ASL MARINE HOLDINGS LTD (CO. REG. NO. 200008542N)

Unaudited Half Year Financial Statement Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	31-Dec-05	31-Dec-04	Increase/ (Decrease)
	$'000	$'000	%
Shipbuilding	68,867	48,759	41.2
Shiprepair and other marine related services	12,009	4,820	149.1
Charter and rental income	24,289	15,509	56.6
Total revenue	**105,165**	**69,088**	**52.2**
Cost of sales	(90,574)	(62,152)	45.7
Gross profit	**14,591**	**6,936**	**110.4**
Other operating income	4,608	4,678	(1.5)
Administrative expenses	(3,280)	(2,817)	16.4
Other operating expenses	(1,532)	(1,098)	39.5
Profit from operations	**14,387**	**7,699**	**86.9**
Finance costs	(1,131)	(1,106)	2.3
Share of profit of jointly-controlled entities	895	188	376.1
Profit before taxation and minority interests	**14,151**	**6,781**	**108.7**
Income tax expense	(1,475)	(1,012)	45.8
Profit for the period	**12,676**	**5,769**	**119.7**
Attributable to:			
Shareholders of the Company	**12,332**	**5,876**	
Minority Interests	344	(107)	
	12,676	**5,769**	

Note:
Net profit for the period was stated after crediting/ (charging):-

	Group	
	31-Dec-05	31-Dec-04
	$'000	$'000
Other income including interest income	1,333	427
Gain on disposal of other financial assets	-	2
Gain on disposal of property, plant and equipment	3,275	4,249
Depreciation of property, plant and equipment	(5,296)	(3,358)
Amortisation of lease prepayments	(69)	(67)
Allowance for doubtful trade receivables	(1,078)	(5)
Allowance for doubtful trade receivables written back	131	25
Loss on foreign exchange	(487)	(1,095)
Adjustment for (under)/ over provision for tax in respect of prior years		
- Current tax expense	38	(8)
- Deferred tax expense	-	3

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31-Dec-05	30-Jun-05	31-Dec-05	30-Jun-05
	$'000	$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	134,443	112,024	613	651
Lease prepayments	3,768	2,577	-	-
Subsidiaries	-	-	16,376	15,406
Interest in jointly-controlled entities	22,443	21,192	26,540	26,540
	160,654	135,793	43,529	42,597
Current assets				
Inventories	5,725	8,335	-	-
Construction work-in-progress	28,094	13,351	-	-
Trade and other receivables	33,226	30,188	483	621
Amounts due from related parties	15,666	5,252	28,443	28,492
Cash and cash equivalents	16,283	31,006	1,049	1,060
Derivative instruments	-	-	446	-
	98,994	88,132	30,421	30,173
Current liabilities				
Trade and other payables	44,493	40,057	235	346
Progress billings in excess of construction work-in-progress	31,435	32,915	-	-
Amounts due to related parties	37	124	13,142	12,967
Trust receipts	13,254	13,937	-	-
Interest-bearing liabilities	27,339	11,414	3,630	3,070
Finance lease liabilities	97	99	97	95
Derivative instruments	225	-	-	-
Current tax payable	2,525	2,542	-	-
	119,405	101,088	17,104	16,478
Net current (liabilities)/ assets	**(20,411)**	**(12,956)**	**13,317**	**13,695**
Non-current liabilities				
Loan from minority shareholders	(819)	(877)	-	-
Interest-bearing liabilities	(47,491)	(39,077)	(13,880)	(15,830)
Finance lease liabilities	(274)	(323)	(274)	(323)
Deferred tax liabilities	(4,206)	(3,899)	-	-
	(52,790)	(44,176)	(14,154)	(16,153)
Net assets	**87,453**	**78,661**	**42,692**	**40,139**
Share capital	21,828	21,808	21,828	21,808
Reserves	64,686	56,582	20,864	18,331
	86,514	78,390	42,692	40,139
Minority interests	939	271	-	-
Total Equity	**87,453**	**78,661**	**42,692**	**40,139**

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

Amount repayable in one year or less, or on demand

31-Dec-05		30-Jun-05	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
16,436	24,254	11,513	13,937

Amount repayable after one year

31-Dec-05		30-Jun-05	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
47,765	-	39,400	-

Details of any collateral

The Group's borrowings are secured by way of:

- Corporate guarantee from the Company and certain subsidiaries
- Legal mortgage of the Group's leasehold property
- Legal mortgages over certain vessels of subsidiaries
- Legal mortgages over certain plant and machineries of subsidiaries
- Assignment of certain charter income of subsidiaries
- Assignment of insurance of certain vessels of subsidiaries

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	
	31-Dec-05	31-Dec-04
	$'000	$'000
Operating activities		
Profit from ordinary activities before taxation	**14,151**	**6,781**
Adjustments for:		
Depreciation of property, plant & equipment	5,296	3,358
Amortisation of lease prepayments	69	67
Gain on disposal of property, plant & equipment	(3,275)	(4,249)
Gain on disposal of financial assets	-	(2)
Bad debts written off	-	3
Property, plant and equipment written off	4	-
Impairment loss on property, plant and equipment	94	-
Dividend income	-	(1)
Interest income	(100)	(44)
Interest expense	1,131	1,106
Share compensation expense	81	-
Share of profits of jointly-controlled entities	(895)	(188)
Operating profit before working capital changes	**16,556**	**6,831**

Changes in working capital:		
Inventories	2,611	1,941
Construction work-in-progress and progress billings in excess of construction work-in-progress	(16,315)	(1,203)
Trade and other receivables	(3,038)	(5,441)
Trade and other payables	4,082	11,427
Balances with related parties (trade)	(10,242)	(5,571)
Net cash (used in)/generated from operations	(6,346)	7,984
Income tax paid	(1,215)	(1,403)
Net cash flows (used in)/ from operating activities	**(7,561)**	**6,581**
Investing activities		
Interest received	100	44
Dividend received	-	1
Investment in jointly-controlled entities	(109)	-
Loan to a jointly-controlled entity	-	(6,000)
Purchase of property, plant & equipment	(36,511)	(21,524)
Proceeds from disposal of property, plant & equipment	10,623	16,370
Proceeds from disposal of financial assets	-	14
Balances with related parties (non trade)	(259)	2,299
Net cash outflow from investing activities	**(26,156)**	**(8,796)**
Financing activities		
Interest paid	(1,521)	(1,106)
Dividend paid	(3,929)	(3,053)
Repayment of interest-bearing liabilities	(7,830)	(11,248)
Proceeds from interest-bearing liabilities	32,445	35,535
Repayment of finance lease liabilities	(51)	(652)
Proceeds from finance lease liabilities	-	120
Proceeds from issue of shares to minority shareholder of a subsidiary	332	-
Proceeds from issue of shares by the Company	110	-
Loan from minority shareholders	136	-
Repayment of trust receipts	(27,518)	(23,475)
Proceeds from trust receipts	26,835	6,693
Net cash inflow from financing activities	**19,009**	**2,814**
Net (decrease)/increase in cash and cash equivalents	**(14,708)**	**599**
Net effect of exchange rate changes in consolidating subsidiaries	(15)	**-**
Cash and cash equivalents at beginning of period	31,006	15,233
Cash and cash equivalents at end of period	**16,283**	**15,832**

Note: Cash and cash equivalents is stated net of bank overdraft and exchange differences arising from opening cash and cash equivalents of foreign subsidiaries

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 half year ended 31 Dec 04 and 31 Dec 05

Group	Share capital $'000	Share premium $'000	Capital reserve $'000	Exchange translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Shareholders' equity $'000	Minority interests $'000	Total Equity $'000
Balance as at 1-Jul-04	**21,808**	**12,079**	**660**	**151**	-	**33,440**	**68,138**	**118**	**68,256**
Net profit for the period	-	-	-	-	-	5,876	5,876	(107)	**5,769**
Dividends	-	-	-	-	-	(3,053)	(3,053)	-	**(3,053)**
Exchange differences arising on consolidation	-	-	-	(757)	-	-	(757)	(3)	**(760)**
As at 31-Dec-04	**21,808**	**12,079**	**660**	**(606)**	**-**	**36,263**	**70,204**	**8**	**70,212**
Balance as at 1-Jul-05	**21,808**	**12,079**	**660**	**(130)**	-	**43,973**	**78,390**	**271**	**78,661**
Effect of adopting FRS 102	-	-	81	-	-	-	81	-	**81**
Effect of adopting FRS 39	-	-	-	-	(225)	-	(225)	-	**(225)**
Issuance of shares under ESOS*	20	90	-	-	-	-	110	-	**110**
Net profit for the period	-	-	-	-	-	12,332	12,332	344	**12,676**
Dividends	-	-	-	-	-	(3,929)	(3,929)	-	**(3,929)**
Minority interest contribution to subsidiary company	-	-	-	-	-	-	0	332	**332**
Exchange differences arising on consolidation	-	-	-	(245)	-	-	(245)	(8)	**(253)**
As at 31-Dec-05	**21,828**	**12,169**	**741**	**(375)**	**(225)**	**52,376**	**86,514**	**939**	**87,453**

Statement of Changes in Equity for the half year ended 31 Dec 04 and 31 Dec 05

Company	Share capital $'000	Share premium $'000	Capital reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Total Equity $'000
Balance as at 1-Jul-04	**21,808**	**12,079**	**660**	**-**	**5,420**	**39,967**
Net profit for the period	-	-	-	-	1,735	1,735
Dividends	-	-	-	-	(3,053)	(3,053)
As at 31-Dec-04	**21,808**	**12,079**	**660**	-	**4,102**	**38,649**
Balance as at 1-Jul-05	**21,808**	**12,079**	**660**	-	**5,592**	**40,139**
Effect of adopting FRS 102	-	-	81	-	-	81
Effect of adopting FRS 39	-	-	-	446	-	446
Issuance of shares under ESOS*	20	90	-	-	-	110
Net profit for the period	-	-	-	-	5,845	5,845
Dividends	-	-	-	-	(3,929)	(3,929)
As at 31-Dec-05	**21,828**	**12,169**	**741**	**446**	**7,508**	**42,692**

*** ASL Employee Share Option Scheme**

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

	Number of Ordinary Shares	ASL Employee Share Option Scheme ("ESOS")
Balance as at 30-06-05	218,080,000	4,200,000
No. of ESOS exercised	200,000	(200,000)
Balance as at 31-12-05	218,280,000	4,000,000

The total number of shares that may be issued on exercise of all outstanding share options granted under the ESOS are as follows:-

Category	Vesting Period	Exercise Period	Exercise Price	ESOS outstanding as at 31-12-05	ESOS outstanding as at 31-12-04
Employees					
	18-12-04	18-12-04 to 17-12-13	$0.55	1,280,000	1,540,000
	18-12-05	18-12-04 to 17-12-13	$0.55	1,048,000	1,168,000
	18-12-06	18-12-04 to 17-12-13	$0.55	1,022,000	1,142,000
Independent Directors					
	18-12-04	18-12-04 to 17-12-08	$0.55	200,000	300,000
	18-12-05	18-12-04 to 17-12-08	$0.55	225,000	225,000
	18-12-06	18-12-04 to 17-12-08	$0.55	225,000	225,000
				4,000,000	4,600,000

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 the auditors.

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 below, the Group has applied the same accounting policies and methods of computation in the financial statements of the current financial period reported as in the last audited annual financial statements

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

The Group has adopted the following new Financial Reporting Standards (FRS) which are mandatory for the financial years beginning on or after 1 January 2005:

FRS 39, Financial Instruments: Recognition and Measurement
FRS 102, Share-based payment
FRS 103, Business Combinations

The impact of the changes in accounting policies are as follows:

FRS 39
In accordance with the transitional provisions of FRS 39, the effect of recognition, de-recognition and measurement of financial instruments, for periods prior to 1 January 2005 is not restated. Consequently, the comparative figures for period ended 31 December 2004 have not been restated. On 1 July 2005, the Group has assessed the impact of FRS 39 on its financial instruments to be a gain of $144,264. As this is not material, the Group had not adjusted the opening accumulated profits and had instead recognised this in the profit and loss account of the current period.

FRS 102
FRS 102 requires the recognition of a compensation cost arising from equity-baed transactions with employees, over the period in which services are rendered that entitle the employees to receive the award. The Group has assessed the option expense amount to be $38,897 as at 30 June 2005. As the amount is not material, this entire expense has been recognised in the profit and loss account of the current period.

FRS 103
FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. As the Group does not have any goodwill in its balance sheet as at 30 June 2005, there was no impact on the financial statements for the period ended 31 December 2005.

Apart from the above, the Group adopted various revisions in FRS, applicable from 1 January 2005. These do not have any financial impact on the Group. Therefore, apart from the changes in accounting policies arising from adoption of new FRS mentioned above, the Group continues to adopt the same accounting policies as in the last audited annual financial statements.

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

Earnings per ordinary share based on net profit attributable to shareholders:-	Group	
	31-Dec-05	**31-Dec-04**
(i) Based on weighted average number of ordinary shares in issue	5.65cts	2.69cts
(ii) On a fully diluted basis	5.57cts	2.69cts

Note to item 6 (i):
The calculation of basic earnings per ordinary share of the Group is based on net profit for the period attributable to ordinary shareholders amounting to $12,331,911 (2004: $5,876,460) and the weighted average of 218,189,239 (2004: 218,080,000) ordinary shares in issue during the period.

Note to item 6 (ii):
The calculation of fully diluted earnings per ordinary share of the Group is based on net profit for the period attributable to ordinary shareholders amounting to $12,331,911 (2004: $5,876,460) and the weighted average of 221,582,034 (2004: 218,080,000) ordinary shares in issue during the period.

The basic and diluted earnings per ordinary share of the Group are the same as the Company does not have any outstanding share options and warrants that are dilutive in nature as at 31 December 2004.

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-05	30-Jun-05	31-Dec-05	30-Jun-05
Net asset value per ordinary share based on issued share capital at end of:	39.63cts	35.95cts	19.56cts	18.41cts

Note:
The calculation of net asset value of the Group and of the Company is based on 218,280,000 (June 2005: 218,080,000) ordinary shares in issue as at the respective balance sheet date.

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 financial period reported on, including (where applicable) seasonal or cyclical 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 OPERATING PERFORMANCE FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Group					
	31-Dec-05			31-Dec-04		
	$'000 Revenue	$'000 Gross Profit	$'000 Gross Profit Margin	$'000 Revenue	$'000 Gross Profit	$'000 Gross Profit Margin
Shipbuilding	68,867	3,875	5.6%	48,759	2,398	4.9%
Shiprepair and other marine related services	12,009	3,784	31.5%	4,820	2,215	45.9%
Charter and rental income	24,289	6,932	28.5%	15,509	2,323	15.0%
	105,165	14,591	13.9%	69,088	6,936	10.0%

Revenue
The Group's total revenue increased by 52.2% from $69.1 million for half year ended 31 December 2004 ("1H2005") to $105.2 million for half year ended 31 December 2005 ("1H2006"). The Group achieved higher revenue in all three segments as compared to previous corresponding period. Revenue from shipbuilding, shiprepair and shipchartering increased by 41.2%, 149.1% and 56.6% respectively.

Revenue from shipbuilding operations increased from $48.8 million in 1H2005 to $68.9 million in 1H2006. . The higher revenue was primarily attributable to the progressive recognition of revenue for the construction of tugs with higher contract values.

Revenue from shiprepair and other marine related services for 1H2006 was $12.0 million, an increase of 149.1% compared to 1H2005. With the floating dock in Batam operational since May 2005, the Group was able to secure more and higher value jobs. In 1H2005, there were fewer shiprepair jobs undertaken as the Group focused on utilising its resources to fulfill its shipbuilding commitments due to shipyard space limitation resulting from substantial ongoing shipyard development works in Batam.

Revenue from shipchartering and rental operations increased by $8.8 million from $15.5 million in 1H2005 to $24.3 million in 1H2006 due to increase in fleet size (number as well as capacity), changes in revenue mix and a general increase in charter rates. As part of the Group's continuing effort to renew and expand its fleet, the Group has been consistently acquiring more sophisticated, larger and newly built vessels while at the same time, selling the smaller and older vessels. Further, the Group have been increasing its proportion of time and lump sum charter, which generally command better pricing. In addition, there is a general increase in charter rates due to higher demand.

Gross profit and gross profit margin
For 1H2006, overall gross profit was $14.6 million, an increase of 110.4% compared to 1H2005. Overall gross profit margin increased from 10.0% to 13.9% due to higher gross profit margins from shipbuilding and shipchartering operations partially offset by the lower gross profit margins from shiprepair operations .

Gross profit from shipbuilding operations was $3.9 million for 1H2006, an increase of $1.5 million compared to 1H2005, resulting in an increase in gross profit margin from 4.9% in 1H2005 to 5.6% in 1H2006. The improvement in gross profit margin was mainly attributed to better pricing derived from the higher value projects recognised in 1H2006 as compared to 1H2005.

The gross profit margin from shiprepairs and other marine related services decreased from 45.9% in 1H2005 to 31.5% in 1H2006 despite the increase in gross profit from $2.2 million to $3.8 million. The lower margin was attributed to ad-hoc conversion works undertaken in 1H2005.

Gross profit from shipchartering and rental operations was $6.9 million, an increase of $4.6 million as compared to $2.3 million in 1H2005. Gross profit margin for shipchartering and rental operations increased from 15.0% in 1H2005 to 28.5% in 1H2006. There were proportionately more time and lump sum charter performed during the financial period under review as compared to projects under contract of affreightment. The former generally yields higher margin compared to the latter.

Other income
Other income decreased marginally by $0.07 million from $4.68 million in 1H2005 to $4.61 million in 1H2006. Other income in 1H2006 comprised mainly gain on disposal of plant and equipment of $3.3 million from the sale of 12 barges and three tugs to third parties and miscellaneous income of $1.3 million. Included in miscellaneous income are commission and management fee of $0.8 million received from its jointly-controlled entity, ASL Energy Pte Ltd and its subsidiaries ("ASL Energy Group").

Comparatively, other income in 1H2005 comprised mainly gain on disposal of plant and equipment of $4.2 million which arose substantially from the sale of 11 pairs of tugs and barges to ASL Energy Group (proportionately recognised) and miscellaneous income of $0.4 million. Miscellaneous income comprised mainly commission and management fee of $0.2 million received from ASL Energy Group.

Administrative expenses
Administrative expenses were $3.3 million in 1H2006 compared to $2.8 million in 1H2005. The increase was mainly attributable to increased headcount and other payroll-related expenses in line with the increase in business activities.

Other operating expenses
Other operating expenses were $1.1 million in 1H2005 and $1.5 million in 1H2006. The other operating expense in 1H2006 comprised foreign exchange loss of $0.5 million ($0.3 million were unrealised exchange loss and $0.2 million were realised exchange loss), net allowance for doubtful trade receivables of $0.9 million and impairment loss of $0.1 million.

In 1H2005, the other operating expenses consist mainly of foreign exchange losses, of which $0.4 million were unrealised and $0.7 million were realised. Realised exchange loss of $0.7 million was incurred owing to the substantial depreciation of the United States Dollars (US$) against Singapore Dollars ($) in 1H2005 as a substantial portion of our revenue are denominated in US$ while the majority of our costs are in $. Unrealised exchange loss is substantially due to the revaluation of foreign currency denominated assets and liabilities at the end of the financial period.

Finance costs
Finance costs were $1.1 million in both 1H2005 and 1H2006. Finance costs in 1H2006 comprised $1.4 million incurred for term loans, $0.1 million for trust receipts and offset by $0.4 million of amortisation income arose from adoption of FRS 39. The term loan interest has increased by $0.5 million in 1H2006 from $0.9 million in 1H2005 due to increased cost of borrowings and increased borrowings in line with the increase in business activities.

Share of profit of jointly-controlled entities
The share of profit of jointly-controlled entities increased from $0.2 million in 1H2005 to $0.9 million in 1H2006.

This increase is mainly attributable to the increase in contributing vessels from 30 tugs and 30 barges in 1H2005 to 38 tugs and 40 barges in 1H2006.

Further, profit contribution from the Tabang coal concession before amortisation expenses also increased from $1.9 million (US$1.1 million) in 1H2005 to $2.53 million (US$1.5 million) in 1H2006. This has been equity accounted for by the Group based on its proportionate interest of 25.1%.

Profit before taxation
The Group achieved a profit before taxation of $14.2 million and $6.8 million for 1H2006 and 1H2005 respectively. The increase of $7.4 million or 108.7% was due to the 110.4% increase in gross profit and higher share of profit in jointly-controlled entities, partially offset by the increase in administrative and other operating expenses.

Income tax expense
The Group's taxation charge was $1.5 million in 1H2006 and $1.0 million in 1H2005. The Group's effective tax rate was 11.3% for 1H2006, this is marginally lower than 11.6% for 1H2005 owing to higher proportion of exempt shipping income.

Operating cashflow
Net cash flows from operating activities decreased from net cash inflow of $6.6 million in 1H2005 to net cash outflow of $7.6 million in 1H2006.

This was mainly due to increase in construction work-in-progress owing to the timing difference between the incurring of costs and the achievement of the agreed milestones before billings may be made and collected for the shipbuilding projects. During the period under review, the Group funded its on-going shipyards development, vessel fleet renewal, increase in construction work in progress through a combination of its proceeds from sale of vessels, external borrowings and its cash resources.

REVIEW OF FINANCIAL POSITIONS AS AT 31 DECEMBER 2005 AND 30 JUNE 2005

Non-current assets
Non-current assets comprised mainly property, plant and equipment which are stated at cost less depreciation and impairment loss, lease prepayments less amortisation and interest in jointly-controlled entities.

Property, plant and equipment increased by $22.4 million to $134.4 million as at 31 December 2005 from $112.0 million as at 30 June 2005. The increase was due to additions of $35.2 million ($31.0 million for vessels and $2.5 million for plant and equipment), partially offset by disposal of vessels and plant and equipment of net book value totalling $7.3 million, write off and impairment of $0.1 million and depreciation charge for the period of $5.2 million.

Lease prepayment increased by $1.2 million to $3.8 million mainly due to purchase of land for a new shipyard development in China.

During 1H2006, the Group invested in a new jointly-controlled entity, HKR-ASL Joint Venture Limited which was incorporated on 19 July 2005 in Hong Kong with a registered capital of HK$1 million for the purpose of engaging principally in the provision of marine transportation services, shipping agency, marine related engineering works and other related services in China. The above new investment together with the movements in its proportionate share of unrealised gain from sale of vessels to the ASL Energy Group, the translation reserve and share of profit of jointly-controlled entities in 1H2006 has contributed to the increase of $1.3 million in interest in jointly-controlled entities.

Current assets
Current assets comprised inventories, construction work-in-progress, trade and other receivables, amount due from jointly-controlled entities as well as cash and cash equivalents.

Current assets increased by $10.9 million to $99.0 million as at 31 December 2005 from $88.1 million as at 30 June 2005. The increase was mainly due to the increase in construction work-in-progress, trade and other receivables, amount due from jointly-controlled entities partially offset by decrease in inventories and cash and cash equivalents.

As at 31 December 2005, construction work-in-progress was higher than that as at 30 June 2005 by $14.7 million as we had 23 uncompleted shipbuilding projects as at 1H2006 compared to 17 such projects as at 30 June 2005. In addition, there were generally higher valued contracts under work-in-progress as compared to those as at 30 June 2005. Trade receivables increased by $4.1 million while other receivables decreased by $1.1 million. The increase in trade receivables was in line with the increase in business activities. Debtors turnover improved from 66 days as at 30 June 2005 to 61 days as at 31December 2005. Amount due from jointly-controlled entities of $15.7 million mainly comprised billings for sale of vessels to ASL Energy Group. Inventories decreased by $2.6 million due to usage of materials for existing projects on hand. The decrease in cash and cash equivalents by $14.7 million to $16.3 million as at 31 December 2005 was largely to fund project expenses and acquisitions of property, plant and equipment.

Current liabilities
Current liabilities comprised trade and other payables, progress billings in excess of construction work-in-progress, amount due to jointly-controlled entity, trust receipts, current portions of interest-bearing and finance lease liabilities, current tax payable and derivative instruments.

Current liabilities increased by $18.3 million to $119.4 million as at 31 December 2005 from $101.1 million as at 30 June 2005. Trade and other payables, current portions of interest-bearing borrowings and derivative instruments increased by $4.4 million, $15.9 million and $0.2 million respectively, while progress billings in excess of construction work-in-progress and trust receipts decreased by $1.5 million and $0.7 million respectively.

The increase in trade and other payables was in line with the increased level of business activities. The increase in current portion of interest-bearing liabilities by $15.9 million resulted from the use of short term loans amounting to $11.0 million to finance the Group's increased level of business activities and the current portion of 11 new term loans amounted to $21.4 million to finance the acquisition of vessels of approximately $31.0 million in 1H2006. The derivative instruments pertains to a net loss of $0.2 million arose from fair valuing the Group's interest rate swaps and forward contracts as a result of adopting FRS 39 in 1H2006.

A material portion of the current liabilities consist of progress billings in excess of construction work-in-progress which are downpayments made by customers according to agreed milestones which will be used to offset project costs yet to be incurred. If the progress billings in excess of construction work-in-progress were to be excluded from the current liabilities, the Group's current liabilities would stood at $88.0 million as at 31 December 2005 and $68.2 million as at 30 June 2005 and its net current assets as at 31 December 2005 and 30 June 2005 will be $11.0 million and $20.0 million respectively.

Non-current liabilities
Non-current liabilities comprised loan from minority shareholders, interest-bearing borrowings, finance lease liabilities and deferred tax liabilities. Non-current liabilities increased by $8.6 million to $52.8 million as at 31 December 2005 from $44.2 million as at 30 June 2005. The increase was mainly due to draw down of new loans during the financial period under review.

Share capital and reserves
Shareholder's equity, comprising share capital, share premium, capital reserve, exchange translation reserve, hedging reserve and accumulated profits, increased by $8.1 million to $86.5 million as at 31 December 2005 from $78.4 million as at 30 June 2005. This was due to the net profits of $12.3 million earned by the Group in 1H2006 set off against dividend of $3.9 million paid for FY2005, foreign exchange translation movement of $0.2 million, hedging reserve of $0.2 million from the adoption of FRS 39 and increase in share capital and share premium of $0.1 million from issuance of 200,000 shares under the ASL Employee Share Option Scheme.

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

Overall, there is no variance between the actual results for 1H2006 and the prospect statement indicated in the announcements made on 25 August 2005. Based on the generally more positive business environment and the Group's outstanding order books, the Group is optimistic that the revenue and profit after tax for the Group for FY2006 will be higher than that of FY2005.

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 affect the group in the next reporting period and the next 12 months

Industry Outlook
The marine industry is expected to continue its positive industry outlook.

Together with the Group's strong order books and increased shipyard capability and capacity, the Group expects to achieve revenue and profit growth for FY2006, barring the adverse impacts that may be caused by further increases in fuel price and manpower shortages.

Shipbuilding and Shiprepair Operations
As at 31 December 2005, the Group has an outstanding order book for shipbuilding of approximately $298.6 million. These include $275.6 million for the building of 26 tugs and $23.0 million for the building of 11 barges and a floating terminal, of which $10.4 million for the building of three barges and a floating terminal are for ASL Energy Group. Approximately 31.3% of the total orderbooks are expected to be recognised within the six months ending 30 June 2006 ("2H2006"), with the balance to be recognised in the financial years ending 30 June 2007 ("FY2007") and 30 June 2008 ("FY2008"). The outstanding order book for shipbuilding excludes order book for the building of four tugs worth $10.8 million for companies within the Group, which revenue and profit will be fully eliminated on consolidation.

Revenue and gross profit for the shipbuilding and shiprepair operations in FY2006 are expected to be higher than FY2005 with the higher contract value projects secured and contribution from the full year operation of the floating dock facility which is capable of drydocking 20,000 dwt vessels, the commencement of operation of the 150,000 dwt graving dry dock at our Batam yard in 2H2006 and shipbuilding activities at our yard in Guangdong, China in 2006.

Shipchartering Operations
As at 31 December 2005, the Group has an outstanding order book for shipchartering of approximately $15.9 million. Historically, such long term contract (contract duration more than one year) contributes not more than 30% of total shipchartering revenue. Majority of the Group's shipchartering revenue is short-term and ad-hoc in nature.

In 2H2006, the Group expects to take delivery of 7 tugs worth an aggregate $15.9 million of which two tugs amounting to $8.2 million are being built by the Group. This is in line with the Group's continuing effort to upgrade and renew its fleet.

Further, the Group is in active discussion with various parties to form strategic alliances/joint ventures to further take advantage of the booming shipchartering market in the region, especially in the Middle East, Pearl River Delta region, Malaysia and Indonesia.

Jointly-controlled Entities Operations
As at 31 December 2005, ASL Energy has a total of 38 tugs and 40 barges and is expected to take delivery of another two tugs and three barges worth an aggregate $8.3 million in 2H2006.

On the Indonesian coal concession, the first shipment of coal from our Tabang coal concession left Tabang in July 2005. However, as production of coal would take some time to reach its optimum capacity, the contribution from the coal concession is expected to be limited to the guaranteed minimal operating cashflow for FY2006 of US$3.0 million less the amortisation (over 20 years) of the marketing and mining rights to the coal concession which is valued at $40.0 million. ASL Energy shall recognise 50.2% of such contribution, in accordance with its equity shareholding.

Due to additional requirement from the charterer, the delivery of the 65,000 dwt floating terminal is expected to be delayed to the third quarter of FY2006 and will start contributing in the first quarter of FY2007. This strategic investment serves to further strengthen our foothold in the Indonesian coal industry and secure continuity to the operations.

Based on the generally positive business environment, the Group's outstanding order books and increased shipyard capacity and capability, the Group is optimistic that the revenue and profit after tax for the Group for FY2006 will be comparatively higher than that of FY2005.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?
None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No interim dividend has been declared for the period ended 31 December 2005.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman and Managing Director
26 January 2006