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

Unaudited Half Year Financial Statement Announcement for the Period Ended 31 December 2006

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-06	31-Dec-05	Increase/ (Decrease)
	$'000	$'000	%
Shipbuilding	100,524	68,867	46.0
Shiprepair and other marine related services	21,315	12,009	77.5
Charter and rental income	34,517	24,289	42.1
Total revenue	**156,356**	**105,165**	**48.7**
Cost of sales	(132,038)	(90,574)	45.8
Gross profit	**24,318**	**14,591**	**66.7**
Other operating income	2,703	4,608	(41.3)
Administrative expenses	(4,199)	(3,280)	28.0
Other operating expenses	(1,142)	(1,532)	(25.5)
Finance costs	(2,072)	(1,131)	83.2
Share of profit of jointly-controlled entities	50	895	(94.4)
Profit before taxation	**19,658**	**14,151**	**38.9**
Income tax expense	(2,538)	(1,475)	72.1
Profit for the period	**17,120**	**12,676**	**35.1**
Attributable to:			
Equity holders of the Company	**16,766**	**12,332**	**36.0**
Minority interests	**354**	**344**	**2.9**
	17,120	**12,676**	**35.1**

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

	Group	
	31-Dec-06	**31-Dec-05**
	$'000	**$'000**
Allowance for doubtful trade receivables	(489)	(1,078)
Allowance for doubtful trade receivables written back	186	131
Amortisation of lease prepayments	(79)	(69)
Depreciation of property, plant and equipment	(7,646)	(5,296)
Fair value gain on forward currency contract not qualifying as hedges	18	-
Gain on disposal of property, plant and equipment	2,230	3,275
Impairment loss on property, plant and equipment	-	(94)
Interest income	352	100
Loss on foreign exchange (net)	(824)	(487)
Property, plant and equipment written off	(16)	(4)
Provision for liquidated damages	(780)	-
Share-based payments expense	(38)	(81)
Adjustment for (under)/ over provision of tax in respect of prior years		
- Current tax expense	(42)	38
- Deferred tax expense	(59)	-

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-06	**30-Jun-06**	**31-Dec-06**	**30-Jun-06**
	$'000	**$'000**	**$'000**	**$'000**
Non-current assets				
Property, plant and equipment	187,025	161,416	535	573
Lease prepayments	3,511	3,628	-	-
Subsidiaries	-	-	18,925	18,063
Interest in jointly-controlled entities	21,016	21,239	26,540	26,540
Finance lease receivables	298	1,728	-	-
	211,850	**188,011**	**46,000**	**45,176**
Current assets				
Inventories	7,785	8,855	-	-
Construction work-in-progress	14,899	21,031	-	-
Trade receivables	60,995	43,852	30	32
Other receivables	23,015	16,273	-	-
Finance lease receivables	4,183	3,843	-	-
Amounts due from related parties	6,572	2,262	48,990	38,674
Cash and cash equivalents	25,524	28,629	1,506	1,286
Derivative instruments	1,111	2,395	226	394
	144,084	**127,140**	**50,752**	**40,386**

Current liabilities				
Trade payables and accruals	55,381	51,071	230	411
Other payables	11,477	8,412	12	-
Progress billings in excess of construction work-in-progress	47,261	45,170	-	-
Provision for liquidated damages	780	200	-	-
Amounts due to related parties	-	226	18,200	5,838
Amount due to minority shareholders of a subsidiary	1,221	1,262	-	-
Trust receipts	10,114	6,084	-	-
Interest-bearing liabilities	29,310	21,703	4,822	3,966
Finance lease liabilities	213	132	101	99
Derivative instruments	158	112	-	-
Current tax payable	4,050	2,929	22	5
	159,965	**137,301**	**23,387**	**10,319**
Net current (liabilities)/ assets	**(15,881)**	**(10,161)**	**27,365**	**30,067**
Non-current liabilities				
Loan from minority shareholders of a subsidiary	(1,444)	(1,449)	-	-
Interest-bearing liabilities	(56,276)	(49,433)	(8,841)	(11,536)
Finance lease liabilities	(462)	(361)	(173)	(224)
Deferred tax liabilities	(4,975)	(4,920)	-	-
	(63,157)	**(56,163)**	**(9,014)**	**(11,760)**
Net assets	**132,812**	**121,687**	**64,351**	**63,483**
Equity attributable to equity holders of the Company				
Share capital	55,477	54,437	55,477	54,437
Reserves	74,289	65,014	8,874	9,046
	129,766	119,451	64,351	63,483
Minority interests	3,046	2,236	-	-
Total equity	**132,812**	**121,687**	**64,351**	**63,483**

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

Amount repayable in one year or less, or on demand

31-Dec-06		30-Jun-06	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
21,473	18,164	17,835	10,084

Amount repayable after one year

31-Dec-06		30-Jun-06	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
56,738	-	49,794	-

Details of any collateral

The Group's secured borrowings comprised term loans and finance leases which are secured by way of:

- Corporate guarantees from the Company and certain subsidiaries
- Legal mortgage of certain leasehold properties of subsidiaries
- Legal mortgages over certain plant and equipment of subsidiaries
- Assignment of certain charter income and insurance of 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-06	31-Dec-05
	$'000	$'000
Cash flows from operating activities		
Profit before taxation	**19,658**	**14,151**
Adjustments for:		
Amortisation of lease prepayments	79	69
Depreciation of property, plant and equipment	7,646	5,296
Fair value gain on forward currency contract not qualifying as hedges	(18)	-
Gain on disposal of property, plant and equipment	(2,230)	(3,275)
Impairment loss on property, plant and equipment	-	94
Interest expense	2,072	1,131
Interest income	(352)	(100)
Property, plant and equipment written off	16	4
Provision for liquidated damages	780	-
Share of profits of jointly-controlled entities	(50)	(895)
Share-based payments expense	38	81
Operating profit before working capital changes	**27,639**	**16,556**

Changes in working capital:		
Inventories	1,070	2,611
Construction work-in-progress and progress billings in excess of construction work-in-progress	7,678	(16,315)
Trade receivables	(17,143)	(4,177)
Other receivables	(6,742)	1,139
Trade payables	3,912	6,575
Other payables	3,065	(2,493)
Balances with related parties (trade)	(2,880)	(10,242)
Cash generated from/(used in) operations	16,599	(6,346)
Income tax paid	(1,107)	(1,215)
Net cash generated from/(used in) operating activities	**15,492**	**(7,561)**
Cash flows from investing activities		
Interest received	352	100
Investment in jointly-controlled entities	-	(109)
Purchase of property, plant and equipment	(52,616)	(36,511)
Proceeds from disposal of property, plant and equipment	21,881	10,623
Balances with related parties (non trade)	(1,656)	(259)
Net cash used in investing activities	**(32,039)**	**(26,156)**
Cash flows from financing activities		
Interest paid	(1,919)	(1,521)
Dividend paid	(5,516)	(3,929)
Repayment of interest-bearing liabilities	(15,743)	(7,830)
Proceeds from interest-bearing liabilities	30,198	32,445
Repayment of finance lease liabilities	(97)	(51)
Proceeds from finance lease receivables	1,090	-
Proceeds from issue of shares to minority shareholders of a subsidiary	553	332
Proceeds from issue of shares by the Company	886	110
Loan from minority shareholders	-	136
Repayment of trust receipts	(19,477)	(27,518)
Proceeds from trust receipts	23,507	26,835
Net cash generated from financing activities	**13,482**	**19,009**
Net decrease in cash and cash equivalents	**(3,065)**	**(14,708)**
Cash and cash equivalents at beginning of period	28,629	31,006
Effect of exchange rate changes on opening cash and cash equivalents	**(40)**	**(15)**
Cash and cash equivalents at end of period	**25,524**	**16,283**

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-05 and 31-Dec-06

The Group	Attributable to equity holders of the Company								Minority interests	Total equity
	Share capital $'000	Share premium[1] $'000	Capital reserve $'000	Employee share option reserve $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Total reserves $'000	$'000	$'000
Balance at 1-Jul-05, as previously reported	**21,808**	**12,079**	**660**	**-**	**(130)**	**-**	**43,973**	**44,503**	**271**	**78,661**
Effect of adopting FRS 39	-	-	-	-	-	(303)	-	**(303)**	-	**(303)**
At 1-Jul-05, as restated	**21,808**	**12,079**	**660**	**-**	**(130)**	**(303)**	**43,973**	**44,200**	**271**	**78,358**
Net change in hedging reserve	-	-	-	-	-	78	-	**78**	-	**78**
Net effect of exchange differences	-	-	-	-	(245)	-	-	**(245)**	(8)	**(253)**
Net income and expenses recognised directly in equity	**-**	**-**	**-**	**-**	**(245)**	**78**	**-**	**(167)**	**(8)**	**(175)**
Profit for the period	-	-	-	-	-	-	12,332	**12,332**	344	**12,676**
Total recognised income and expenses for the period	**-**	**-**	**-**	**-**	**(245)**	**78**	**12,332**	**12,165**	**336**	**12,501**
Dividends on ordinary shares	-	-	-	-	-	-	(3,929)	**(3,929)**	-	**(3,929)**
Recognition of equity-settled share options to employees	-	-	-	81	-	-	-	**81**	-	**81**
Issue of shares under ESOS[2]	110	-	-	-	-	-	-	**-**	-	**110**
Transfer from share premium reserve to share capital account[1]	12,079	(12,079)	-	-	-	-	-	**-**	-	**-**
Contribution from minority interests	-	-	-	-	-	-	-	**-**	332	**332**
At 31-Dec-05	**33,997**	**-**	**660**	**81**	**(375)**	**(225)**	**52,376**	**52,517**	**939**	**87,453**

Statement of Changes in Equity for the half year ended 31-Dec-05 and 31-Dec-06

The Group	Share capital $'000	Share premium[1] $'000	Capital reserve $'000	Employee share option reserve $'000	Foreign currency translation reserve $'000	Hedging reserve $'000	Accumulated profits $'000	Total reserves $'000	Minority interests $'000	Total Equity $'000
	Attributable to equity holders of the Company									
Balance at 1-Jul-06	**54,437**	**-**	**660**	**288**	**(1,207)**	**2,163**	**63,110**	**65,014**	**2,236**	**121,687**
Net change in hedging reserve	-	-	-	-	-	(1,232)	-	**(1,232)**	(18)	**(1,250)**
Net effect of exchange differences	-	-	-	-	(626)	-	-	**(626)**	(79)	**(705)**
Net expenses recognised directly in equity	**-**	**-**	**-**	**-**	**(626)**	**(1,232)**	**-**	**(1,858)**	**(97)**	**(1,955)**
Profit for the period	-	-	-	-	-	-	16,766	**16,766**	354	**17,120**
Total recognised income and expenses for the period	**-**	**-**	**-**	**-**	**(626)**	**(1,232)**	**16,766**	**14,908**	**257**	**15,165**
Dividends on ordinary shares	-	-	-	-	-	-	(5,516)	**(5,516)**	-	**(5,516)**
Recognition of equity-settled share options to employees	-	-	-	37	-	-	-	**37**	-	**37**
Issue of ordinary shares by subsidiaries	-	-	-	-	-	-	-	**-**	553	**553**
Issue of shares under ESOS[2]	729	-	-	(146)	-	-	-	**(146)**	-	**583**
Issue of shares under warrants	311	-	(8)	-	-	-	-	**(8)**	-	**303**
At 31-Dec-06	**55,477**	**-**	**652**	**179**	**(1,833)**	**931**	**74,360**	**74,289**	**3,046**	**132,812**

[1] With effect from 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" was abolished and on that date, the shares of the Company ceased to have a par value. The amount standing in the share premium reserve had become part of the Company's share capital.

[2] ASL Employee Share Option Scheme

Statement of Changes in Equity for the half year ended 31-Dec-05 and 31-Dec-06								
	Attributable to equity holders of the Company							Total equity
The Company	**Share capital $'000**	**Share premium[1] $'000**	**Capital reserve $'000**	**Employee share option reserve $'000**	**Hedging reserve $'000**	**Accumulated profits $'000**	**Total reserves $'000**	**$'000**
Balance at 1-Jul-05, as previously reported	**21,808**	**12,079**	**660**	**-**	**-**	**5,592**	**6,252**	**40,139**
Effect of adopting FRS 39	-	-	-	-	(5)	-	**(5)**	**(5)**
At 1-Jul-05, as restated	**21,808**	**12,079**	**660**	**-**	**(5)**	**5,592**	**6,247**	**40,134**
Net change in hedging reserve	-	-	-	-	451	-	**451**	**451**
Net income recognised directly in equity	**-**	**-**	**-**	**-**	**451**	**-**	**451**	**451**
Profit for the period	-	-	-	-	-	5,845	**5,845**	**5,845**
Total recognised income for the period	**-**	**-**	**-**	**-**	**451**	**5,845**	**6,296**	**6,296**
Dividends on ordinary shares	-	-	-	-	**-**	(3,929)	**(3,929)**	**(3,929)**
Recognition of equity-settled share options to employees		-	-	81	**-**	-	**81**	**81**
Issue of shares under ESOS[2]	110	-	-	-	**-**	-	**-**	**110**
Transfer from share premium reserve to share capital account[1]	12,079	(12,079)	-	-	**-**	-	**-**	**-**
As at 31-Dec-05	**33,997**	**-**	**660**	**81**	**446**	**7,508**	**8,695**	**42,692**
Balance at 1-Jul-06	**54,437**	**-**	**660**	**288**	**394**	**7,704**	**9,046**	**63,483**
Net change in hedging reserve	-	-	-	-	(168)	-	**(168)**	**(168)**
Net expenses recognised directly in equity	**-**	**-**	**-**	**-**	**(168)**	**-**	**(168)**	**(168)**
Profit for the period	-	-	-	-	-	5,629	**5,629**	**5,629**
Total recognised income and expenses for the period	**-**	**-**	**-**	**-**	**(168)**	**5,629**	**5,461**	**5,461**
Dividends on ordinary shares	-	-	-	-	-	(5,516)	**(5,516)**	**(5,516)**
Recognition of equity-settled share options to employees	-	-	-	37	-	-	**37**	**37**
Issue of shares under ESOS[2]	729	-	-	(146)	-	-	**(146)**	**583**
Issue of shares under warrants	311	-	(8)	-	-	-	**(8)**	**303**
As at 31-Dec-06	**55,477**	**-**	**652**	**179**	**226**	**7,817**	**8,874**	**64,351**

[1] With effect from 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" was abolished and on that date, the shares of the Company ceased to have a par value. The amount standing in the share premium reserve had become part of the Company's share capital.

[2] 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")	Warrants
Balance as at 30-Jun-06	249,336,000	2,944,000	49,500,000
Number of ESOS exercised	1,060,000	(1,060,000)	-
Number of ESOS cancelled	-	(150,000)	-
Number of warrants exercised	572,000	-	(572,000)
Balance as at 31-Dec-06	250,968,000	1,734,000	48,928,000

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-Dec-06	ESOS outstanding as at 31-Dec-05
<u>**Employees**</u>					
	18-12-04	18-12-04 to 17-12-13	$0.55	170,000	1,280,000
	18-12-05	18-12-04 to 17-12-13	$0.55	207,000	1,048,000
	18-12-06	18-12-04 to 17-12-13	$0.55	782,000	1,022,000
<u>**Independent Directors**</u>					
	18-12-04	18-12-04 to 17-12-08	$0.55	200,000	200,000
	18-12-05	18-12-04 to 17-12-08	$0.55	150,000	225,000
	18-12-06	18-12-04 to 17-12-08	$0.55	225,000	225,000
				1,734,000	4,000,000

1(e) Negative Assurance Confirmation on Half Year Financial Results under Rule 705(4) of the Listing Manual

We, the undersigned, hereby confirm to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited half year financial statements of the Group and the Company for the six months ended 31 December 2006 to be false or misleading.

On behalf of the Board of Directors

Ang Kok Tian
Chairman and Managing Director

Ang Ah Nui
Deputy Managing Director

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 Company's 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

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

Not applicable.

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

Earnings per ordinary share based on net profit attributable to shareholders:-	**Group**	
	31-Dec-06	**31-Dec-05**
(i) On weighted average number of ordinary shares in issue	6.70cts	5.65cts
(ii) On a fully diluted basis	6.23cts	5.57cts

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 $16,765,415 (2005: $12,331,911) and the weighted average of 250,102,821 (2005: 218,189,239) 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 $16,765,415 (2005: $12,331,911) and the weighted average of 269,090,243 (2005: 221,582,034) ordinary shares in issue during the period.

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-06	**30-Jun-06**	**31-Dec-06**	**30-Jun-06**
Net asset value per ordinary share based on issued share capital as at the respective dates	51.71cts	47.91cts	25.64cts	25.46cts

Note:
The calculation of net asset value of the Group and of the Company is based on 250,968,000 (30 June 2006: 249,336,000) ordinary shares in issue as at the respective balance sheet dates.

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 2006

	Group					
	31-Dec-06 (1HFY07)			**31-Dec-05 (1HFY06)**		
	Revenue	**Gross Profit**	**Gross Profit Margin**	**Revenue**	**Gross Profit**	**Gross Profit Margin**
	$'000	**$'000**		**$'000**	**$'000**	
Shipbuilding	100,524	6,099	6.1%	68,867	3,875	5.6%
Shiprepair and other marine related services	21,315	5,821	27.3%	12,009	3,784	31.5%
Charter and rental	34,517	12,398	35.9%	24,289	6,932	28.5%
	156,356	24,318	15.6%	105,165	14,591	13.9%

Revenue

The Group's total revenue increased by 48.7% from $105.2 million for half year ended 31 December 2005 ("1HFY06") to $156.4 million for half year ended 31 December 2006 ("1HFY07"). The Group achieved higher revenue in all three segments with revenue from shipbuilding, shiprepair and shipchartering increased by 46.0%, 77.5% and 42.1% respectively.

Revenue from shipbuilding operations increased by $31.6 million from $68.9 million in 1HFY06 to $100.5 million in 1HFY07. The higher revenue was primarily attributable to the progressive recognition of revenue for the construction of increased number of vessels of higher contract values.

Revenue from shiprepair and other marine related services for 1HFY07 was $21.3 million, a significant increase of $9.3 million compared to 1HFY06. The higher revenue was primarily due to more and bigger shiprepair and ship conversion jobs undertaken at the graving dry dock in Batam which commenced operation in 1HFY07.

Revenue from shipchartering and rental operations increased by $10.2 million from $24.3 million in 1HFY06 to $34.5 million in 1HFY07. The higher revenue was attributable to increase in fleet size (number as well as capacity) and a general increase in charter rates. The Group continued to expand and renew its fleet with the acquistion of more vessels. The Group's fleet of vessels have increased from 115 (49 tugs and 66 barges) as at 31 December 2005 to 146 (59 tugs and 87 barges) as at 31 December 2006.

Gross profit and gross profit margin

In line with the higher revenue, the Group's total gross profit increased by 66.7% to $24.3 million in 1HFY07. The Group's overall gross profit margin had also increased from 13.9% to 15.6% for 1HFY07 with higher gross profit margins from both shipbuilding and shipchartering operations.

Gross profit from shipbuilding operations increased by 57.4% to $6.1 million in 1HFY07. As compared to 1HFY06, the Group recorded higher gross profit margin of 6.1% in 1HFY07 mainly due to better pricing derived from higher value projects recognised in the financial period.

Gross profit from shiprepair and other marine related services increased by $2.0 million to $5.8 million for 1HFY07. The higher profit generated was attributed to more and bigger shiprepair jobs undertaken since the operation of the graving dry dock in Batam in 1HFY07. Gross profit margin was however lower from 31.5% for 1HFY06 to 27.3% for 1HFY07 mainly attributed to ship conversion jobs undertaken during the financial period which has slightly lower profit margin as compared to shiprepair jobs.

Gross profit from shipchartering and rental operations increased by 78.9% from $6.9 million in 1HFY06 to $12.4 million in 1HFY07. Gross profit margin has increased from 28.5% for 1HFY06 to 35.9% for 1HFY07 attributtable to increase in fleet size, general increase in charter rates and higher proportion of time charter undertaken in 1HFY07.

Other operating income
Other operating income decreased by $1.9 million from $4.6 million in 1HFY06 to $2.7 million in 1HFY07.

Other operating income in 1HFY07 comprised mainly gain on disposal of plant and equipment of $2.2 million (1HFY06: $3.3 million), miscellaneous income of $0.1 million (1HFY06: $1.2 million) and interest income of $0.4 million (1HFY06: $0.1 million). The gain on disposal of plant and equipment of $2.2 million comprised the sale of 7 tugs (1HFY06: 3) and 3 barges (1HFY06: 12) to third parties.

The miscellaneous income included $0.06 million (1HFY06: $0.8 million) commission and management fee received from its jointly-controlled entity, ASL Energy Pte Ltd and its subsidiaries ("ASL Energy Group").

Administrative expenses
Administrative expenses increased by $0.9 million from $3.3 million in 1HFY06 to $4.2 million in 1HFY07. The increase was mainly attributable to higher manpower costs as well as general increase in certain administrative expenses in line with higher business activities.

Other operating expenses
Other operating expenses decreased by $0.4 million from $1.5 million in 1HFY06 to $1.1 million in 1HFY07 mainly due to lower allowance for doubtful trade debts (decreased by $0.6 million) partially offset by higher foreign exchange loss (increased by $0.3 million).

Other operating expenses in 1HFY07 comprised mainly foreign exchange loss of $0.8 million of which $0.4 million was unrealised and net allowance for trade receivables of $0.3 million. The foreign exchange loss arose mainly from the general depreciation of United States dollars against Singapore dollars .

Finance costs
Finance costs increased by $1.0 million to $2.1 million in 1HFY07, comprised of $2.0 million incurred for term loans and $0.1 million for trust receipts.

The term loan interests increased by $0.6 million in 1HFY07 due to increase in borrowings in line with increased business activities and fleet expansion, as well as higher interest costs on new borrowings secured. The Group undertook interest rate swaps on its floating rate interest-bearing liabilities to hedge against interest rate fluctuation.

Share of profit of jointly-controlled entities
Share of profit of jointly-controlled entities, namely the ASL Energy Group and HKR-ASL Joint Venture Ltd, decreased from $0.9 million in 1HFY06 to $0.05 million in 1HFY07.

The share of results from ASL Energy Group decreased from a profit of $0.9 million in 1HFY06 to a loss of $0.07 million in 1HFY07. ASL Energy Group recorded a loss in 1HFY07 mainly attributed to depreciation charge of its 65,000 dwt floating terminal during the initial 3 months charter-free period granted to the charterer, as well as higher bank loan interest and foreign exchange loss.

The Group's share of profit contribution from the Tabang coal concession after deducting for amortisation expenses increased by $0.1 million in 1HFY07 (proportionate based on ASL Marine's interest of 25.1%) due to higher amount of guaranteed minimal operating cashflow in 1HFY07.

Profit before taxation
In line with higher revenue and gross profit, the Group achieved a higher profit before taxation of $19.7 million for 1HFY07, an increase of $5.5 million or 38.9% as compared to $14.2 million for 1HFY06.

Income tax expense
Corresponding with increase in earnings, the Group's taxation charge of $2.5 million in 1HFY07 was $1.1 million higher as compared to 1HFY06. The Group's effective tax rate of 12.4% for 1HFY07 was marginally higher than the 11.3% recorded for 1HFY06.

REVIEW OF CASHFLOW FOR THE HALF YEAR ENDED 31 DECEMBER 2006

The Group recorded a net operating cash inflow of $15.5 million in 1HFY07 as compared to a net operating cash outflow of $7.6 million in 1HFY06.

This was mainly due to net increase in construction work-in-progress and progress billings 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, acquisition of plant and equipment through its positive operating cash flows, proceeds from sale of vessels and external borrowings.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2006

Non-current assets
Property, plant and equipment increased by $25.6 million from $161.4 million as at 30 June 2006 to $187.0 million as at 31 December 2006. The increase was mainly due to acquisition of plant and equipment of $52.9 million (including $40.2 million for vessels and $3.4 million for machinery) partially offset by disposal of plant and equipment of net book value totalling $19.7 million and depreciation charge for the period of $7.3 million.

The Group recorded a higher depreciation charge in 1HFY07 (increased by $2.4 million) mainly attributed to increase in the number of vessels from 115 as at 31 December 2005 to 146 as at 31 December 2006.

Finance lease receivables pertain to sale of 4 vessels in FY2006 accounted for as finance lease in accordance with FRS 17. The amount decreased by $1.4 million in 1HFY07 due to repayments received.

Current assets
Current assets increased by $17.0 million from $127.1 million as at 30 June 2006 to $144.1 million as at 31 December 2006. The increase was mainly due to higher trade and other receivables and amount due from related parties partially offset by lower amount of construction work-in-progress and derivative instruments.

Trade receivables increased by $17.1 million to $61.0 million as at 31 December 2006. The increase was in line with higher revenue recorded in 1HFY07. Average debtors turnover decreased marginally to 73 days as at 31 December 2006 (81 days as at 30 June 2006) mainly owing to improved collection period from shipchartering segment.

Other receivables comprised mainly downpayment made for purchase of vessels and machinery, prepayments and other debtors. Other receivables increased by $6.7 million to $23.0 million as at 31 December 2006 mainly due to advance payments made for purchase of vessels and machinery.

Amount due from related parties comprised billings to jointly-contolled entities, the increase of $4.3 million was mainly due to final billings relating to the construction of the floating terminal.

The decrease of $1.3 million in derivative instruments pertain to fair valuing of interest rate swaps and foreign exchange forward contracts entered into by the Group for hedging purposes in accordance with FRS 39 as at 31 December 2006.

Current liabilities

Current liabilities increased by $22.7 million from $137.3 million as at 30 June 2006 to $160.0 million as at 31 December 2006.

The increase in trade payables and trust receipts of $4.3 million and $4.0 million respectively was in line with the increased level of business activities. Other payables increased by $3.1 million mainly due to deposits received on sale of vessels.

The increase in interest-bearing liabilities was mainly due to new term loans of $30.2 million partially offset by the redemption and repayment of loans of $15.7 million in 1HFY07.

Net current liabilities

Included in the net current liabilities are construction work-in-progress of $14.9 million (30 June 2006: $21.0 million) and progress billings in excess of construction work-in-progress of $47.3 million (30 June 2006: $45.2 million). There was a net increase in progress billings in excess of construction work-in-progress from $24.2 million as at 30 June 2006 to $32.4 million as at 31 December 2006. The increase was mainly due to increased number of shipbuilding projects and more higher value contracts secured. There were 40 shipbuilding projects in progress as at 31 December 2006 as compared to 35 shipbuilding projects in progress as at 30 June 2006.

Excluding the contstruction work-in-progress and progress billings in excess of construction work-in-progress, the Group's net current assets as at 31 December 2006 and 30 June 2006 would be $16.5 million and $14.0 million respectively.

Non-current liabilities

Non-current liabilities increased by $7.0 million from $56.2 million as at 30 June 2006 to $63.2 million as at 31 December 2006. The increase was mainly due to draw down of new term loans in 1HFY07.

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

In the announcements made on 24 August 2006, the Group was optimistic that the revenue and earnings for FY2007 would be higher than that of FY2006.

The Group recorded higher revenue and profit after tax in 1HFY07 as compared with 1HFY06 which is in line with the prospect statement indicated in the announcements made on 24 August 2006.

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

Overall

The outlook for the marine industry is expected to remain positive in view of the buoyant offshore oil and gas exploration and production activities, booming infrastructure development in the Middle-East, increasing numbers of domestic infrastructure construction projects and new demand and renewal of ageing offshore support vessels by offshore operators.

Based on the generally positive business environment, the Group's outstanding order books and increased shipyard capacity and capability, barring any unforeseen circumstances, the Group is optimistic that the revenue and earnings for FY2007 will be higher than that of FY2006.

Shipbuilding and Shiprepair Operations

As at 31 December 2006, the Group has an outstanding order book for shipbuilding of approximately $382 million for the building of 40 vessels including offshore support vessels, tugs, barges and tankers. Approximately 33% of these projects are expected to be recognised within the six months ending 30 June 2007 ("2HFY07"). The outstanding order book for shipbuilding excludes order book for the building of 2 tugs amounting to $6 million for companies within the Group, where revenue and profit will be fully eliminated on group consolidation.

As at 31 December 2006, the Group has an outstanding order book for shiprepair and ship conversion projects of approximately $16 million. The Group's new shipyard at Guangdong, China is expected to commence operation in the first quarter of 2007.

In view of the outstanding order book and the full year operation of the 150,000 dwt graving dry dock in Batam, the revenue and gross profit for the shipbuilding and shiprepair operations in FY2007 are expected to be higher than FY2006.

Shipchartering Operations

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts, with approximately 30% contribution from long term chartering contracts (contract duration more than one year). As at 31 December 2006, the Group has an outstanding order book of approximately $29 million for long term shipchartering contracts.

In line with the Group's continuing effort to renew and upgrade its fleet, the Group expects to take delivery of 14 tugs and 8 barges worth an aggregate $39 million (of which 2 tugs worth $9 million are being built internally) in 2HFY07.

Jointly-controlled Entities Operations

As at 31 December 2006, ASL Energy Group has a total of 35 tugs and 32 barges, as well as a 65,000 dwt floating terminal. The contribution from chartering of the floating terminal is expected to commence in 2HFY07. ASL Energy Group's 50.2% share of profit contribution from the Tabang coal concession in 2HFY07 will continue to be limited to the guaranteed minimal operating cashflow as the coal production has yet to reach its optimum capacity.

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 2006.

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman and Managing Director
7 February 2007