

SEMBCORP MARINE LTD

(Co. Reg. No. 196300098Z)

Full Year Financial Statements

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

	Group			Group		
	4Q 2004	4Q 2003	+ / (-)	FY 2004	FY 2003	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Turnover	396,945	238,970	66.1	1,362,764	1,067,986	27.6
Cost of sales	(373,555)	(214,674)	74.0	(1,242,400)	(963,082)	29.0
Gross profit	23,390	24,296	(3.7)	120,364	104,904	14.7
Other operating income, net	10,604	5,457	94.3	21,120	12,344	71.1
General and administrative expenses	(15,692)	(13,998)	12.1	(47,631)	(42,940)	10.9
Operating profit	18,302	15,755	16.2	93,853	74,308	26.3
Dividend and net interest income	958	1,545	(38.0)	9,944	11,600	(14.3)
Exceptional items (EI)	(56)	868	n.m.	(3,066)	1,275	n.m.
Share of results of associated companies & joint venture	9,705	1,753	453.6	13,278	8,003	65.9
Profit before tax	28,909	19,921	45.1	114,009	95,186	19.8
Taxation	(3,134)	(1,060)	195.7	(15,990)	(16,961)	(5.7)
Profit after taxation	25,775	18,861	36.7	98,019	78,225	25.3
Minority interests	(853)	631	n.m.	(3,017)	315	n.m.
Net profit attributable to members of the Company	24,922	19,492	27.9	95,002	78,540	21.0
Profit before tax (before exceptional items)	28,965	19,053	52.0	117,075	93,911	24.7
Net profit attributable to members of the Company (before exceptional items)	24,978	18,624	34.1	98,068	77,265	26.9
Earnings per share, cents (after exceptional items)						
Basic	1.75	1.37	27.7	6.68	5.55	20.4
Diluted	1.74	1.37	27.0	6.65	5.52	20.5
Earnings per share, cents (before exceptional items)						
Basic	1.75	1.31	33.6	6.90	5.46	26.4
Diluted	1.75	1.31	33.6	6.87	5.43	26.5

The accompanying notes to the financial statements form an integral part of the financial statements.

	Group			Group		
	4Q 2004 \$'000	4Q 2003 \$'000	+ / (-) %	FY 2004 \$'000	FY 2003 \$'000	+ / (-) %
Investment income	63	-	-	1,120	97	1054.6
Interest income	2,164	3,495	(38.1)	11,646	14,166	(17.8)
Interest expense	(1,269)	(1,950)	(34.9)	(2,822)	(2,663)	6.0
Depreciation and amortisation	(10,205)	(10,335)	(1.3)	(37,519)	(38,404)	(2.3)
Bad debts written off and write-back/(provision) for doubtful debts, net	(674)	(1,072)	(37.1)	(418)	1,736	n.m.
Write-back/(provision) for stock obsolescence, net	83	(138)	n.m.	23	(192)	n.m.
Foreign exchange loss, net	(2,497)	(4,039)	(38.2)	(1,822)	(3,342)	(45.5)
Profit after taxation (after EI) as a percentage of Turnover	6.49%	7.89%	(17.7)	7.19%	7.32%	(1.8)
Net profit attributable to shareholders (after EI) as a percentage of Issued Capital and Reserves at end of period	2.57%	2.10%	22.4	9.81%	8.47%	15.8
Profit after taxation (before EI) as a percentage of Turnover	6.51%	7.53%	(13.5)	7.42%	7.21%	2.9
Net profit attributable to shareholders (before EI) as a percentage of Issued Capital and Reserves at end of period	2.58%	2.01%	28.4	10.12%	8.33%	21.5

Notes:

	Group		Group	
	4Q 2004 \$'000	4Q 2003 \$'000	FY 2004 \$'000	FY 2003 \$'000
(i) Over-provision of tax in respect of prior years, net	97	2,542	4,072	3,268
(ii) Profit on disposal of property, plant and equipment, net	4,110	4,705	7,681	4,735
(iii) Exceptional items comprise:				
Loss on disposal of investments in unquoted bonds	-	-	(5,000)	-
Gain on disposal after consideration of realisation ¹ of other capital reserves and foreign currency translation reserves upon disposal of:			1,990	-
Joint venture	3,444	1,951	3,444	1,951
Other long term equity investments	-	(70)	-	337
	3,444	1,881	434	2,288
Writeback/(provision) for impairment in value of:				
Fixed assets	(3,500)	(2,113)	(3,500)	(2,113)
Other long term equity investments	-	1,391	-	1,391
Other long term non-equity investments	-	(291)	-	(291)
Exceptional items	(56)	868	(3,066)	1,275

Note: ¹ Realisation of reserves as follows:

Other long term equity investments	-	-	-	16,471
- Other Capital Reserves	-	-	-	-
Joint venture	-	-	-	-
- Foreign Currency Translation Reserves	-	5,310	-	5,310

- 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	
	31-Dec-2004 \$'000	31-Dec-2003 \$'000	31-Dec-2004 \$'000	31-Dec-2003 \$'000
Non-Current Assets				
Fixed assets	460,020	452,720	176,449	178,693
Subsidiary companies	-	-	490,852	350,499
Associated companies & joint venture	67,487	58,700	26,387	27,026
Other long-term investments	23,853	71,776	19,227	67,965
Long-term trade debtors	83,249	168,639	56,000	66,786
Goodwill on consolidation	3,352	3,615	-	-
Deferred tax asset	1,470	-	-	-
Total Non-Current Assets	639,431	755,450	768,915	690,969
Current Assets				
Stocks and work-in-progress	390,940	255,972	-	-
Trade debtors	267,237	210,455	70,798	81,440
Asset held for sale	53,192	-	-	-
Other debtors	39,081	100,452	53,073	90,479
Fixed deposits	361,164	152,753	70,893	1,336
Bank and cash balances	108,320	50,033	29,561	4,746
Total Current Assets	1,219,934	769,665	224,325	178,001
Current Liabilities				
Trade creditors	474,643	373,425	6,067	5,335
Other creditors and provisions	24,358	21,343	2,244	1,195
Excess progress billings over work-in-progress	136,414	19,572	-	-
Borrowings	-	101,029	-	30,000
Provision for taxation	16,277	15,804	343	-
Total Current Liabilities	651,692	531,173	8,654	36,530
Net Current Assets	568,242	238,492	215,671	141,471
Total Assets less Current Liabilities	1,207,673	993,942	984,586	832,440
Non-Current Liabilities				
Long term borrowings	149,645	-	149,645	-
Deferred taxation	47,980	47,678	28,137	31,781
Hire purchase creditors	333	1,165	-	-
Other provisions	7,005	3,226	2,895	-
Total Non-Current Liabilities	204,963	52,069	180,677	31,781
	1,002,710	941,873	803,909	800,659
Capital & Reserves				
Share capital	142,761	142,005	142,761	142,005
Reserves	826,139	785,122	661,148	658,654
	968,900	927,127	803,909	800,659
Minority interests	33,810	14,746	-	-
	1,002,710	941,873	803,909	800,659

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

Amount repayable in one year or less, or on demand

As at 31-Dec-2004		As at 31-Dec-2003	
Secured	Unsecured	Secured	Unsecured
-	-	-	101,029,000

Amount repayable after one year

As at 31-Dec-2004		As at 31-Dec-2003	
Secured	Unsecured	Secured	Unsecured
-	149,645,000	-	-

Details of any 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 31 December

	Group			
	4Q 2004	4Q 2003	FY 2004	FY 2003
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flow from operating activities				
Operating profit	18,302	15,755	93,853	74,308
Adjustments for:				
Depreciation of fixed assets	10,185	9,152	37,499	33,945
Fixed assets written off	12	-	12	7
Profit on sale of fixed assets	(4,110)	(4,701)	(7,681)	(4,735)
Goodwill on consolidation of subsidiary companies written off	-	-	292	-
Amortisation of goodwill on consolidation of subsidiary companies	-	384	-	1,260
Amortisation of borrowing cost and redeemable convertible loan stock discount	20	22	20	91
Operating income before reinvestment in working capital	24,409	20,612	123,995	104,876
(Increase)/decrease in debtors	(53,783)	15,798	74,344	4,936
Increase in asset held for sale	-	-	(53,192)	-
Decrease/(increase) in stocks and work-in-progress	252,697	149,423	(10,676)	24,686
Increase/(decrease) in creditors	12,004	(59,537)	85,927	(51,420)
Cash generated from operation	235,327	126,296	220,398	83,078
Investment and interest income received	2,227	3,499	13,565	13,865
Interest paid	(99)	(1,987)	(1,655)	(2,654)
Income taxes paid	(1,402)	(3,327)	(14,034)	(34,695)
Net cash provided by operating activities	236,053	124,481	218,274	59,594
Cash flow from investing activities				
Acquisition of subsidiary companies	-	-	(660)	(4,607)
Investment in an associated company & a joint venture	-	-	(1,309)	(250)
Purchase of fixed assets	(44,252)	(19,606)	(88,552)	(32,627)
Purchase of other long term investments	(16)	(7)	(14,314)	(1,641)
Proceeds from sale of other long term investments	-	-	59,302	11,290
Proceeds from sale of a joint venture	6,832	7,349	21,443	7,349
Proceeds from partial redemption of investment in bond	-	-	720	-
Proceeds from sale of fixed assets	23,116	425	57,572	471
Dividend from associated companies	240	192	5,185	3,440
Capital refund from associated companies	-	131	-	510
Net cash (used in)/provided by investing activities	(14,080)	(11,516)	39,387	(16,065)
Cash flow from financing activities				
Dividend paid by the Company	(1)	-	(56,881)	(71,841)
Dividend paid by a subsidiary company to minority shareholders	(1)	(241)	(402)	(241)
Proceeds from issue of medium term notes	-	-	149,625	-
(Repayment of)/additional short term bank loan, net	(30,000)	(34,656)	(101,029)	65,577
Repayment of hire purchase creditors	(427)	(299)	(1,401)	(729)
Fixed deposit pledge discharged/(pledged) with a bank for banking facilities	54,379	(1,120)	54,379	(1,120)
Proceeds from issue of new shares:				
- by the Company	3,455	1,526	5,617	4,052
- by a subsidiary company to minority shareholder	-	-	13,508	-
Net cash provided by/(used in) financing activities	27,405	(34,790)	63,416	(4,302)
Net increase in cash and cash equivalents	249,378	78,175	321,077	39,227
Cash and cash equivalents at beginning of period	220,106	70,232	148,407	109,180
Cash and cash equivalents at end of period	469,484	148,407	469,484	148,407

The acquisitions of subsidiary companies in 2004 have been shown as a single item. The effect on the individual assets and liabilities is set out below:

	4Q 2004	Group		FY 2003
		4Q 2003	FY 2004	
	\$'000	\$'000	\$'000	\$'000
Fixed assets	-	-	4,976	8,881
Other long term investment	-	-	1	3,700
Stocks and work-in-progress	-	-	7,450	34,260
Debtors	-	-	18,454	26,227
Bank and cash balances	-	-	456	11,267
Bank overdrafts	-	-	(722)	(1,174)
Bank loans	-	-	-	(7,652)
Hire purchase creditors	-	-	(704)	-
Creditors	-	-	(22,157)	(40,398)
Provision for taxation	-	-	(310)	(642)
Deferred taxation	-	-	(102)	(335)
Net assets acquired	-	-	7,342	34,134
Minority interests	-	-	(3,304)	(5,120)
Amount taken up as associated company	-	-	(3,671)	(17,067)
Goodwill on acquisition	-	-	27	2,753
Purchase consideration paid	-	-	394	14,700

The acquisition of subsidiary companies, net of cash is represented by:

Cash paid	-	-	(394)	(14,700)
Less : Bank and cash balances	-	-	456	11,267
Add : Bank overdrafts	-	-	(722)	(1,174)
Net cash outflow	-	-	(660)	(4,607)

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

	FY 2004 S\$'000	FY 2003 S\$'000
Fixed deposit, bank and cash balances	469,484	202,786
Less : Fixed deposit pledged with a bank for banking facilities	-	(54,379)
Cash & cash equivalent in consolidated statement for cash flow	469,484	148,407

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 capitalization 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

	Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Unappropriated profit \$'000	Total \$'000
<u>The Group</u>						
Balance at 1 January 2003	141,432	234,471	17,983	4,595	541,527	940,008
<u>9M 2003</u>						
Profit for the period	-	-	-	-	59,048	59,048
2002 final dividend paid	-	-	-	-	(55,257)	(55,257)
2003 interim dividend paid	-	-	-	-	(16,584)	(16,584)
Translation differences for the period	-	-	-	(624)	-	(624)
Share issued on exercise of share options	350	2,176	-	-	-	2,526
Realisation upon disposal of other long term investment	-	-	(16,471)	-	-	(16,471)
Balance at 30 September 2003	141,782	236,647	1,512	3,971	528,734	912,646
<u>4Q 2003</u>						
Profit for the period	-	-	-	-	19,492	19,492
Translation differences for the period	-	-	-	(1,227)	-	(1,227)
Share issued on exercise of share options	223	1,303	-	-	-	1,526
Realisation on redemption of redeemable convertible loan stock	-	-	(155)	-	155	-
Realisation upon disposal of joint venture and other long term investment	-	-	-	(5,310)	-	(5,310)
Balance at 31 December 2003	142,005	237,950	1,357	(2,566)	548,381	927,127
<u>The Group</u>						
Balance at 1 January 2004	142,005	237,950	1,357	(2,566)	548,381	927,127
<u>9M 2004</u>						
Profit for the period	-	-	-	-	70,080	70,080
2003 final dividend paid	-	-	-	-	(39,814)	(39,814)
2004 interim dividend paid	-	-	-	-	(17,067)	(17,067)
Translation differences for the period	-	-	-	1,747	-	1,747
Share issued on exercise of share options	301	1,861	-	-	-	2,162
Write off by an associated company	-	-	(114)	-	-	(114)
Balance at 30 September 2004	142,306	239,811	1,243	(819)	561,580	944,121
<u>4Q 2004</u>						
Profit for the period	-	-	-	-	24,922	24,922
Translation differences for the period	-	-	-	(3,598)	-	(3,598)
Share issued on exercise of share options	455	3,000	-	-	-	3,455
Balance at 31 December 2004	142,761	242,811	1,243	(4,417)	586,502	968,900

1(d)(i) Statement of Changes in Equity (cont'd)

Statement of Changes in Equity

	Share Capital \$'000	Share premium \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Unappropriated profit \$'000	Total \$'000
<u>The Company</u>						
Balance at 1 January 2003	141,432	234,471	960	-	411,916	788,779
<u>9M 2003</u>						
Profit for the period	-	-	-	-	11,260	11,260
2002 final dividend paid	-	-	-	-	(55,257)	(55,257)
2003 interim dividend paid	-	-	-	-	(16,584)	(16,584)
Share issued on exercise of share options	350	2,176	-	-	-	2,526
Balance at 30 September 2003	141,782	236,647	960	-	351,335	730,724
<u>4Q 2003</u>						
Profit for the period	-	-	-	-	68,409	68,409
Share issued on exercise of share options	223	1,303	-	-	-	1,526
Balance at 31 December 2003	142,005	237,950	960	-	419,744	800,659
<u>The Company</u>						
Balance at 1 January 2004	142,005	237,950	960	-	419,744	800,659
<u>9M 2004</u>						
Profit for the period	-	-	-	-	30,139	30,139
2003 final dividend paid	-	-	-	-	(39,814)	(39,814)
2004 interim dividend paid	-	-	-	-	(17,067)	(17,067)
Share issued on exercise of share options	301	1,861	-	-	-	2,162
Balance at 30 September 2004	142,306	239,811	960	-	393,002	776,079
<u>4Q 2004</u>						
Profit for the period	-	-	-	-	24,375	24,375
Share issued on exercise of share options	455	3,000	-	-	-	3,455
Balance at 31 December 2004	142,761	242,811	960	-	417,377	803,909

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 the financial period, the Company issued 7,555,750 ordinary shares of \$0.10 each upon the exercise of options granted under the SembCorp Marine Share Option Plan (the "Plan").

As at 31 December 2004, there were 56,753,150 (31 December 2003: 49,793,300) unexercised options for un-issued ordinary shares of \$0.10 each 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 standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

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 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, 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 2003.

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

On 1 July 2004, the Council on Corporate Disclosure and Governance issued Financial Reporting Standard ("FRS") 103 Business Combinations, revised FRS 36 Impairment of Assets and revised FRS 38 Intangible Assets. Accordingly, FRS 22 Business Combinations was withdrawn.

These standards are to be applied to the accounting for business combinations for annual periods beginning on or after 1 July 2004. However, early adoption of these standards is permitted and must be applied prospectively from the same date.

The Group has decided to early adopt FRS 103, revised FRS 36 and revised FRS 38. The standards are applied on a prospective basis effective 1 January 2004.

The early adoption of FRS 103, revised FRS 36 and revised FRS 38 resulted in a change in the accounting treatment for goodwill. FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised, instead impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired. The replaced FRS 22 required acquired goodwill to be systematically amortised over its useful life, and included a rebuttable presumption that its useful life could not exceed twenty years from initial recognition.

The effects of the early adoption of FRS 103 are as follows:

- a. there is no restatement to the Group's opening retained earnings as at 1 January 2004, as there is no adjustment for previously recognised negative goodwill;
- b. elimination of a potential goodwill amortisation of \$4.5 million in the FY 2004 Group Income Statement, offset by
- c. goodwill impairment expense of subsidiary companies amounting to \$0.3 million.

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		
	4Q 2004	4Q 2003	+ / (-) %	FY 2004	FY 2003	+ / (-) %

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)						
(a) after exceptional items	1.75	1.37	27.7	6.68	5.55	20.4
(b) before exceptional items	1.75	1.31	33.6	6.90	5.46	26.4
Weighted average number of shares	1,423,943,455	1,418,690,951		1,421,361,495	1,415,768,518	
(ii) On a fully diluted basis (cents)						
(a) after exceptional items	1.74	1.37	27.0	6.65	5.52	20.5
(b) before exceptional items	1.75	1.31	33.6	6.87	5.43	26.5
Adjusted weighted average number of shares	1,430,504,455	1,425,724,951		1,427,922,495	1,422,802,518	

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		
	31-Dec-2004	31-Dec-2003	+/(-) %	31-Dec-2004	31-Dec-2003	+/(-) %
Net asset value per ordinary share based on issued share capital at the end of the financial period (cents)	67.87	65.29	4.0	56.31	56.38	(0.1)

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Review of Group Performance

4Q 2004 versus 4Q 2003

	4Q 2004	4Q 2003	+/(-)	+/(-)
	S\$m	S\$m	S\$m	%
Group Turnover	117.9	98.5	19.4	19.7
Ship Repair	171.1	61.6	109.5	177.8
Conversion	82.6	42.2	40.4	95.7
New Building	25.4	36.7	(11.3)	(30.8)
Other Activities	<u>397.0</u>	<u>239.0</u>	<u>158.0</u>	<u>66.1</u>

Group turnover for 4Q 2004 increased by 66.1% from \$239.0 million in 4Q 2003 to \$397.0 million. The increase was across all core sectors of ship repair, conversion and new building.

Group Operating Profit and Pre-tax Profit

Group operating profit increased by 16.2% from \$15.8 million in 4Q 2003 to \$18.3 million in 4Q 2004. Group pre-tax profit increased by 45.1% from \$19.9 million in 4Q 2003 to \$28.9 million in 4Q 2004. This increase was due to the improvements in the ship conversion and ship repair sectors as well as increased contributions from a joint venture and associated companies.

Group Profit Attributable to Members of the Company

Group attributable profits increased 27.9% from \$19.5 million in 4Q 2003 to \$24.9 million in 4Q 2004.

Excluding exceptional items, Group attributable profits increased by 34.1% from \$18.6 million in 4Q 2003 to \$25.0 million in 4Q 2004.

FY 2004 versus FY 2003

	FY 2004	FY 2003	+/(-)	+/(-)
	S\$m	S\$m	S\$m	%
Group Turnover	456.2	345.5	110.7	32.0
Ship Repair	615.0	391.0	224.0	57.3
Conversion	199.3	242.5	(43.2)	(17.8)
New Building	92.3	89.0	3.3	3.7
Other Activities	<u>1,362.8</u>	<u>1,068.0</u>	<u>294.8</u>	<u>27.6</u>

Group turnover for FY 2004 was at a record high at \$1,362.8 million, an increase of 27.6% from \$1,068.0 million in FY 2003. The marked increase is from the ship conversion and ship repair activities. Some new building projects are still in the early stages of production and are not taken up for revenue recognition.

Group Operating Profit and Pre-tax Profit

Group operating profit increased by 26.3% from \$74.3 million in FY 2003 to \$93.9 million in FY 2004. Group pre-tax profit increased by 19.8% from \$95.2 million in FY 2003 to \$114.0 million in FY 2004. The increase is attributed to improvements in the ship conversion and ship repair sectors as well as from increased contributions from a joint venture and associated companies.

Group Profit Attributable to Members of the Company

Group tax charge in FY 2004 decreased from the FY 2003, mainly, due to write-backs of over-provision of tax in respect of prior years arising from a 2% reduction in the corporate income tax rate. Group attributable profit increased by 21.0% from \$78.5 million in FY 2003 to \$95.0 million in FY 2004.

Excluding exceptional items, Group attributable profit increased by 26.9% from \$77.3 million in FY 2003 to \$98.1 million in FY 2004.

Review of Group Performance (cont'd)

Review of Balance Sheet

Group 'Stock and Work-in-progress (WIP)' balances increased significantly due mainly to increases in new building and ship conversion projects WIP. The new building WIP increases are due to some projects still in the early stages of production and are not taken up in the profit and loss account, while the increases in ship conversion projects WIP are due to the Group undertaking bigger conversion projects entailing engineering, procurement, construction and integration (EPCI).

Group 'Asset Held for Sale' amounting to \$53.2 million relates to a vessel mortgaged to a subsidiary company. The subsidiary company has exercised its rights as a mortgagee and has taken over the ownership of the vessel recently following the default on the payment by the customer. The subsidiary company has received offers for the vessel and is currently in the final stage of negotiation to sell the vessel. This asset is held for short-term with the intention of sale in the near future and is stated at cost. The market value of the vessel is in excess of the carrying cost.

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 competitive conditions of the industry in which the group operates and any known factors or events that may effect the group in the next reporting period and the next 12 months

New contracts secured by the Group in 2004 were at a record high at \$2.1 billion with deliveries and completion from 2005 to 2007. The order book as at 31 December 2004 for shipbuilding, ship conversion and rig building remains strong at S\$2.3 billion compared to S\$1.1 billion as at 31 December 2003.

Based on the new contracts secured and the scheduled completion of projects, the Group expects a higher operating profit in the current year. The Group's investment in Cosco Shipyard Group takes effect in 2005. Higher contribution is expected from the investment in China.

The ship repair market is expected to remain buoyant amidst competitive environment and favourable freight rates. Market fundamentals for Floating Production Storage and Offloading (FPSO) vessels and Floating Storage and Offloading (FSO) vessels remain strong. Due to the global ageing rig fleet, demand for the upgrading and building of rigs is expected to continue to meet the robust growth in the oil & gas sector.

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 & Special	Final	Special
Dividend Type	Cash	Cash	Cash
Dividend Rate	1.50 cents per ordinary share less tax	1.00 cents per ordinary share less tax	5.00 cents per ordinary share less tax
Par value of shares	0.10	0.10	0.10
Tax Rate	20.0	20.0	20.0

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 & Special	Final	Special
Dividend Type	Cash	Cash	Cash
Dividend Rate	1.50 cents per ordinary share less tax	1.00 cents per ordinary share less tax	2.50 cents per ordinary share less tax
Par value of shares	0.10	0.10	0.10
Tax Rate	22.0	20.0	20.0

11. **Dividend (cont'd)**

(b) **Date payable**

The final and special dividend will be paid on 18 May 2005.

(c) **Books closure date**

Notice is hereby given that the Transfer Book and Register of Member of the Company will be closed from 29 April 2005 to 3 May 2005, 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 28 April 2005 will be registered before entitlements to dividend are determined.

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

Not applicable.

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 : FY 2004					
Revenue					
Sales to external parties	1,315,086	12,798	34,880	-	1,362,764
Inter-segment sales	230,873	178	140,497	(371,548)	-
Consolidated sales	1,545,959	12,976	175,377	(371,548)	1,362,764
Results					
Segment results	74,439	12,745	6,669	-	93,853
Exceptional items	(3,066)	-	-	-	(3,066)
Investment and interest income	12,285	467	14	-	12,766
Interest expenses	(2,822)	-	-	-	(2,822)
Share of results of associated companies & joint venture	13,113	2,157	(1,992)	-	13,278
Profit before taxation	93,949	15,369	4,691	-	114,009
Taxation	(14,859)	(34)	(1,097)	-	(15,990)
Profit after taxation	79,090	15,335	3,594	-	98,019
Other Information					
Capital additions	87,402	-	1,150	-	88,552
Depreciation	34,589	1,685	1,225	-	37,499
Amortisation	20	-	-	-	20
Other segment assets	1,228,684	4,838	38,095	-	1,271,617
Interest bearing assets	498,791	10,449	9,433	-	518,673
Investments in associated companies & joint venture	55,653	9,625	2,209	-	67,487
Tax recoverable	-	-	118	-	118
Deferred tax assets	1,463	-	7	-	1,470
Total segment assets	1,784,591	24,912	49,862	-	1,859,365
Other segment liabilities	617,178	2,262	18,035	-	637,475
Interest bearing liabilities	154,923	-	-	-	154,923
Deferred taxation	46,405	93	1,482	-	47,980
Provision for taxation	15,028	114	1,135	-	16,277
Total segment liabilities	833,534	2,469	20,652	-	856,655

13. **Segmented information (cont'd)**

	Ship & rig repair, building and conversion \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
(a) By business segment : FY 2003					
Revenue					
Sales to external parties	1,016,839	19,618	31,529	-	1,067,986
Inter-segment sales	174,377	23	41,388	(215,788)	-
Consolidated sales	<u>1,191,216</u>	<u>19,641</u>	<u>72,917</u>	<u>(215,788)</u>	<u>1,067,986</u>
Results					
Segment results	68,143	2,567	3,598	-	74,308
Exceptional items	1,478	-	(203)	-	1,275
Investment and interest income	13,438	815	10	-	14,263
Interest expenses	(826)	-	(1,837)	-	(2,663)
Share of results of associated companies & joint venture	6,174	2,344	(515)	-	8,003
Profit before taxation	88,407	5,726	1,053	-	95,186
Taxation	(17,518)	(172)	729	-	(16,961)
Profit after taxation	<u>70,889</u>	<u>5,554</u>	<u>1,782</u>	-	<u>78,225</u>
Other Information					
Capital additions	32,493	1	133	-	32,627
Depreciation	29,617	2,783	1,545	-	33,945
Amortisation	3,996	-	463	-	4,459
Other segment assets	916,191	54,211	36,452	-	1,006,854
Interest bearing assets	439,831	14,167	4,034	-	458,032
Investments in associated companies & joint venture	53,830	580	4,290	-	58,700
Tax recoverable	1,411	-	118	-	1,529
Total segment assets	<u>1,411,263</u>	<u>68,958</u>	<u>44,894</u>	-	<u>1,525,115</u>
Other segment liabilities	401,675	3,136	10,024	-	414,835
Interest bearing liabilities	104,925	-	-	-	104,925
Deferred taxation	46,349	136	1,193	-	47,678
Provision for taxation	15,036	57	711	-	15,804
Total segment liabilities	<u>567,985</u>	<u>3,329</u>	<u>11,928</u>	-	<u>583,242</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.

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**

	Group		
	2004	2003	+/(-)
	\$'000	\$'000	%
Sales reported for first half	575,838	489,805	17.6
Operating profit after tax before deducting minority interests reported for first half:			
before exceptional items – as restated	49,196	40,498	21.5
after exceptional items – as restated	49,196	40,795	20.6
Sales reported for second half	786,926	578,181	36.1
Operating profit after tax before deducting minority interests reported for second half:			
before exceptional items	51,889	36,452	42.3
after exceptional items	48,823	37,430	30.4

16. **Annual Dividend**

	2004	2003
	\$'000	\$'000
Ordinary	85,592	56,398
Preference	-	-
Total	85,592	56,398

17. **Interested Person Transactions**

	Aggregate value of all transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual	
	FY 2004	FY 2003
	\$'000	\$'000
Transaction for the Sales of Goods and Services		
Keppel Corporation Ltd and its associates	221	769
Neptune Orient Lines Ltd and its associates	1,890	5,755
SembCorp Industries Limited and its associates	6,262	3,241
Transaction for the Purchase of Goods and Services		
Keppel Corporation Ltd and its associates	2,351	2,104
Neptune Orient Lines Ltd and its associates	2,310	5,612
SembCorp Industries Limited and its associates	23,499	22,946
Management and Support Services		
SembCorp Industries Limited	1,000	900
Treasury Transaction – Sale of Debt Securities		
Neptune Orient Lines Ltd	54,280	-
Total Interested Person Transactions	91,813	41,327
Treasury Transactions – Placement of Funds with/(from) as at 31 December		
SembCorp Industries Limited and its associates	10,648	17,773
SembCorp Industries Limited and its associates	(3,504)	(1,501)

BY ORDER OF THE BOARD

KWONG SOOK MAY
Company Secretary
7 February 2005