

**UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2009****1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			Group		
	3 months ended 31 December			6 months ended 31 December		
	2Q FY2010	2Q FY2009	Increase/ (Decrease)	1H FY2010	1H FY2009	Increase/ (Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Shipbuilding	101,310	67,934	49.1	172,372	138,595	24.4
Shiprepair and other marine related services	18,036	13,228	36.3	46,021	36,295	26.8
Shipchartering and rental	16,446	26,532	(38.0)	34,751	51,452	(32.5)
<b>Total revenue</b>	<b>135,792</b>	<b>107,694</b>	<b>26.1</b>	<b>253,144</b>	<b>226,342</b>	<b>11.8</b>
Cost of sales	(120,481)	(87,274)	38.0	(221,140)	(184,602)	19.8
<b>Gross profit</b>	<b>15,311</b>	<b>20,420</b>	<b>(25.0)</b>	<b>32,004</b>	<b>41,740</b>	<b>(23.3)</b>
Other operating income	1,170	2,633	(55.6)	4,562	14,513	(68.6)
Administrative expenses	(2,586)	(2,775)	(6.8)	(4,878)	(5,722)	(14.8)
Other operating expenses	(157)	(856)	(81.7)	(1,345)	(863)	55.9
Finance costs	(1,679)	(1,537)	9.2	(3,547)	(3,075)	15.3
Share of results of jointly-controlled entity and associate	(165)	897	Nm	(278)	1,319	Nm
<b>Profit before tax</b>	<b>11,894</b>	<b>18,782</b>	<b>(36.7)</b>	<b>26,518</b>	<b>47,912</b>	<b>(44.7)</b>
Tax expense	(2,550)	(1,889)	35.0	(5,109)	(6,290)	(18.8)
<b>Profit for the period</b>	<b>9,344</b>	<b>16,893</b>	<b>(44.7)</b>	<b>21,409</b>	<b>41,622</b>	<b>(48.6)</b>
Attributable to:						
<b>Owners of the parent</b>	<b>8,969</b>	<b>16,269</b>	<b>(44.9)</b>	<b>20,813</b>	<b>40,207</b>	<b>(48.2)</b>
Minority interests	375	624	(39.9)	596	1,415	(57.9)
	<b>9,344</b>	<b>16,893</b>	<b>(44.7)</b>	<b>21,409</b>	<b>41,622</b>	<b>(48.6)</b>

Nm: Not meaningful

**1(a)(ii) A statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			Group		
	3 months ended 31 December			6 months ended 31 December		
	2Q FY2010	2Q FY2009	Increase/ (Decrease)	1H FY2010	1H FY2009	Increase/ (Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
<b>Profit for the period</b>	<b>9,344</b>	<b>16,893</b>	<b>(44.7)</b>	<b>21,409</b>	<b>41,622</b>	<b>(48.6)</b>
Translation differences relating to financial statements of foreign subsidiaries, net of tax	12	(564)	Nm	(103)	(35)	194.3
Share of other comprehensive (expense)/ income of jointly-controlled entity	(21)	1	Nm	(58)	69	Nm
Net fair value changes to cash flow hedges	(675)	(4,453)	(84.8)	1,290	(8,979)	Nm
<b>Other comprehensive (expense)/ income for the period, net of tax</b>	<b>(684)</b>	<b>(5,016)</b>	<b>(86.4)</b>	<b>1,129</b>	<b>(8,945)</b>	<b>Nm</b>
<b>Total comprehensive income for the period</b>	<b>8,660</b>	<b>11,877</b>	<b>(27.1)</b>	<b>22,538</b>	<b>32,677</b>	<b>(31.0)</b>
Attributable to:						
<b>Owners of the parent</b>	<b>8,261</b>	<b>11,579</b>	<b>(28.7)</b>	<b>21,794</b>	<b>31,399</b>	<b>(30.6)</b>
Minority interests	399	298	33.9	744	1,278	(41.8)
	<b>8,660</b>	<b>11,877</b>	<b>(27.1)</b>	<b>22,538</b>	<b>32,677</b>	<b>(31.0)</b>

Nm: Not meaningful

**1(a)(iii) Net profit for the period was stated after crediting/ (charging):-**

	Group		Group	
	3 months ended 31 December		6 months ended 31 December	
	2Q FY2010	2Q FY2009	1H FY2010	1H FY2009
	\$'000	\$'000	\$'000	\$'000
Allowance for doubtful trade receivables	(296)	(897)	(456)	(997)
Write back of allowance for doubtful trade receivables	3	35	26	136
Write back of allowance for doubtful non-trade receivables	-	6	-	6
Amortisation of lease prepayments	(50)	(50)	(100)	(99)
Bad debts written off	-	-	(2)	-
Depreciation of property, plant and equipment	(6,990)	(7,056)	(14,407)	(13,483)
Fair value loss on forward currency contracts and interest rate swap	(177)	(255)	(294)	(888)
Gain on disposal of assets held for sale	226	1	180	6,574
Gain on disposal of property, plant and equipment	618	2,265	2,124	5,870
Interest income	38	196	88	382
Gain/ (loss) on foreign exchange (net)	135	(162)	(914)	584
Property, plant and equipment written off	-	-	-	(7)
Adjustment for (under)/ over provision of tax in respect of prior years				
- Current tax expense	(506)	(239)	(819)	(900)
- Deferred tax expense	713	234	713	152

**1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Group		Company	
	31-Dec-09 \$'000	30-Jun-09 \$'000	31-Dec-09 \$'000	30-Jun-09 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	416,206	397,305	112	124
Lease prepayments	3,988	4,124	-	-
Subsidiaries	-	-	31,470	31,370
Interest in jointly-controlled entity and associate	2,225	3,350	1,558	1,558
Other receivable	-	-	2,176	2,212
	<b>422,419</b>	<b>404,779</b>	<b>35,316</b>	<b>35,264</b>
<b>Current assets</b>				
Inventories	11,099	12,409	-	-
Assets held for sale	6,845	845	-	-
Construction work-in-progress	118,425	108,375	-	-
Trade and other receivables	95,888	76,433	2,540	2,560
Finance lease receivables	1,310	1,717	-	-
Amount due from related parties	1,182	638	142,213	130,134
Derivative financial instruments	1,444	1,481	-	-
Cash and cash equivalents	69,418	96,012	4,095	17,984
	<b>305,611</b>	<b>297,910</b>	<b>148,848</b>	<b>150,678</b>
<b>Current liabilities</b>				
Trade and other payables	142,714	128,510	392	498
Progress billings in excess of construction work-in-progress	39,163	60,020	-	-
Amount due to related parties	170	117	32,835	35,918
Loan from minority shareholders of subsidiaries	2,085	1,862	-	-
Trust receipts	27,809	32,944	-	-
Interest-bearing loans and borrowings	84,724	76,567	39,025	39,024
Derivative financial instruments	3,140	4,246	671	822
Current tax liabilities	12,142	8,796	46	46
	<b>311,947</b>	<b>313,062</b>	<b>72,969</b>	<b>76,308</b>
<b>Net current (liabilities)/ assets</b>	<b>(6,336)</b>	<b>(15,152)</b>	<b>75,879</b>	<b>74,370</b>
<b>Non-current liabilities</b>				
Loan from minority shareholders of subsidiaries	1,451	1,475	-	-
Interest-bearing loans and borrowings	100,250	83,801	11,033	11,045
Deferred tax liabilities	8,777	9,308	-	-
	<b>110,478</b>	<b>94,584</b>	<b>11,033</b>	<b>11,045</b>
<b>Net assets</b>	<b>305,605</b>	<b>295,043</b>	<b>100,162</b>	<b>98,589</b>
<b>Share capital</b>	83,061	83,051	83,061	83,051
<b>Treasury shares</b>	(923)	(923)	(923)	(923)
<b>Reserves</b>	216,236	206,428	18,024	16,461
	<b>298,374</b>	<b>288,556</b>	<b>100,162</b>	<b>98,589</b>
<b>Minority interests</b>	7,231	6,487	-	-
<b>Total equity</b>	<b>305,605</b>	<b>295,043</b>	<b>100,162</b>	<b>98,589</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 31-Dec-09		As at 30-Jun-09	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
42,184	70,349	33,567	75,944

**Amount repayable after one year**

As at 31-Dec-09		As at 30-Jun-09	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
89,250	11,000	72,801	11,000

**Details of any collaterals**

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 mortgages of certain leasehold properties of subsidiaries
- Legal mortgages over certain vessels, plant and equipment of subsidiaries
- Assignment of charter income and insurance of certain vessels of subsidiaries

**1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group 3 months ended 31 December		Group 6 months ended 31 December	
	2Q FY2010 \$'000	2Q FY2009 \$'000	1H FY2010 \$'000	1H FY2009 \$'000
<b>Cash flows from operating activities</b>				
Profit before tax	11,894	18,782	26,518	47,912
<b>Adjustments for:</b>				
Amortisation of lease prepayments	50	50	100	99
Allowance for doubtful receivables	293	856	430	855
Bad debts written off (non-trade)	-	-	2	-
Depreciation of property, plant and equipment	6,990	7,056	14,407	13,483
Fair value loss on forward currency contracts and interest rate swap	177	255	294	888
Gain on disposal of assets held for sale	(226)	(1)	(180)	(6,574)
Gain on disposal of property, plant and equipment	(618)	(2,265)	(2,124)	(5,870)
Interest expense	1,679	1,537	3,547	3,075
Interest income	(38)	(196)	(88)	(382)
Property, plant and equipment written off	-	-	-	7
Provision for warranty claims	130	-	130	300
Share of results of jointly-controlled entity and associate	165	(897)	278	(1,319)
<b>Operating profit before working capital changes</b>	<b>20,496</b>	<b>25,177</b>	<b>43,314</b>	<b>52,474</b>

<b>Changes in working capital:</b>				
Inventories	386	9,012	1,310	(1,631)
Construction work-in-progress and progress billings in excess of construction work-in-progress	(5,061)	(27,297)	(30,282)	(55,552)
Trade and other receivables	2,711	9,877	(19,887)	21,781
Trade and other payables	(2,208)	8,839	16,215	2,518
Balances with related parties (trade)	(229)	225	(493)	2,462
<b>Cash generated from operations</b>	<b>16,095</b>	<b>25,833</b>	<b>10,177</b>	<b>22,052</b>
Tax paid	(2,314)	(3,475)	(2,374)	(4,733)
<b>Net cash generated from operating activities</b>	<b>13,781</b>	<b>22,358</b>	<b>7,803</b>	<b>17,319</b>
<b>Cash flows from investing activities</b>				
Interest received	34	196	84	382
Investment in associate	-	(579)	-	(1,024)
Purchase of assets held for sale	(1,592)	(5,642)	(1,592)	(9,548)
Purchase of property, plant and equipment	(20,577)	(36,409)	(38,018)	(72,103)
Proceeds from disposal of assets held for sale	518	7,925	613	36,425
Proceeds from disposal of property, plant and equipment	1,882	7,018	5,960	16,365
Balances with related parties (non trade)	(1)	1,241	2	2,909
<b>Net cash used in investing activities</b>	<b>(19,736)</b>	<b>(26,250)</b>	<b>(32,951)</b>	<b>(26,594)</b>
<b>Cash flows from financing activities</b>				
Interest paid	(1,668)	(1,522)	(3,525)	(3,046)
Dividends paid	(11,984)	(11,984)	(11,984)	(11,984)
Repayment of interest-bearing loans and borrowings	(11,753)	(9,033)	(22,943)	(20,268)
Proceeds from interest-bearing loans and borrowings	22,816	7,664	41,563	15,226
Proceeds from/ (increase in) finance lease receivables	-	189	411	632
Proceeds from issue of shares	-	-	8	279
Purchase of treasury shares	-	(923)	-	(923)
Proceeds from loan from minority shareholders of subsidiaries	-	-	289	-
Repayment of trust receipts	(39,881)	(8,890)	(52,764)	(11,976)
Proceeds from trust receipts	36,642	15,673	47,629	32,806
<b>Net cash (used in)/ generated from financing activities</b>	<b>(5,828)</b>	<b>(8,826)</b>	<b>(1,316)</b>	<b>746</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(11,783)</b>	<b>(12,718)</b>	<b>(26,464)</b>	<b>(8,529)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>81,223</b>	<b>107,199</b>	<b>96,012</b>	<b>102,995</b>
Effects of exchange rate changes on opening cash and cash equivalents	(22)	1	(130)	16
<b>Cash and cash equivalents at end of period</b>	<b>69,418</b>	<b>94,482</b>	<b>69,418</b>	<b>94,482</b>

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 31-Dec-09 and 31-Dec-08									
Attributable to owners of the parent									
<u>Group</u>	Share capital \$'000	Treasury shares \$'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
<b>1H FY2010</b>									
<b>At 1-Jul-09</b>	<b>83,051</b>	<b>(923)</b>	<b>7</b>	<b>(96)</b>	<b>(2,393)</b>	<b>208,910</b>	<b>206,428</b>	<b>6,487</b>	<b>295,043</b>
Total comprehensive (expense)/ income for the period	-	-	-	(204)	1,185	20,813	<b>21,794</b>	744	<b>22,538</b>
Dividends on ordinary shares	-	-	-	-	-	(11,984)	<b>(11,984)</b>	-	<b>(11,984)</b>
Issue of shares under ESOS <sup>1</sup>	10	-	(2)	-	-	-	<b>(2)</b>	-	<b>8</b>
<b>At 31-Dec-09</b>	<b>83,061</b>	<b>(923)</b>	<b>5</b>	<b>(300)</b>	<b>(1,208)</b>	<b>217,739</b>	<b>216,236</b>	<b>7,231</b>	<b>305,605</b>
<b>1H FY2009</b>									
<b>At 1-Jul-08</b>	<b>82,725</b>	<b>-</b>	<b>54</b>	<b>(3,621)</b>	<b>7,513</b>	<b>149,824</b>	<b>153,770</b>	<b>3,701</b>	<b>240,196</b>
Total comprehensive income/ (expense) for the period	-	-	-	51	(8,859)	40,207	<b>31,399</b>	1,278	<b>32,677</b>
Dividends on ordinary shares	-	-	-	-	-	(11,984)	<b>(11,984)</b>	-	<b>(11,984)</b>
Issue of shares under ESOS <sup>1</sup>	324	-	(45)	-	-	-	<b>(45)</b>	-	<b>279</b>
Purchase of treasury shares	-	(923)	-	-	-	-	-	-	<b>(923)</b>
<b>At 31-Dec-08</b>	<b>83,049</b>	<b>(923)</b>	<b>9</b>	<b>(3,570)</b>	<b>(1,346)</b>	<b>178,047</b>	<b>173,140</b>	<b>4,979</b>	<b>260,245</b>

<sup>1</sup> ASL Employee Share Option Scheme

**Statement of Changes in Equity for the period ended 31-Dec-09 and 31-Dec-08**

<u>Company</u>	Share capital \$'000	Treasury shares \$'000	Employee share option reserve \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
<b>1H FY2010</b>							
<b>At 1-Jul-09</b>	<b>83,051</b>	<b>(923)</b>	<b>7</b>	<b>(822)</b>	<b>17,276</b>	<b>16,461</b>	<b>98,589</b>
Total comprehensive income for the period	-	-	-	150	13,399	<b>13,549</b>	<b>13,549</b>
Dividends on ordinary shares	-	-	-	-	(11,984)	<b>(11,984)</b>	<b>(11,984)</b>
Issue of shares under ESOS <sup>1</sup>	10	-	(2)	-	-	<b>(2)</b>	<b>8</b>
<b>At 31-Dec-09</b>	<b>83,061</b>	<b>(923)</b>	<b>5</b>	<b>(672)</b>	<b>18,691</b>	<b>18,024</b>	<b>100,162</b>
<b>1H FY2009</b>							
<b>At 1-Jul-08</b>	<b>82,725</b>	-	<b>54</b>	<b>(118)</b>	<b>8,378</b>	<b>8,314</b>	<b>91,039</b>
Total comprehensive (expense)/ income for the period	-	-	-	(1,144)	11,556	<b>10,412</b>	<b>10,412</b>
Dividends on ordinary shares	-	-	-	-	(11,984)	<b>(11,984)</b>	<b>(11,984)</b>
Issue of shares under ESOS <sup>1</sup>	324	-	(45)	-	-	<b>(45)</b>	<b>279</b>
Purchase of treasury shares	-	(923)	-	-	-	-	<b>(923)</b>
<b>At 31-Dec-08</b>	<b>83,049</b>	<b>(923)</b>	<b>9</b>	<b>(1,262)</b>	<b>7,950</b>	<b>6,697</b>	<b>88,823</b>

<sup>1</sup> 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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-Jun-09	299,589,002	62,000
Number of ESOS exercised	15,000	(15,000)
Balance as at 31-Dec-09	<b>299,604,002</b>	<b>47,000</b>

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-09	ESOS outstanding as at 30-Jun-09	ESOS outstanding as at 31-Dec-08
<b>Employees</b>						
	18-Dec-05	18-Dec-05 to 17-Dec-13	\$0.55	-	-	3,000
	18-Dec-06	18-Dec-06 to 17-Dec-13	\$0.55	47,000	62,000	84,000
<b>Total</b>				<b>47,000</b>	<b>62,000</b>	<b>87,000</b>

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31-Dec-09	As at 30-Jun-09
Total number of issued shares	301,398,002	301,383,002
Total number of treasury shares	(1,794,000)	(1,794,000)
Total number of issued shares excluding treasury shares	<b>299,604,002</b>	<b>299,589,002</b>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

During the current financial period reported on, there were no purchases, sales, transfers, disposal, cancellation and/or use of treasury shares.

**1(e) Negative Assurance Confirmation on Interim 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 financial statements of the Group and the Company for the second quarter and six months ended 31 December 2009 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 auditing standard or practice.**

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 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.**

Except as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared to the most recent audited financial statements as at 30 June 2009.

**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 adopted the following new and revised Financial Reporting Standards (FRS) that are effective for the financial year beginning on or after 1 January 2009:-

FRS 1 (revised 2008)	Presentation of Financial Statements
FRS 23 (revised 2007)	Borrowing Costs
FRS 107	Improving Disclosures about Financial Instruments
FRS 108	Operating Segments

The adoption of the above FRS did not result in any substantial changes to the Group's accounting policies and has no material impact on the Group's financial statements.

**6. Earnings per ordinary share of the group for the current financial 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:-	<b>Group</b> <b>3 months ended</b> <b>31 December</b>		<b>Group</b> <b>6 months ended</b> <b>31 December</b>	
	<b>2Q FY2010</b>	<b>2Q FY2009</b>	<b>1H FY2010</b>	<b>1H FY2009</b>
(i) On weighted average number of ordinary shares in issue	2.99cts	5.42cts	6.95cts	13.38cts
(ii) On a fully diluted basis	2.99cts	5.42cts	6.95cts	13.38cts

**Note to item 6 (i):**

The calculation of basic earnings per ordinary share of the Group for 2Q FY2010 is based on net profit attributable to ordinary shareholders amounting to \$8,969,000 (2Q FY2009: \$16,269,000) and the weighted average of 299,604,002 (2Q FY2009: 299,940,632) ordinary shares in issue during the quarter.

The calculation of basic earnings per ordinary share of the Group for 1H FY2010 is based on net profit attributable to ordinary shareholders amounting to \$20,813,000 (1H FY2009: \$40,207,000) and the weighted average of 299,598,377 (1H FY2009: 300,537,709) ordinary shares in issue during the period.

**Note to item 6 (ii):**

The calculation of fully diluted earnings per ordinary share of the Group for 2Q FY2010 is based on net profit attributable to ordinary shareholders amounting to \$8,969,000 (2Q FY2009: \$16,269,000) and the weighted average of 299,624,203 (2Q FY2009: 299,940,632) ordinary shares in issue during the quarter.

The calculation of fully diluted earnings per ordinary share of the Group for 1H FY2010 is based on net profit attributable to ordinary shareholders amounting to \$20,813,000 (1H FY2009: \$40,207,000) and the weighted average of 299,621,041 (1H FY2009: 300,599,420) ordinary shares in issue during the period.

**7. Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-  
(a) current financial period reported on; and  
(b) immediately preceding financial year.**

Net asset value per ordinary share based on issued share capital as at the respective end of the reporting periods	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-09</b>	<b>30-Jun-09</b>	<b>31-Dec-09</b>	<b>30-Jun-09</b>
	99.59 cents	96.32 cents	33.43 cents	32.91 cents

**Note:**

The calculation of net asset value of the Group and of the Company is based on 299,604,002 (30-Jun-09: 299,589,002) ordinary shares in issue as at the respective end of the reporting periods.

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 financial period reported on.

## **REVIEW OF GROUP PERFORMANCE**

### **1H FY2010 vs 1H FY2009**

Group	1H FY2010			1H FY2009			Variance			
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue		Gross Profit	
	\$'000	\$'000	%	\$'000	\$'000	%	\$'000	%	\$'000	%
Shipbuilding	172,372	13,842	8.0	138,595	13,542	9.8	33,777	24.4	300	2.2
Shiprepair and other marine related services	46,021	10,288	22.4	36,295	11,620	32.0	9,726	26.8	(1,332)	(11.5)
Shipchartering and rental	34,751	7,874	22.7	51,452	16,578	32.2	(16,701)	(32.5)	(8,704)	(52.5)
	253,144	32,004	12.6	226,342	41,740	18.4	26,802	11.8	(9,736)	(23.3)

### **Revenue**

Total group revenue increased by 11.8% from \$226.3 million for the 6 months ended 31 December 2008 ("1H FY2009") to \$253.1 million for the 6 months ended 31 December 2009 ("1H FY2010"). This was due to higher revenue from shipbuilding and shiprepair and ship conversion operations partially offset by lower revenue from shipchartering operations.

Shipbuilding revenue was \$33.8 million higher mainly due to the progressive recognition of higher value shipbuilding projects undertaken including the work-in-progress of a self-propelled cutter suction dredger which had attained the 10% recognition threshold during 2Q FY2010.

Shiprepair revenue increased by \$9.7 million to \$46.0 million mainly attributed to increased number of larger shiprepair and ship conversion jobs undertaken including fabrication and outfitting works to a Heavy Transport Vessel, conversion of a tanker into floating storage and offloading unit as well as conversion of a container feeder ship to Offshore Support & Maintenance Vessel.

Shipchartering revenue was \$16.7 million lower mainly due to lower vessel utilisation rate and softening of charter pricing due to weak market demand. The Group had a fleet size of 184 vessels as at 31 December 2009 as compared to 178 vessels as at 31 December 2008, comprising towing tugs, Anchor Handling Tugs, barges and other vessels.

### **Gross profit and gross profit margin**

The Group's gross profit was \$9.7 million lower with decreased earnings recorded by shiprepair and ship conversion and shipchartering operations.

Shipbuilding operations recorded a lower gross profit margin of 8.0% mainly due to increased costs and unexpected technical complexities encountered on certain projects during the period.

Shiprepair operations recorded a lower gross profit margin of 22.4% mainly due to pricing pressure and larger ship conversion jobs undertaken which generally has lower profit margin.

Shipchartering operations recorded a lower gross profit margin of 22.7% mainly due to lower vessel utilisation rate and lower charter pricing due to weak market demand.

### **Other operating income**

Other operating income declined by \$10 million to \$4.56 million in 1H FY2010.

Other operating income comprised:

1. Gain on disposal of plant and equipment of \$2.1 million (1H FY2009: \$5.9 million) from the sale of 7 vessels (1H FY2009: 14 vessels) to third parties.
2. Gain on disposal of vessels held for sale of \$0.2 million (1H FY2009: \$6.6 million)
3. Absence of net foreign exchange gain of \$0.6 million recorded in 1H FY2009;
4. Miscellaneous income of \$2.2 million (1H FY2009: \$1.1 million) mainly due to forfeiture of deposit received; and
5. Interest income of \$0.1 million (1H FY2009: \$0.3 million).

### **Administrative expenses**

Administrative expenses decreased by \$0.8 million to \$4.9 million mainly attributed to lower manpower costs.

### **Other operating expenses**

Other operating expenses increased by \$0.4 million to \$1.3 million in 1H FY2010 mainly due to a net foreign exchange loss of \$0.9 million (1H FY2009: net foreign exchange gain of \$0.6 million shown under other operating income) partially offset by lower net allowance for doubtful trade receivables of \$0.4 million (1H FY2009: \$0.9 million).

### **Finance costs**

Finance costs of \$3.5 million were \$0.4 million higher due to increased borrowings. The Group mainly hedges against interest rate fluctuations on its long-term borrowings by way of "plain vanilla" interest rate swaps.

**Share of results of jointly-controlled entity and associate**

The Group's share of results of jointly-controlled entity and associate comprised of the share of \$0.1 million loss (1H FY2009: \$1.4 million share of profit) incurred by HKR-ASL Joint Venture Limited and share of \$0.2 million loss (1H FY2009: \$0.1 million) incurred by associated companies, Fastcoat Industries Pte. Ltd. and its subsidiary.

HKR-ASL Joint Venture Limited recorded lower earnings mainly due to the completion of its shipchartering project since March 2009.

**Profit before taxation**

The Group recorded a lower profit before taxation of \$26.5 million for 1H FY2010 mainly attributed to lower gross profit and other operating income as well as share of loss of jointly-controlled entity.

**Income tax expense**

Corresponding to lower earnings and other operating income, the Group recorded a lower tax expense of \$5.1 million in 1H FY2010. The Group's effective tax rate of 18.7% for 1H FY2010 was however higher than the 11.9% recorded for 1H FY2009. This was mainly due to a higher proportion of its profits arising from its non-Singapore shipyard operations and which attracts a higher foreign tax rate. This higher provision was partially offset by a 1% reduction in Singapore corporate tax rate to 17% (1H FY2009: 18%).

**Minority interests**

Minority shareholders' share of profits declined by \$0.8 million mainly due to lower charter and shipbuilding earnings recorded by non-wholly owned foreign subsidiaries.

**Operating cash flow**

The Group's net cash inflow from operating activities of \$7.8 million was \$9.5 million lower as compared to 1H FY2009. This decrease was mainly due to comparatively lower operating profit during the period.

The Group funded its working capital and capital expenditure through retained earnings, new borrowings including bank loans and trust receipts as well as proceeds from disposal of plant and equipment.

**(b) 2Q FY2010 vs 2Q FY2009**

Group	2Q FY2010			2Q FY2009			Variance			
	Revenue	Gross Profit	Gross Profit Margin	Revenue	Gross Profit	Gross Profit Margin	Revenue		Gross Profit	
	\$'000	\$'000	%	\$'000	\$'000	%	\$'000	%	\$'000	%
Shipbuilding	101,310	7,800	7.7	67,934	6,717	9.9	33,376	49.1	1,083	16.1
Shiprepair and other marine related services	18,036	3,939	21.8	13,228	4,267	32.3	4,808	36.3	(328)	(7.7)
Shipchartering and rental	16,446	3,572	21.7	26,532	9,436	35.6	(10,086)	(38.0)	(5,864)	(62.1)
	135,792	15,311	11.3	107,694	20,420	19.0	28,098	26.1	(5,109)	(25.0)

The Group's business segments are subject to different degree of seasonality, with highest impact being experienced by the shipchartering operations. As a result, the quarter on quarter results may not be a good indicator of the overall trend of the Group's business or of the results for the whole of the financial year.

**Revenue**

For the 3 months ended 31 December 2009 ("2Q FY2010"), the Group's revenue of \$135.8 million was \$28.1 million higher as compared to the corresponding period in FY2009 ("2Q FY2009") due to higher revenue recorded by shipbuilding and shiprepair and ship conversion operations partially offset by lower revenue from shipchartering operations.

Shipbuilding revenue was \$33.4 million higher mainly due to the progressive recognition of higher value shipbuilding projects undertaken including the work-in-progress of a self-propelled cutter suction dredger which had attained the 10% recognition threshold during 2QFY2010.

Shiprepair revenue was \$4.8 million higher mainly due to increased number of larger shiprepair and ship conversion jobs undertaken including the conversion of a container feeder ship to Offshore Support & Maintenance Vessel.

Shipchartering revenue declined by \$10.1 million mainly due to lower vessel utilisation rate and softening of charter pricing due to continuous weak market demand in 2Q FY2010.

**Gross profit and gross profit margin**

The Group's gross profit of \$15.3 million was \$5.1 million lower than 2Q FY2009.

Shipbuilding operations recorded a lower gross profit margin of 7.7% mainly due to increased costs for certain projects during the quarter.

Shiprepair operations recorded a lower gross profit margin of 21.8% mainly attributed to pricing pressures due to the current global maritime environment.

Shipchartering operations recorded lower gross profit margin of 21.7% mainly due to lower vessel utilisation rate and lower charter pricing due to weak market demand.

### **Other operating income**

Other operating income declined by \$1.4 million mainly due to lower gain on disposal of plant and equipment of \$0.6 million (2Q FY2009: \$2.2 million) partially offset by higher gain on disposal of vessels held for sale of 0.2 million (2Q FY2009: Nil).

### **Administrative expenses**

Administrative expenses were \$0.2 million lower mainly attributed to lower manpower costs.

### **Other operating expenses**

Other operating expenses declined by \$0.7 million mainly due to a lower net allowance for doubtful trade receivables of \$0.3 million (2Q FY2009: \$0.9 million).

### **Finance costs**

Finance costs were higher by \$0.2 million mainly due to an increase in borrowings.

### **Share of results of jointly-controlled entity and associate**

The share of results of jointly-controlled entity and associate comprised of the share of \$35,000 loss (2Q FY2009: \$1.0 million share of profit) from HKR-ASL Joint Venture Limited and share of \$0.1 million loss (2Q FY2009: \$67,000) incurred by associated companies, Fastcoat Industries Pte. Ltd. and its subsidiary.

HKR-ASL Joint Venture Limited recorded lower earnings mainly due to the completion of its shipchartering project since March 2009.

### **Profit before taxation**

The Group's profit before taxation of \$11.9 million for 2Q FY2010 was \$6.9 million lower as compared to 2Q FY2009 mainly due to lower gross profit and other operating income as well as share of loss of jointly-controlled entity.

### **Income tax expense**

The Group's taxation charge of \$2.6 million in 2Q FY2010 was \$0.7 million higher than 2Q FY2009. This was mainly due to a higher proportion of its profits arising from its non-Singapore shipyard operations and which attracts a higher foreign tax rate. This higher provision was partially offset by a 1% reduction in Singapore corporate tax rate to 17% (1H FY2009: 18%).

### **Minority interests**

Minority shareholders' share of profits declined by \$0.2 million mainly due to lower charter and shipbuilding earnings recorded by non-wholly owned foreign subsidiaries.

### **Operating cash flow**

The Group recorded a lower net cash inflow from operating activities of \$13.8 million for 2Q FY2010. The decrease was mainly due to comparatively lower operating profit, lower receipts on trade receivables, lower payment for inventories and higher payments on trade payables partially offset by lower work-in-progress incurred on shipbuilding projects.



## **REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2009**

### **Non-current assets**

Property, plant and equipment increased by \$18.9 million from \$397.3 million as at 30 June 2009 to \$416.2 million as at 31 December 2009. The increase was mainly due to acquisition of plant and equipment of \$44.0 million (inclusive of \$8.9 million for vessels, \$27.7 million for yard infrastructure development and vessels under construction and \$7.1 million for plant and machinery) partially offset by disposal of plant and equipment with aggregate net book value of \$3.8 million, depreciation charge of \$15.0 million, transfer of vessels to assets held for sale of \$4.9 million and foreign exchange differences of \$1.4 million.

The Group's total depreciation charge was \$0.9 million higher as compared to 1H FY2009 mainly attributed to increase in fleet size.

### **Current assets**

Current assets increased by \$7.7 million from \$297.9 million as at 30 June 2009 to \$305.6 million as at 31 December 2009.

Inventories on raw materials (mainly steel) were \$1.3 million lower as at 31 December 2009.

Assets held for sale pertaining to vessels held for sale increased by \$6.0 million during the period.

Trade receivables increased by \$21.5 million to \$85.2 million mainly due to higher billings for shipbuilding projects towards the end of the reporting period. Average debtors turnover was 63 days as at 31 December 2009 as compared to 55 days as at 30 June 2009. Other receivables decreased by \$2.1 million to \$10.7 million mainly due to lower receivables from disposal of vessels and down payment made for purchase of vessels.

Finance lease receivables decreased by \$0.4 million due to repayments received.

The amount due from related parties increased by \$0.5 million mainly due to higher amount due from its associated company, PT. Fastcoat Industries.

The Group enters into "plain vanilla" forward contracts to hedge for future receipts or payments. The value of these derivative financial instruments assets remained at \$1.4 million which comprised mainly mark-to-market gains derived from foreign exchange forward contracts entered to hedge against foreign exchange rate fluctuations for trade receivables and trade payables.

Cash and cash equivalents decreased by \$26.6 million to \$69.4 million as at 31 December 2009.

### **Current liabilities**

Current liabilities decreased by \$1.2 million from \$313.1 million as at 30 June 2009 to \$311.9 million as at 31 December 2009.

Trade and other payables increased by \$14.2 million due to increase in trade payables of \$6.9 million and other payables of \$7.3 million. Other payables comprised mainly payables for expenditure incurred on yard developments and purchase of plant and equipment and deposits received on sale of vessels.

Current portion of interest-bearing loans and borrowings increased by \$8.2 million to \$84.7 million while trust receipts decreased by \$5.1 million to \$27.8 million.

Derivative financial instruments liabilities decreased by \$1.1 million due to lower mark-to-market loss derived from foreign exchange forward contracts entered to hedge against foreign exchange rate fluctuations for trade receivables and trade payables partially offset by higher mark-to-market loss derived from interest rate swaps.

The Group recorded net current liabilities of \$6.3 million as at 31 December 2009 mainly due to payment made for acquisition and construction of internally built vessels where proceeds from new borrowings are expected to be received after 1H FY2010.

The net current liabilities of \$6.3 million as at 31 December 2009 and \$15.2 million as at 30 June 2009 included net construction work-in-progress of \$79.3 million and \$48.4 million respectively. The increase in net construction work-in-progress was mainly attributed to higher work-in-progress incurred for shipbuilding projects. There were 27 shipbuilding projects as at 31 December 2009 (30 June 2009: 33 projects).

### **Non-current liabilities**

Non-current liabilities increased by \$15.9 million to \$110.5 million as at 31 December 2009 mainly due to higher interest-bearing loans and borrowings.

Total interest-bearing loans and borrowings increased by \$24.6 million to \$185.0 million as at 31 December 2009. The increase was mainly due to new term loans and borrowings of \$47.5 million partially offset by redemption and repayment made of \$22.9 million during the period. The Group's gearing ratio increased from 0.67 as at 30 June 2009 to 0.71 as at 31 December 2009.

Deferred tax liabilities decreased to \$8.8 million as at 31 December 2009.

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

In line with the prospect statement indicated in the full year financial statements announcement made on 19 August 2009 for the financial year ended 30 June 2009 (FY 2009), the Group recorded lower but healthy earnings for 1H FY2010 as compared to 1H FY2009 mainly due to lower other operating income and pricing pressure experienced by the shiprepair and ship conversion and shipchartering operations.

In the 1Q FY2010 financial statements announcement made on 11 November 2009, the Group had announced an outstanding delivery order of 10 vessels worth approximately \$71 million for its shipchartering operation. During 2Q FY2010, the Group undertook delivery of 1 vessel worth \$1 million.

**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.**

**Overall**

Demand for new shipbuilding orders is expected to remain subdued in view of the slow pace of global economic recovery and over-supply in some important areas of the shipping sector.

Despite this, the Group remains reasonably positive over the longer term outlook of the shiprepair and shipchartering segments. While these segments are expected to continue experiencing pricing pressure amidst rising competition, the Group expects improvement in market demand in tandem with the recovery of the global economy.

**Shipbuilding and Shiprepair Operations**

Progressive recognition of shipbuilding revenue commences when the work-in-progress reaches the 10% recognition threshold. As at 31 December 2009, the Group's shipbuilding outstanding order book for external customers was approximately \$362 million with progressive deliveries until end of 2011. The order book comprised 27 vessels, including offshore support vessels such as heavy lift and pipelay vessels, subsea operation vessels, tugs, self-propelled cutter suction dredgers and other vessels. Barring any unforeseen circumstances, approximately 39% of the order book is expected to be recognised within the six months ending 30 June 2010. Subsequent to 31 December 2009, the Group secured an additional shipbuilding contract worth \$38.5 million where recognition of income is expected after FY2010.

As at 31 December 2009, the Group also had an outstanding order book of approximately \$9 million for shiprepair and ship conversion projects including conversion of a container feeder ship to Offshore Support & Maintenance Vessel.

The Group expects the facility expansion at Batam yard for the lengthening of existing 150,000 dwt dry dock and the addition of two new medium-sized dry docks to be completed in the third quarter of FY2010.

## **Shipchartering Operations**

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. Approximately 25% of shipchartering revenue in 1H FY2010 came from long term chartering contracts (meaning contracts with a duration of more than one year). As at 31 December 2009, the Group had an outstanding order book of approximately \$6 million with respect to long term shipchartering contracts.

The Group remains strategically committed to maximising deployment of its fleet and renewal and enhancement to meet customers' needs. As at 31 December 2009, the Group has an outstanding delivery order of 11 vessels worth approximately \$75 million including towing tugs, barges, Anchor Handling Towing/ Supply vessel and a tanker. Of the 11 vessels, 10 vessels worth \$69 million are being built internally by the Group.

### **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 2009.

## **BY ORDER OF THE BOARD**

Ang Kok Tian  
Chairman and Managing Director  
10 February 2010