to increase in fixed assets.

#### **Group Profit Attributable to Members of the Company**

Group attributable profits increased by 50.7% from \$85.1 million in 2Q 2007 to \$128.3 million.

#### 1H 2008 versus 1H 2007

	1H 2008	1H 2007	+ / (-)	+ / (-)
	S\$m	S\$m	S\$m	%
Rig Building	1,345.4	1,114.0	231.4	20.8
Offshore and Conversion	535.0	460.4	74.6	16.2
Repair	382.9	346.1	36.8	10.6
Shipbuilding	2.0	55.9	(53.9)	(96.4)
Other Activities	36.9	28.9	8.0	27.7
<b>Group Turnover</b>	<b>2,302.2</b>	<b>2,005.3</b>	<b>296.9</b>	<b>14.8</b>

Group turnover for 1H 2008 increased by 14.8% from \$2,005.3 million in 1H 2007 to \$2,302.2 million.

## **Group Operating Profit and Pre-tax Profit**

Group operating profits increased by 28.9% from \$148.1 million in 1H 2007 to \$190.9 million in 1H 2008.

Group pre-tax profits increased by 44.2% from \$191.4 million in 1H 2007 to \$275.9 million. The increase is mainly attributable to higher operating margins from rig building and ship repair businesses and better contribution from associated companies.

## **Group Investment and Interest Income**

Group investment income increased by 29.6% from \$6.0 million in 1H 2007 to \$7.8 million in 1H 2008 because of higher dividend income received from quoted investments.

Group interest income increased by 24.8% from \$8.3 million in 1H 2007 to \$10.4 million in 1H 2008 because of higher interest bearing asset balances.

## **Group Depreciation and Amortisation**

Group depreciation and amortisation increased by 12.8% from \$28.9 million in 1H 2007 to \$32.6 million in 1H 2008 mainly due to increase in fixed assets.

## **Group Profit Attributable to Members of the Company**

Group attributable profits increased by 38.2% from \$158.8 million in 1H 2007 to \$219.6 million.

Group tax charge in 1H 2008 is significantly higher than 1H 2007 mainly due to a \$5.0 million write-back of prior years' tax over-provision, arising from a 2% reduction in corporate income tax rate in 2Q 2007. Excluding tax write-back and net non-operating items, Group attributable profit increased 40.8% from \$155.5 million in 1H 2007 to \$219.0 million.

## **Review of Balance Sheet**

### **Other long-term investments**

Group 'Other long-term investments' decreased significantly mainly due to mark-to-market adjustments of quoted equity shares

### **Derivative financial assets/liabilities**

Group 'Derivative financial assets' increased due to mark-to-market adjustments of foreign currency forward contracts.

### **Deferred taxation**

The decrease in Group "Deferred taxation" was largely due to deferred tax on mark-to-market adjustments of quoted equity shares and foreign currency forward contracts.

### **Stocks and work-in progress, Progress billings in excess of work-in-progress, Fixed deposits and Bank and cash balances**

Group 'Stocks and work-in-progress' decreased significantly and Group 'Progress billings in excess of work-in-progress', 'Fixed deposits' and 'Bank and cash balances' increased significantly mainly due to receipts from customers for both rig building projects in progress and completed projects.

### **Trade creditors**

Group 'Trade creditors' increased mainly due to increase in rig building, offshore and conversion projects.

### **Other creditors and Long-term other creditors**

Company 'Other creditors' decreased and Company 'Long-term other creditors' increased mainly due to amount owing to subsidiary companies that is not expected to be repaid in the next twelve months.

## **Contingent liabilities**

On 22 October 2007, the Company announced that its former Director, Group Finance, Mr Wee Sing Guan, had entered into various unauthorised foreign exchange transactions (the “Unauthorised Transactions”) for the account of one of its wholly-owned subsidiary company, Jurong Shipyard Pte Ltd (“JSPL”).

Subsequent to the year end, on 14 February 2008, the Company announced that JSPL had reached full and final settlement with 9 of the 11 banks involved, all strictly on a commercial basis, as JSPL deems it in its best interests to avoid incurring substantial time and expense to engage in complex litigation with these banks. All the commercial settlements were entered into without any admission on the part of JSPL or the banks as to whether the Unauthorised Transactions were valid or binding on JSPL.

An amount of S\$289.9 million paid to Societe Generale (“SG”) is comprised of US\$83.5 million paid before the Unauthorised Transactions were uncovered in October 2007 and US\$115.4 million that was paid as a pre-condition for closing out of transactions with JSPL, subject to JSPL’s right to a refund of the monies from SG if the dispute is resolved in JSPL’s favour. In compliance with Singapore Financial Reporting Standards (“FRS”), the sum of S\$289.9 million had been expensed in the profit and loss account for the year ended 31 December 2007. As JSPL’s position is that the underlying transactions with SG are not valid and binding, JSPL intends to recover the amounts paid to SG and if JSPL succeeds in doing so, there will be an inflow of funds to be recognised in the financial statements at that relevant point in time.

As JSPL’s position is that it is not liable to BNP Paribas (“BNP”) in relation to the Unauthorised Transactions, BNP’s claim for US\$50.7 million has not been recognised in the financial statements as of 30 June 2008 but is disclosed as a contingent liability in compliance with FRS. Pursuant to a statutory demand given by BNP on 20 November 2007, JSPL made an application in court for an injunction to restrain the presentation of a winding up petition by BNP. The injunction application was heard by the High Court from 4 to 6 March 2008. In a judgment dated 6 June 2008, the High Court granted JSPL’s application for an injunction restraining BNP Paribas from filing a winding up application against JSPL. The High Court has agreed that there should be a full trial with cross examination. BNP Paribas has filed a Notice of Appeal on 4 July 2008 appealing against the decision of the High Court. Hearing of the appeal is expected to be held either in late 2008 or early 2009.

As the disputes with SG and BNP regarding the Unauthorised Transactions are likely to be finally determined by the Court, the benefit of claiming a tax deduction for the amounts arising from the Unauthorised Transactions has not been shown in the financial statements. However, JSPL expressly reserves its position to claim the tax deduction at the relevant time. The disputes relating to the Unauthorised Transactions with BNP and SG are on going.

### **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**

The Group's order backlog is at an all time high at \$9.6 billion boosted by \$4.4 billion of new orders secured this year to-date.

The current order book stretches deliveries and completion till 2012.

Based on the scheduled completion of these projects and the market environment, the Sembcorp Marine Group expects 2008 to be a better year than 2007.

Ship repair demand is expected to remain buoyant, driven mainly by Asian oil and bulk commodity demand amid fears of slow down and inflationary pressures in US and Europe.

Fundamentals for the offshore market remain strong due to the positive growth in the global demand for oil and gas. This results in sustained high oil prices which continue to support exploration and production (E&P) activities. E&P spending is expected to remain robust due to high oil prices, declining global reserves and ageing assets.

New rig orders remain bullish with increasing demand for deepwater rigs. The positive outlook for offshore production will see increasing demand for fixed and floating production systems, including Floating Production Storage and Offloading (FPSO) units.

*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, exchange rate movement, 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 Type	Cash
Dividend Rate	5.00 cents per ordinary share one-tier tax exempt

**(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	*3.57 cents per ordinary share one-tier tax exempt

\* Adjusted for two Bonus Shares for every five existing ordinary shares in financial year 2007.

**(c) Date payable**

The interim dividend will be paid on 1 September 2008.

**(d) Books closure date**

Notice is hereby given that the Transfer Book and Register of Member of the Company will be closed from 20 August 2008 to 21 August 2008, both dates inclusive, for the preparation of dividend warrants. Duly completed transfers received by the Registrar, KCK Corpserve Pte Ltd, 333 North Bridge Road, #08-00, KH Kea Building, Singapore 188721, up to 5 p.m. on 19 August 2008 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, conversion and offshore \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
<b>(a) By business segment: 1H 2008</b>					
<b>Turnover</b>					
Sales to external parties	2,278,510	-	23,701	-	2,302,211
Inter-segment sales	-	-	97,297	(97,297)	-
Consolidated sales	2,278,510	-	120,998	(97,297)	2,302,211
<b>Results</b>					
<b>Segment results</b>	<b>187,651</b>	<b>39</b>	<b>3,229</b>	<b>-</b>	<b>190,919</b>
Dividend and interest income	18,049	-	127	-	18,176
Finance costs	(6,092)	-	-	-	(6,092)
Share of results of associated companies & joint venture	67,693	5,155	15	-	72,863
Profit before taxation	267,301	5,194	3,371	-	275,866
Taxation	(46,728)	(922)	(878)	-	(48,528)
Profit after taxation	220,573	4,272	2,493	-	227,338
<b>Other information</b>					
Capital expenditure	49,559	-	2,880	-	52,439
Depreciation	31,281	-	571	-	31,852
Amortisation	795	-	-	-	795
<b>Other segment assets</b>	<b>2,992,219</b>	<b>17,073</b>	<b>32,089</b>	<b>-</b>	<b>3,041,381</b>
Interest bearing assets	1,365,893	-	18,108	-	1,384,001
Investments in associated companies & joint venture	242,502	16,244	394	-	259,140
Tax recoverable	5,015	-	379	-	5,394
Total segment assets	4,605,629	33,317	50,970	-	4,689,916
<b>Other segment liabilities</b>	<b>2,384,562</b>	<b>8</b>	<b>29,510</b>	<b>-</b>	<b>2,414,080</b>
Interest bearing liabilities	422,623	-	-	-	422,623
Deferred taxation	128,813	-	759	-	129,572
Provision for taxation	126,632	528	1,799	-	128,959
Total segment liabilities	3,062,630	536	32,068	-	3,095,234

**Information by segment on Group operations (cont'd)**

	<b>Ship &amp; rig repair, building, conversion and offshore</b> \$'000	<b>Ship chartering</b> \$'000	<b>Others</b> \$'000	<b>Eliminations</b> \$'000	<b>Total</b> \$'000
<b>(a) By business segment: 1H 2007</b>					
<b>Turnover</b>					
Sales to external parties	1,984,813	-	20,528	-	2,005,341
Inter-segment sales	-	-	75,820	(75,820)	-
Consolidated sales	1,984,813	-	96,348	(75,820)	2,005,341
<b>Results</b>					
<b>Segment results</b>	<b>144,821</b>	<b>(23)</b>	<b>3,351</b>	<b>-</b>	<b>148,149</b>
Dividend and interest income	14,039	79	213	-	14,331
Finance costs	(6,270)	-	-	-	(6,270)
Non-operating income	624	-	-	-	624
Non-operating expenses	(1,751)	-	-	-	(1,751)
Share of results of associated companies & joint venture	33,609	2,647	23	-	36,279
Profit before taxation	185,072	2,703	3,587	-	191,362
Taxation	(26,808)	(1,233)	(572)	-	(28,613)
Profit after taxation	158,264	1,470	3,015	-	162,749
<b>Other information</b>					
Capital expenditure	72,047	-	86	-	72,133
Depreciation	28,283	-	614	-	28,897
Amortisation	49	-	-	-	49
<b>Other segment assets</b>	<b>3,037,277</b>	<b>17,150</b>	<b>27,357</b>	<b>-</b>	<b>3,081,784</b>
Interest bearing assets	659,387	3,998	17,162	-	680,547
Investments in associated companies & joint venture	143,864	7,022	2,118	-	153,004
Tax recoverable	1,939	-	-	-	1,939
Total segment assets	3,842,467	28,170	46,637	-	3,917,274
<b>Other segment liabilities</b>	<b>1,741,958</b>	<b>12</b>	<b>21,797</b>	<b>-</b>	<b>1,763,767</b>
Interest bearing liabilities	374,497	-	-	-	374,497
Deferred taxation	137,209	-	903	-	138,112
Provision for taxation	55,323	582	2,239	-	58,144
Total segment liabilities	2,308,987	594	24,939	-	2,334,520

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.

	<b>Singapore</b> \$'000	<b>Rest of Asia</b> \$'000	<b>Europe</b> \$'000	<b>Others</b> \$'000	<b>Eliminations</b> \$'000	<b>Total</b> \$'000
<b>1H 2008</b>						
Revenue from external customers	628,356	749,241	697,599	227,015	-	2,302,211
Total segment assets	4,279,784	395,136	-	14,996	-	4,689,916
Capital expenditure	42,745	9,660	-	34	-	52,439
<b>1H 2007</b>						
Revenue from external customers	381,756	362,015	1,162,177	99,393	-	2,005,341
Total segment assets	3,608,045	280,556	-	28,673	-	3,917,274
Capital expenditure	63,112	9,021	-	-	-	72,133

**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)

	<b>1H 2008</b> \$'000	<b>1H 2007</b> \$'000
<b>Transaction for the Sales of Goods and Services</b>		
Neptune Orient Lines Ltd and its associates	7,780	13,195
PSA International Pte Ltd and its associates	922	348
<b>Transaction for the Purchase of Goods and Services</b>		
PSA International Pte Ltd and its associates	2,880	-
Sembcorp Industries Limited and its associates	15,844	12,509
<b>Management and Support Services</b>		
Sembcorp Industries Limited	125	125
<b>Total Interested Person Transactions</b>	<b>27,551</b>	<b>26,177</b>

**17. Confirmation by the Board**

The Board of Directors hereby confirms that, to the best of its knowledge, nothing has come to its attention which may render the first half 2008 financial results to be false or misleading.

**BY ORDER OF THE BOARD**

**KWONG SOOK MAY/TAN YAH SZE  
JOINT COMPANY SECRETARIES**

5 August 2008