



SembCorp  
Marine

**SEMBCORP MARINE LTD & ITS SUBSIDIARIES**  
**Registration Number: 196300098Z**

## **SECOND QUARTER 2007 FINANCIAL STATEMENTS ANNOUNCEMENT**

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**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**

	2Q 2007 \$'000	Group 2Q 2006 \$'000	+ / (-) %	1H 2007 \$'000	Group 1H 2006 \$'000	+ / (-) %
<b>Turnover</b>	<b>1,051,598</b>	<b>1,041,207</b>	<b>1.0</b>	<b>2,005,341</b>	<b>1,540,314</b>	<b>30.2</b>
Cost of sales	(971,177)	(978,761)	(0.8)	(1,844,476)	(1,412,200)	30.6
Gross profit	80,421	62,446	28.8	160,865	128,114	25.6
Other operating income	11,974	5,233	128.8	19,818	10,624	86.5
Other operating expenses	(1,535)	(4,885)	(68.6)	(1,627)	(11,534)	(85.9)
General and administrative expenses	(16,812)	(13,257)	26.8	(30,907)	(26,926)	14.8
<b>Operating profit</b>	<b>74,048</b>	<b>49,537</b>	<b>49.5</b>	<b>148,149</b>	<b>100,278</b>	<b>47.7</b>
Dividend and interest income	10,858	7,054	53.9	14,331	11,271	27.1
Finance costs	(3,089)	(1,842)	67.7	(6,270)	(3,204)	95.7
Non-operating income	-	11,018	n.m.	624	11,018	(94.3)
Non-operating expenses	(876)	(875)	0.1	(1,751)	(7,002)	(75.0)
Share of results of associated companies and joint ventures	25,758	6,458	298.9	36,279	15,089	140.4
<b>Profit before tax</b>	<b>106,699</b>	<b>71,350</b>	<b>49.5</b>	<b>191,362</b>	<b>127,450</b>	<b>50.1</b>
Taxation	(19,080)	(11,445)	66.7	(28,613)	(24,052)	19.0
<b>Profit after taxation</b>	<b>87,619</b>	<b>59,905</b>	<b>46.3</b>	<b>162,749</b>	<b>103,398</b>	<b>57.4</b>
Attributable to:						
<b>Shareholders of the Company</b>	<b>85,100</b>	<b>57,543</b>	<b>47.9</b>	<b>158,838</b>	<b>98,376</b>	<b>61.5</b>
Minority Interests	2,519	2,362	6.6	3,911	5,022	(22.1)
	<b>87,619</b>	<b>59,905</b>	<b>46.3</b>	<b>162,749</b>	<b>103,398</b>	<b>57.4</b>
<b>Attributable to Shareholders of the Company excluding non-operating items</b>	<b>85,976</b>	<b>49,604</b>	<b>73.3</b>	<b>159,965</b>	<b>96,564</b>	<b>65.7</b>
<b>Earnings per share (cents)</b>						
Basic	5.80	3.96	46.5	10.84	6.77	60.1
Diluted	5.75	3.91	47.1	10.74	6.69	60.5

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

	2Q 2007 \$'000	Group 2Q 2006 \$'000	+ / (-) %	1H 2007 \$'000	Group 1H 2006 \$'000	+ / (-) %
Investment income	6,022	1,400	330.1	6,022	1,408	327.7
Interest income	4,836	5,654	(14.5)	8,309	9,863	(15.8)
Interest expenses	(3,089)	(1,842)	67.7	(6,270)	(3,204)	95.7
Depreciation and amortisation	(14,818)	(11,371)	30.3	(28,946)	(21,434)	35.0
Write-back/(allowance) for doubtful debts, net and bad debts (written off)/written-back, net	8	(2,027)	n.m.	10	(119)	n.m.
Allowance for stock obsolescence, net and stock written off	(72)	(341)	(78.9)	(88)	(378)	(76.7)
Foreign exchange gain/(loss), net	4,403	(4,775)	n.m.	4,967	(11,366)	n.m.
	2Q 2007 \$'000	Group 2Q 2006 \$'000	+ / (-) %	1H 2007 \$'000	Group 1H 2006 \$'000	+ / (-) %
Profit after taxation as a percentage of Turnover	8.33%	5.75%	44.9	8.12%	6.71%	21.0
Net profit attributable to shareholders as a percentage of Issued Capital and Reserves at end of period	5.48%	5.27%	4.0	10.24%	9.01%	13.7

n.m. : not meaningful

**Notes:**

	Group 2Q 2007 \$'000	Group 2Q 2006 \$'000	Group 1H 2007 \$'000	Group 1H 2006 \$'000
(i) Under/(over)-provision of tax in respect of prior years, net	580	16	(4,432)	264
(ii) Gain/(loss) on disposal of fixed assets, net	105	(82)	105	(76)
(iii) Non-operating income: Gain on disposal of subsidiary company	-	11,018	624	11,018
(iv) Non-operating expenses in respect of asset previously held for sale:				
- Impairment in value	-	-	-	(6,127)
- Depreciation	(876)	(875)	(1,751)	(875)
	(876)	(875)	(1,751)	(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 Sheets	Group		Company	
	30-Jun-2007 \$'000	31-Dec-2006 \$'000	30-Jun-2007 \$'000	31-Dec-2006 \$'000
<b>Non-current Assets</b>				
Fixed assets	709,845	679,024	172,105	172,557
Investment in subsidiary companies	-	-	311,037	311,379
Investment in associated companies and joint ventures	153,004	147,255	92,445	92,445
Other long-term investments	569,599	346,987	262,417	162,262
Long-term trade debtors	34,552	39,952	34,552	36,952
Long-term other debtors	15,966	15,974	274,500	276,892
Intangible assets	13,657	13,657	122	122
<b>Total Non-current Assets</b>	<b>1,496,623</b>	<b>1,242,849</b>	<b>1,147,178</b>	<b>1,052,609</b>
<b>Current Assets</b>				
Stocks and work-in-progress	1,337,748	1,192,057	-	-
Trade debtors	331,384	426,182	11,429	37,450
Other debtors, deposits and prepayments	74,573	64,925	38,685	35,471
Fixed deposits	459,942	380,051	17,341	59,619
Bank and cash balances	217,004	123,437	5,179	13,223
<b>Total Current Assets</b>	<b>2,420,651</b>	<b>2,186,652</b>	<b>72,634</b>	<b>145,763</b>
<b>Current Liabilities</b>				
Trade creditors	1,142,961	922,835	28,622	14,569
Other creditors and provisions	24,854	23,006	37,187	36,561
Progress billings in excess of work-in-progress	581,366	542,744	-	-
Borrowings	133,820	140,443	-	-
Derivative financial instruments	7,246	7,970	-	-
Provision for taxation	58,144	53,898	2,520	2,722
<b>Total Current Liabilities</b>	<b>1,948,391</b>	<b>1,690,896</b>	<b>68,329</b>	<b>53,852</b>
<b>Net Current Assets</b>	<b>472,260</b>	<b>495,756</b>	<b>4,305</b>	<b>91,911</b>
<b>Total Assets less Current Liabilities</b>	<b>1,968,883</b>	<b>1,738,605</b>	<b>1,151,483</b>	<b>1,144,520</b>
<b>Non-current Liabilities</b>				
Long term borrowings	239,832	250,545	149,832	149,795
Deferred taxation	138,112	109,535	70,582	58,184
Hire purchase creditors	393	303	-	-
Other provisions	7,792	7,999	2,895	2,895
<b>Total Non-current Liabilities</b>	<b>386,129</b>	<b>368,382</b>	<b>223,309</b>	<b>210,874</b>
	<b>1,582,754</b>	<b>1,370,223</b>	<b>928,174</b>	<b>933,646</b>
<b>Capital &amp; Reserves</b>				
Share Capital	426,146	418,631	426,146	418,631
Reserves	1,125,568	919,708	502,028	515,015
	1,551,714	1,338,339	928,174	933,646
Minority interests	31,040	31,884	-	-
	<b>1,582,754</b>	<b>1,370,223</b>	<b>928,174</b>	<b>933,646</b>

**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-2007		As at 31-Dec-2006	
Secured	Unsecured	Secured	Unsecured
12,000,000	121,820,000	12,000,000	128,443,000

**Amount repayable after one year**

As at 30-Jun-2007		As at 31-Dec-2006	
Secured	Unsecured	Secured	Unsecured
90,000,000	149,832,000	100,750,000	149,795,000

**Details of Collateral**

Borrowing amounting to \$102,000,000 (31 December 2006: \$112,750,000) 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 2007	2Q 2006	1H 2007	1H 2006
	\$'000	\$'000	\$'000	\$'000
<b>Cash flow from operating activities:</b>				
<b>Operating profit</b>	<b>74,048</b>	<b>49,537</b>	<b>148,149</b>	<b>100,278</b>
Adjustments for:				
Depreciation of fixed assets	13,913	10,456	27,146	20,473
(Gain)/loss on disposal of fixed assets	(105)	82	(105)	76
Fixed assets written off	3	2	3	370
Share-based payment expenses	2,278	917	4,296	1,834
Amortisation	29	40	49	86
<b>Operating income before reinvestment in working capital</b>	<b>90,166</b>	<b>61,034</b>	<b>179,538</b>	<b>123,117</b>
Decrease/(increase) in debtors	88,382	(15,655)	89,294	50,373
Decrease/(Increase) in stocks and work-in-progress	126,288	(36,727)	(108,105)	(388,885)
Increase in creditors	93,569	127,367	237,499	180,361
<b>Cash generated from/(used in) operations</b>	<b>398,405</b>	<b>136,019</b>	<b>398,226</b>	<b>(35,034)</b>
Investment and interest income received	10,399	7,039	14,171	11,257
Interest paid	(1,308)	(720)	(5,780)	(3,205)
Income taxes paid	(18,503)	(14,239)	(22,201)	(15,764)
<b>Net cash provided by/(used in) operating activities</b>	<b>388,993</b>	<b>128,099</b>	<b>384,416</b>	<b>(42,746)</b>
<b>Cash flow from investing activities:</b>				
Proceeds from disposal of a subsidiary company, net	-	151,926	3,208	151,926
Investment in associated companies and joint ventures	(4,319)	-	(4,319)	-
Purchase of fixed assets	(37,853)	(40,811)	(60,278)	(57,038)
Capital refund from an associated company	-	-	52	-
Dividend from associated company	12,760	-	12,760	-
Purchase of long term investment	(7,536)	(78)	(7,536)	(78)
Proceeds from sale of other long term investments	25	-	25	-
Proceeds from sale of fixed assets	102	19	110	82
<b>Net cash (used in)/provided by investing activities</b>	<b>(36,821)</b>	<b>111,056</b>	<b>(55,978)</b>	<b>94,892</b>
<b>Cash flow from financing activities:</b>				
Dividend paid				
- by the Company	(142,483)	(81,495)	(142,483)	(81,495)
- by a subsidiary company to minority shareholder	-	-	(2,958)	-
Repayment of hire purchase creditors	(359)	(76)	(465)	(153)
Loan from hire purchase creditors	796	-	796	-
Repayment of bank loans	(91,565)	(44,179)	(147,680)	(44,179)
Proceeds from bank loans	117,651	300	136,462	44,479
Proceeds from issue of new shares:				
- by the Company	3,793	2,489	7,515	4,822
- by a subsidiary company to minority shareholder	-	6,415	-	6,415
<b>Net cash used in financing activities</b>	<b>(112,167)</b>	<b>(116,546)</b>	<b>(148,813)</b>	<b>(70,111)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>240,005</b>	<b>122,609</b>	<b>179,625</b>	<b>(17,965)</b>
Cash and cash equivalents at beginning of period	432,768	390,883	493,148	531,457
<b>Cash and cash equivalents at end of period</b>	<b>672,773</b>	<b>513,492</b>	<b>672,773</b>	<b>513,492</b>

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

	Group		Group	
	2Q 2007	2Q 2006	1H 2007	1H 2006
	\$'000	\$'000	\$'000	\$'000
Fixed assets	-	(175,657)	(578)	(175,657)
Investment in associated company	-	-	(2,099)	-
Stocks and work-in-progress	-	-	(1,036)	-
Debtors	-	(28)	(18,390)	(28)
Other assets	-	-	(26)	-
Bank and cash balances	-	(1,076)	(222)	(1,076)
Due to shareholders	-	3,196	-	3,196
Creditors	-	29	17,374	29
Bank overdraft	-	-	577	-
Provision for taxation and deferred taxation	-	-	347	-
Net assets disposed	-	(173,536)	(4,053)	(173,536)
Minority interests	-	31,552	1,824	31,552
Gain on disposal	-	(11,018)	(624)	(11,018)
Disposal consideration received	-	(153,002)	(2,853)	(153,002)

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

Cash received	-	153,002	2,853	153,002
Less: Bank and cash balances disposed	-	(1,076)	(222)	(1,076)
Add: Bank overdraft disposed	-	-	577	-
Net cash inflow	-	151,926	3,208	151,926

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

	30-Jun-2007	30-Jun-2006
	\$'000	\$'000
Fixed deposit, bank and cash balances	676,946	516,069
Bank overdraft	(4,173)	(2,577)
	<u>672,773</u>	<u>513,492</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**

<b>GROUP</b>	<b>Attributable to equity holders of the Company</b>						<b>Minority Interest</b>	<b>Total Equity</b>
	Share Capital	Capital reserves	Foreign currency translation reserve	Other reserves	Revenue Reserve	Total		
	\$'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	-	-	664	-	-	664	(96)	568
Net fair value changes	-	-	-	73,948	-	73,948	-	73,948
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	-	-	-	2,008	-	2,008	10	2,018
<b>At 31 March 2007</b>	<b>422,353</b>	<b>14,419</b>	<b>(11,391)</b>	<b>282,685</b>	<b>784,353</b>	<b>1,492,419</b>	<b>28,408</b>	<b>1,520,827</b>
<b>2Q 2007</b>								
Foreign currency translation	-	-	3,302	-	-	3,302	91	3,393
Net fair value changes	-	-	-	107,327	-	107,327	-	107,327
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
2006 final dividend paid	-	-	-	-	(142,483)	(142,483)	-	(142,483)
Cost of share-based payment	-	-	-	2,256	-	2,256	22	2,278
<b>At 30 June 2007</b>	<b>426,146</b>	<b>14,419</b>	<b>(8,089)</b>	<b>392,268</b>	<b>726,970</b>	<b>1,551,714</b>	<b>31,040</b>	<b>1,582,754</b>

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

<b><u>GROUP</u></b>	<b>Attributable to equity holders of the Company</b>						<b>Total</b>	<b>Minority Interest</b>	<b>Total Equity</b>
	Share capital	Share premium	Capital reserves	Foreign currency translation reserve	Other reserves	Revenue reserve			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
<b>1Q 2006</b>									
At 1 January 2006	145,036	259,540	6,770	(1,209)	53,170	602,238	1,065,545	50,152	1,115,697
Foreign currency translation	-	-	-	(3,688)	-	-	(3,688)	(457)	(4,145)
Net fair value changes	-	-	-	-	8,391	-	8,391	-	8,391
Net income recognised directly in equity	-	-	-	(3,688)	8,391	-	4,703	(457)	4,246
Profit for the period	-	-	-	-	-	40,833	40,833	2,660	43,493
Total recognised income and expenses for the period	-	-	-	(3,688)	8,391	40,833	45,536	2,203	47,739
Transfer to share capital	259,540	(259,540)	-	-	-	-	-	-	-
Issue of new shares									
- under Share Option Plan	2,333	-	-	-	-	-	2,333	-	2,333
Cost of share-based payment	-	-	-	-	907	-	907	10	917
<b>At 31 March 2006</b>	<b>406,909</b>	<b>-</b>	<b>6,770</b>	<b>(4,897)</b>	<b>62,468</b>	<b>643,071</b>	<b>1,114,321</b>	<b>52,365</b>	<b>1,166,686</b>
<b>2Q 2006</b>									
Foreign currency translation	-	-	-	(3,281)	-	-	(3,281)	(1,572)	(4,853)
Net fair value changes	-	-	-	-	1,672	-	1,672	-	1,672
Net income recognised directly in equity	-	-	-	(3,281)	1,672	-	(1,609)	(1,572)	(3,181)
Profit for the period	-	-	-	-	-	57,543	57,543	2,362	59,905
Total recognised income and expenses for the period	-	-	-	(3,281)	1,672	57,543	55,934	790	56,724
Issue of new shares									
- under Share Option Plan	2,489	-	-	-	-	-	2,489	-	2,489
- to minority shareholder	-	-	-	-	-	-	-	6,415	6,415
2005 final dividend paid	-	-	-	-	-	(81,495)	(81,495)	-	(81,495)
Disposal of a subsidiary company	-	-	-	-	-	-	-	(31,552)	(31,552)
Cost of share-based payment	-	-	-	-	907	-	907	10	917
<b>At 30 June 2006</b>	<b>409,398</b>	<b>-</b>	<b>6,770</b>	<b>(8,178)</b>	<b>65,047</b>	<b>619,119</b>	<b>1,092,156</b>	<b>28,028</b>	<b>1,120,184</b>

**Statement 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	418,631	960	120,720	393,335	933,646
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	-	-	514	-	514
<b>At 31 March 2007</b>	<b>422,353</b>	<b>960</b>	<b>156,334</b>	<b>402,860</b>	<b>982,507</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
2006 final dividend paid	-	-	-	(142,483)	(142,483)
Cost of share-based payment	-	-	515	-	515
<b>At 30 June 2007</b>	<b>426,146</b>	<b>960</b>	<b>206,818</b>	<b>294,250</b>	<b>928,174</b>

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

<b><u>COMPANY</u></b>	Share Capital	Share Premium	Capital reserves	Other Reserves	Revenue reserve	<b>Total Equity</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>1Q 2006</b>						
At 1 January 2006	145,036	259,540	960	50,196	395,896	851,628
Net fair value changes	-	-	-	8,395	-	8,395
Net income recognised directly in equity	-	-	-	8,395	-	8,395
Loss for the period	-	-	-	-	(779)	(779)
Total recognised income and expenses for the period	-	-	-	8,395	(779)	7,616
Transfer to share capital	259,540	(259,540)	-	-	-	-
Issue of new shares - under Share Option Plan	2,333	-	-	-	-	2,333
Cost of share-based payment	-	-	-	160	-	160
<b>At 31 March 2006</b>	<b>406,909</b>	<b>-</b>	<b>960</b>	<b>58,751</b>	<b>395,117</b>	<b>861,737</b>
<b>2Q 2006</b>						
Net fair value changes	-	-	-	1,672	-	1,672
Net income recognised directly in equity	-	-	-	1,672	-	1,672
Profit for the period	-	-	-	-	2,071	2,071
Total recognised income and expenses for the period	-	-	-	1,672	2,071	3,743
Issue of new shares - under Share Option Plan	2,489	-	-	-	-	2,489
2005 final dividend paid	-	-	-	-	(81,495)	(81,495)
Cost of share-based payment	-	-	-	159	-	159
<b>At 30 June 2006</b>	<b>409,398</b>	<b>-</b>	<b>960</b>	<b>60,582</b>	<b>315,693</b>	<b>786,633</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 2007, the Company issued 2,820,350 (2Q 2006: 2,814,000) ordinary shares for cash upon the exercise of options granted under the SembCorp Marine Share Option Plan (the "Plan"). As at 30 June 2007, the Company's issued and paid up capital comprises 1,469,798,665 (30 June 2006: 1,455,812,265) ordinary shares.

Share Options

During 2Q 2007, there is no share option (2Q 2006: nil) granted under the Plan. As at 30 June 2007, there were 36,265,175 (30 June 2006: 41,858,700) 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 2007, 700,000 (2Q 2006: nil) performance shares were granted conditionally under the Company's Performance Share Plan. The total number of performance shares in awards granted conditionally and representing 100% of targets achieved but not released as at 30 June 2007 was 2,075,000 (30 June 2006: 1,355,000).

Under the Performance Share Plan, 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 2007, 3,038,940 (2Q 2006: nil) restricted shares were granted conditionally under the Company's Restricted Stock Plan. The total number of restricted shares in awards granted conditionally and representing 100% of targets achieved but not released as at 30 June 2007 was 4,218,290 (30 June 2006: nil).

Under the Restricted Stock Plan, 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.

## Bonus Issue

The Directors are pleased to announce that the Company is proposing a bonus issue of new ordinary shares in the capital of the Company ("Bonus Shares") on the basis of two (2) Bonus Shares credited as fully paid for every five (5) existing ordinary shares held by the shareholders of the Company ("Proposed Bonus Issue").

The Proposed Bonus Issue will augment the issued share capital base of the Company to reflect the growth prospects of the Group's businesses. The resultant enlarged share capital is expected to improve trading liquidity of the Company's shares which in turn encourage a wider spread of shareholders and increase market trading interest in the Company's shares.

The Bonus Shares, when allotted and issued, will rank pari passu in all respects with the existing ordinary shares of the Company. The actual number of Bonus Shares that will be issued by the Company will depend on the total issued share capital of the Company as at book closure date, such date to be determined by the Directors after the Proposed Bonus Issue is approved by the Singapore Exchange Securities Trading Limited ("SGX-ST"). Fractional entitlements will be disregarded and disposed of in such manner as the Directors may in their absolute discretion deem fit. The Bonus Shares will not be entitled to the 2007 interim dividend to be paid on 31 August 2007. There will be no impact to the value of the issued share capital arising from the Proposed Bonus Issue as the bonus share are issued from the share premium account and the latter has become part of the Company's share capital pursuant to the Companies (Amendment) Act 2005 effective 30 January 2006.

The Proposed Bonus Issue is subject to the approval of the SGX-ST for the listing and quotation of the Bonus Shares on the official list of the SGX-ST. ("Listing"). The Company will be making an application to the SGX-ST for the Listing of the Bonus Shares in due course.

**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 2006 except for the changes mentioned in Section 5.

**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**

With effect from 1 January 2007, the Group adopted the following FRS which are relevant to their operations:

FRS 1 -- Amendment to FRS 1 (revised) Presentation of financial statements (Capital Disclosures)  
 FRS 40 -- Investment Property  
 FRS 107 -- Financial Instruments: Disclosures

The effects of adoption of the above FRS did not result in substantial changes to the Group's accounting policies and did not give rise to any material adjustments to the opening balances of revenue reserve or changes to comparatives.

**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 2007	Group 2Q 2006	+/(-)%	1H 2007	Group 1H 2006	+/(-)%
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)	5.80	3.96	46.5	10.84	6.77	60.1
Weighted average number of shares	1,467,997,073	1,454,203,307	0.9	1,465,718,163	1,452,163,432	0.9
(ii) On a fully diluted basis (cents)	5.75	3.91	47.1	10.74	6.69	60.5
Adjusted weighted average number of shares	1,480,955,073	1,472,098,307	0.6	1,478,676,163	1,470,058,432	0.6

**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**

	June-2007	Group Dec-2006	+/(-) %	Company June-2007	Company Dec-2006	+/(-) %
Net asset value per ordinary share based on issued share capital at the end of the financial period (cents)	105.57	91.42	15.5	63.15	63.78	(1.0)

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 2007 versus 2Q 2006

	2Q 2007	2Q 2006	+ / (-)	+ / (-)
	S\$m	S\$m	S\$m	%
Repair	183.5	127.5	56.0	43.9
Offshore and Conversion	262.9	266.7	(3.8)	(1.4)
Rig Building	560.1	558.8	1.3	0.2
Shipbuilding	29.3	70.1	(40.8)	(58.2)
Other Activities	15.8	18.1	(2.3)	(12.7)
<b>Group Turnover</b>	<b>1,051.6</b>	<b>1,041.2</b>	<b>10.4</b>	<b>1.0</b>

Group turnover for 2Q 2007 increased by 1.0% from \$1041.2 million in 2Q 2006 to \$1,051.6 million with growth mainly from the repair business.

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

Group operating profits increased by 49.5% from \$49.5 million in 2Q 2006 to \$74.0 million in 2Q 2007. Group pre-tax profits increased by 49.5% from \$71.4 million in 2Q 2006 to \$106.7 million in 2Q 2007. The increase is mainly attributable to higher operating margin from rig building and ship repair businesses, better contribution from associated companies and offset by a non-recurring gain on disposal of subsidiary of \$11.0 million made in 2Q 2006.

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

Group attributable profits increased by 47.9% from \$57.5 million in 2Q 2006 to \$85.1 million in 2Q 2007. Excluding net non-operating items, Group attributable profits increased by 73.3% to \$86.0 million.

#### 1H 2007 versus 1H 2006

	1H 2007	1H 2006	+ / (-)	+ / (-)
	S\$m	S\$m	S\$m	%
Repair	346.1	257.7	88.4	34.3
Offshore and Conversion	460.4	342.4	118.0	34.5
Rig Building	1,114.0	753.3	360.7	47.9
Shipbuilding	55.9	117.0	(61.1)	(52.2)
Other Activities	28.9	69.9	(41.0)	(58.7)
<b>Group Turnover</b>	<b>2,005.3</b>	<b>1,540.3</b>	<b>465.0</b>	<b>30.2</b>

Group turnover for 1H 2007 increased by 30.2% from \$1,540.3 million in 1H 2006 to \$2,005.3 million in 1H 2007 with growth mainly from the rig building, offshore, conversion and repair businesses.

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

Group operating profits increased by 47.7% from \$100.3 million in 1H 2006 to \$148.1 million in 1H 2007. Group pre-tax profits increased by 50.1% from \$127.5 million in 1H 2006 to \$191.4 million in 1H 2007. The increase is mainly attributable to higher operating margin from rig building and ship repair businesses, better contribution from associated companies, a non-recurring allowance for impairment in value of assets previously held for sale of \$6.1 million made in 1H 2006, and offset by non-recurring gain on disposal of subsidiary of \$11.0 million made in 1H 2006.

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

Group attributable profits increased by 61.5% from \$98.4 million in 1H 2006 to \$158.8 million in 1H 2007. Excluding net non-operating items, Group attributable profits increased by 65.7% to \$160.0 million.

## **Review of Balance Sheet**

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

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

### **Trade debtors**

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

### **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, offshore and conversion projects.

## **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 has a strong net order book of \$8.3 billion with completion and deliveries till 2010. This includes new orders of \$4.5 billion secured since January 2007 to date.

High demand for ship repair and dock space booking continues to benefit the Group.

Rig building fundamentals remain strong with demand trending towards deepwater rigs. The sustained higher level of exploration and production spending and the high oil prices will continue to support the demand for offshore fleet construction.

The positive outlook for the offshore production market will see increasing demand in fixed and floating production systems, including Floating Production Storage and Offloading (FPSO) units.

Overall, the Group expects the current year's overall performance to be stronger than FY 2006 based on the schedule completion of projects and underpinned by strong market fundamentals.

*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	Cash
Dividend Rate	5.0 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	Cash
Dividend Rate	3.5 cents per ordinary share less tax
Tax Rate	20.0%

**(c) Date payable**

The interim dividend will be paid on 31 August 2007.

**(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 2007 to 22 August 2007, both dates inclusive, for the preparation of dividend warrants. Duly completed transfers received by the Registrar, KCK Corpserve Pte Ltd, 47 Hill Street #06-02, Singapore Chinese Chamber of Commerce & Industry Building, Singapore 179365, up to 5 p.m. on 20 August 2007 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 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
Interest expenses	(6,270)	-	-	-	(6,270)
Non-operating income	624	-	-	-	624
Non-operating expenses	(1,751)	-	-	-	(1,751)
Share of results of associated companies & joint ventures	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>					
Interest bearing assets	659,387	3,998	17,162	-	680,547
Investments in associated companies & joint ventures	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>					
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

Information by segment on Group operations (cont'd)

	Ship & rig repair, building, conversion and offshore \$'000	Ship chartering \$'000	Others \$'000	Eliminations \$'000	Total \$'000
<b>(a) By business segment: 1H 2006</b>					
<b>Turnover</b>					
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
<b>Results</b>					
<b>Segment results</b>	<b>95,712</b>	<b>(113)</b>	<b>4,679</b>	<b>-</b>	<b>100,278</b>
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
<b>Other information</b>					
Capital expenditure	57,016	-	100	-	57,116
Depreciation	20,713	78	557	-	21,348
Amortisation	86	-	-	-	86
<b>Other segment assets</b>	<b>1,883,583</b>	<b>17,930</b>	<b>24,046</b>	<b>-</b>	<b>1,925,559</b>
Interest bearing assets	519,872	5,003	14,215	-	539,090
Investments in associated companies & joint venture	107,157	3,890	4,971	-	116,018
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
<b>Other segment liabilities</b>	<b>1,193,057</b>	<b>26</b>	<b>11,566</b>	<b>-</b>	<b>1,204,649</b>
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

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>	<b>Rest of Asia</b>	<b>Europe</b>	<b>Others</b>	<b>Eliminations</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<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
<b>1H 2006</b>						
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

**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 2007</b>	<b>1H 2006</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Transaction for the Sales of Goods and Services</b>		
Keppel Corporation Ltd and its associates	2,050	1,191
Neptune Orient Lines Ltd and its associates	13,195	4,328
SembCorp Industries Limited and its associates	-	1,123
PSA International Pte Ltd and its associates	348	(391)
<b>Transaction for the Purchase of Goods and Services</b>		
Keppel Corporation Ltd and its associates	1,723	945
SembCorp Industries Limited and its associates	12,509	14,403
<b>Management and Support Services</b>		
SembCorp Industries Limited	125	125
<b>Total Interested Person Transactions</b>	<b>29,950</b>	<b>21,724</b>
<b>Treasury Transactions</b>		
<b>Placement of Funds with/(from) - as at 30 June</b>		
SembCorp Industries Limited and its associates	-	9,813
SembCorp Industries Limited and its associates	-	(8,876)

**17. Confirmation by the Board**

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to its attention of which may render the first half 2007 financial results to be false or misleading.

**BY ORDER OF THE BOARD**

**TAN YAH SZE  
COMPANY SECRETARY**

2 August 2007