

UNAUDITED QUARTERLY FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE SECOND QUARTER ENDED 31 DECEMBER 2014

- 1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Income Statement

	Group					
	3 months ended 31 December			6 months ended 31 December		
	2Q FY2015 \$'000	2Q FY2014 \$'000	Inc/ (Dec) %	1H FY2015 \$'000	1H FY2014 \$'000	Inc/ (Dec) %
Revenue	(21,087)	190,436	NM	47,443	338,738	(86.0)
Cost of sales	26,525	(172,049)	NM	(32,195)	(296,359)	(89.1)
Gross profit	5,438	18,387	(70.4)	15,248	42,379	(64.0)
Other operating income	6,533	4,213	55.1	9,981	6,610	51.0
Administrative expenses	(8,181)	(8,756)	(6.6)	(14,128)	(16,040)	(11.9)
Other operating expenses	(1,420)	(1,356)	4.7	(2,617)	(938)	179.0
Finance costs	(3,959)	(3,384)	17.0	(7,355)	(6,861)	7.2
Share of results of jointly-controlled entities and associates	2,032	(104)	NM	2,530	809	212.7
Profit before tax	443	9,000	95.1	3,659	25,959	(85.9)
Tax credit/ (expense)						
- current period	1,865	(1,931)	NM	1,358	(6,518)	NM
- over/ (under) provision in prior years	(876)	(448)	95.5	(875)	357	NM
Profit for the period	1,432	6,621	(78.4)	4,142	19,798	(79.1)
Attributable to:						
Owners of the Company	1,522	7,315	(79.2)	4,532	20,109	(77.5)
Non-controlling interests	(90)	(694)	(87.0)	(390)	(311)	25.4
	1,432	6,621	(78.4)	4,142	19,798	(79.1)

Nm: Not meaningful

- 1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Comprehensive Income

	Group					
	3 months ended 31 December			6 months ended 31 December		
	2Q FY2015	2Q FY2014	Inc/ (Dec)	1H FY2015	1H FY2014	Inc/ (Dec)
	\$'000	\$'000	%	\$'000	\$'000	%
Profit for the period	1,432	6,621	(78.4)	4,142	19,798	(79.1)
Translation differences relating to financial statements of foreign subsidiaries, net of tax	2,261	(101)	NM	3,789	(1,329)	NM
Share of other comprehensive income of jointly-controlled entities and associates	529	75	605.3	801	20	3,905.0
Remeasurement of defined benefit pension plan	36	-	100.00	-	-	0.0
Net change in fair value of cash flow hedges	-	(100)	100.0	2	351	(99.4)
Other comprehensive income for the period, net of tax	2,826	(126)	NM	4,592	(958)	NM
Total comprehensive income for the period	4,258	6,495	(34.4)	8,734	18,840	(53.6)
Attributable to:						
Owners of the Company	4,155	7,173	(42.1)	8,841	19,329	(54.3)
Non-controlling interests	103	(678)	NM	(107)	(489)	(78.1)
	4,258	6,495	(34.4)	8,734	18,840	(53.6)

Nm: Not meaningful

Notes:

- (i) The movement in foreign currency translation reserves arose mainly from the consolidation of subsidiaries whose functional currencies are United States Dollar ("USD"), Euro and Indonesia Rupiah.
- (ii) The fair value gain on cash flow hedges was primarily due to fair value adjustments on foreign currency forward contracts and interest rate swaps.

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

	Group			
	3 months ended		6 months ended	
	31 December		31 December	
	2Q	2Q	1H	1H
	FY2015	FY2014	FY2015	FY2014
	\$'000	\$'000	\$'000	\$'000
Allowance for impairment of doubtful trade receivables written back	316	205	627	205
Amortisation of intangible assets	(218)	(876)	(443)	(1,243)
Amortisation of lease prepayments	(71)	(65)	(143)	(130)
Bad debts recovered/(written off)	236	-	236	(1)
Changes in fair value of short term investment	-	(3)	-	37
Depreciation of property, plant and equipment	(11,304)	(11,628)	(22,340)	(21,384)
Gain on disposal of assets held for sale	-	133	-	286
Gain on disposal of property, plant and equipment	5,057	964	6,299	2,353
(Loss)/ gain on foreign exchange (net)	(1,420)	991	(1,815)	1,566
Interest income	46	27	55	150
Property, plant and equipment written off	-	(1,175)	(802)	(1,179)
Reversal/ (provision) for warranty	247	1,655	(845)	2,187
Reversal/ (provision) for pension liabilities	108	(49)	103	(101)
Over/ (under)provision of tax in respect of prior years				
- current tax expense	152	356	153	928
- deferred tax expense	(1,028)	(804)	(1,028)	(571)

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-14	30-Jun-14	31-Dec-14	30-Jun-14
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	515,539	542,777	-	-
Lease prepayments	5,739	5,817	-	-
Subsidiaries	-	-	70,613	70,513
Interest in jointly-controlled entities and associates	16,598	13,375	-	-
Intangible assets	20,478	22,190	-	-
	558,354	584,159	70,613	70,513
Current assets				
Inventories	208,883	72,655	-	-
Construction work-in-progress	63,697	199,318	-	-
Trade and other receivables	283,891	287,658	247,435	209,861
Bank balances, deposits and cash	68,269	73,155	1,275	2,663
	624,740	632,786	248,710	212,524
Current liabilities				
Trade and other payables	163,366	193,916	67,836	82,422
Provision for warranty	1,980	1,224	-	-
Progress billings in excess of construction work-in-progress	30,112	35,012	-	-
Trust receipts	79,368	100,204	-	-
Interest-bearing loans and borrowings	133,173	161,844	-	-
Derivative financial instruments	-	2	-	-
Income tax payables	2,932	4,160	3	-
Bank overdrafts	5,407	6,724	-	-
	416,338	503,086	67,839	82,422
Net current assets	208,402	129,700	180,871	130,102
Non-current liabilities				
Other liabilities	3,386	3,746	-	-
Interest-bearing loans and borrowings	325,712	277,035	150,000	100,000
Deferred tax liabilities	16,611	16,570	-	-
	345,709	297,351	150,000	100,000
Net assets	421,047	416,508	101,484	100,615
Share capital	83,092	83,092	83,092	83,092
Treasury shares	(923)	(923)	(923)	(923)
Reserves	333,079	328,433	19,315	18,446
	415,248	410,602	101,484	100,615
Non-controlling interests	5,799	5,906	-	-
Total equity	421,047	416,508	101,484	100,615

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.

	Group			
	As at 31-Dec-14		As at 30-Jun-14	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand	147,104	70,844	155,525	113,247
Amount repayable after one year	175,712	150,000	176,976	100,059
	322,816	220,844	332,501	213,306

Details of any collateral

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

- 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
- Corporate guarantees from the Company and certain 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		6 months ended 31 December	
	2Q	2Q	1H	1H
	FY2015 \$'000	FY2014 \$'000	FY2015 \$'000	FY2014 \$'000
Cash flows from operating activities				
Profit before tax	443	9,000	3,659	25,959
Adjustments for:				
Amortisation of intangible assets	218	876	443	1,243
Amortisation of lease prepayments	71	65	143	130
Allowance for impairment of doubtful trade receivables written back	(316)	(205)	(627)	(205)
Bad debts (recovered)/ written off	(236)	-	(236)	1
Changes in fair value of short term investment	-	3	-	(37)
Depreciation of property, plant and equipment	11,304	11,628	22,340	21,384
Gain on disposal of assets held for sale	-	(133)	-	(286)
Gain on disposal of property, plant and equipment	(5,057)	(964)	(6,299)	(2,353)
Interest expense	3,959	3,384	7,355	6,861
Interest income	(46)	(27)	(55)	(150)
(Reversal)/ provision for warranty	(247)	(1,655)	845	(2,187)
(Reversal)/ provision for pension liabilities	(108)	49	(103)	101
Property, plant and equipment written off	-	1,175	802	1,179
Share of results of jointly-controlled entity and associates	(2,032)	104	(2,530)	(809)
Operating profit before working capital changes	7,953	23,300	25,737	50,831
Changes in working capital:				
Inventories	(133,635)	6,022	(136,228)	6,574
Construction work-in-progress and progress billings in excess of construction work-in-progress	85,206	40,560	133,402	(22,196)
Trade and other receivables	3,376	(30,921)	26,687	(38,765)
Trade and other payables	(3,323)	7,919	(38,300)	11,155
Other liabilities	151	(29)	110	(55)
Balances with related parties (trade)	(801)	783	1,502	26,786
Bank balances, deposits and cash (restricted use)	1,121	(37)	447	(17)
Cash (used in)/ generated from operations	(39,952)	47,597	13,357	34,313
Tax paid	(692)	(2,897)	(630)	(3,013)
Net cash (used in)/ generated from operating activities	(40,644)	44,700	12,727	31,300
Cash flows from investing activities				
Interest received	46	77	55	250
Purchase of assets held for sale	-	(1,446)	-	(1,941)
Purchase of property, plant and equipment	(5,538)	(25,743)	(27,756)	(34,910)
Proceeds from disposal of assets held for sale	-	1,579	-	2,227
Proceeds from disposal of property, plant and equipment	43,448	3,264	49,448	4,663
Balances with related parties (non-trade)	(19,129)	(1,053)	(22,514)	(1,451)
Net cash generated from/ (used in) investing activities	18,827	(23,322)	(767)	(31,162)

	Group			
	3 months ended 31 December		6 months ended 31 December	
	2Q	2Q	1H	1H
	FY2015 \$'000	FY2014 \$'000	FY2015 \$'000	FY2014 \$'000
Cash flows from financing activities				
Interest paid	(2,135)	(2,623)	(6,134)	(6,064)
Dividends paid	(4,195)	(8,390)	(4,195)	(8,390)
Repayment of interest-bearing loans and borrowings	(63,509)	(22,909)	(128,354)	(41,297)
Proceeds from interest-bearing loans and borrowings	113,528	3,622	144,441	41,193
Repayment of trust receipts	(33,025)	(33,724)	(56,634)	(77,119)
Proceeds from trust receipts	21,104	33,859	35,445	71,918
Net cash generated from/ (used in) financing activities	31,768	(30,165)	(15,431)	(19,759)
Net increase/ (decrease) in cash and cash equivalents	9,951	(8,787)	(3,471)	(19,621)
Cash and cash equivalents at beginning of period	51,213	67,192	64,581	78,077
Effects of exchange rate changes on opening cash and cash equivalents	317	61	371	10
Cash and cash equivalents at end of period (Note 1)	61,481	58,466	61,481	58,466

Note 1:

Cash and cash equivalents comprise the followings:

Bank balances, deposits and cash as at December

Less: Restricted cash

- Cash at banks

- Fixed deposits with banks

Bank overdrafts

Cash and cash equivalents

68,269	64,504
(1,381)	(2,325)
-	(633)
66,888	61,546
(5,407)	(3,080)
61,481	58,466

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-14									
Group	Attributable to owners of the Company						Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total Equity \$'000
	Share capital \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Total reserves \$'000			
1H FY2015									
At 1-Jul-14	83,092	(923)	(4,891)	(2)	333,326	328,433	410,602	5,906	416,508
Profit for the period	-	-	-	-	4,532	4,532	4,532	(390)	4,142
Other comprehensive income for the period, net of tax									
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	3,577	-	-	3,577	3,577	212	3,789
Share of other comprehensive income of jointly-controlled entities and associates	-	-	730	-	-	730	730	71	801
Net fair value changes to cash flow hedges	-	-	-	2	-	2	2	-	2
	-	-	4,307	2	-	4,309	4,309	283	4,592
Total comprehensive income for the period	-	-	4,307	2	4,532	8,841	8,841	(107)	8,734
Contributions by and distributions to owners									
Dividends	-	-	-	-	(4,195)	(4,195)	(4,195)	-	(4,195)
Total distributions to owners	-	-	-	-	(4,195)	(4,195)	(4,195)	-	(4,195)
At 31-Dec-14	83,092	(923)	(584)	-	333,663	333,079	415,248	5,799	421,047

Statement of Changes in Equity for the period ended 31-Dec-13

<u>Group</u>	Attributable to owners of the Company						Equity attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Total reserves \$'000			
1H FY2014									
At 1-Jul-13 (Restated)	83,092	(923)	(3,390)	(1,272)	320,297	315,635	397,804	6,870	404,674
Profit for the period	-	-	-	-	20,109	20,109	20,109	(311)	19,798
Other comprehensive income for the period, net of tax									
Translation differences relating to financial statements of foreign subsidiaries, net of tax	-	-	(1,149)	-	-	(1,149)	(1,149)	(180)	(1,329)
Share of other comprehensive income of jointly-controlled entity and associates	-	-	18	-	-	18	18	2	20
Net fair value changes to cash flow hedges	-	-	-	351	-	351	351	-	351
	-	-	(1,131)	351	-	(780)	(780)	(178)	(958)
Total comprehensive income for the period	-	-	(1,131)	351	20,109	19,329	19,329	(489)	18,840
Contributions by and distributions to owners									
Dividends	-	-	-	-	(8,390)	(8,390)	(8,390)	-	(8,390)
Total distributions to owners	-	-	-	-	(8,390)	(8,390)	(8,390)	-	(8,390)
At 31-Dec-13	83,092	(923)	(4,521)	(921)	332,016	326,574	408,743	6,381	415,124

Statement of Changes in Equity for the period ended 31-Dec-14 and 31-Dec-13

<u>Company</u>	Share capital \$'000	Treasury shares \$'000	Hedging reserve \$'000	Accumulated profits \$'000	Total reserves \$'000	Total equity \$'000
1H FY2015						
At 1-Jul-14	83,092	(923)	-	18,446	18,446	100,615
Profit for the period, representing total comprehensive income for the period	-	-	-	5,064	5,064	5,064
Contributions by and distributions to owners						
Dividends	-	-	-	(4,195)	(4,195)	(4,195)
Total distributions to owners	-	-	-	(4,195)	(4,195)	(4,195)
At 31-Dec-14	83,092	(923)	-	19,315	19,315	101,484
1H FY2014						
At 1-Jul-13	83,092	(923)	(101)	18,470	18,369	100,538
Profit for the period	-	-	-	9,698	9,698	9,698
Other comprehensive income for the period, net of tax						
Net fair value changes to cash flow hedges	-	-	48	-	48	48
	-	-	48	-	48	48
Total comprehensive income for the period	-	-	48	9,698	9,746	9,746
Contributions by and distributions to owners						
Dividends	-	-	-	(8,390)	(8,390)	(8,390)
Total distributions to owners	-	-	-	(8,390)	(8,390)	(8,390)
At 31-Dec-13	83,092	(923)	(53)	19,778	19,725	101,894

- 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 (excluding treasury shares)
Balance as at 31-Dec-14 and 30-Jun-14	<u>419,511,294</u>

There have been no changes in the issued and paid-up capital of the Company since 30 June 2014.

There are no outstanding share options granted under the ESOS as at 31 December 2014 and 31 December 2013.

- 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-14	As at 30-Jun-14	As at 31-Dec-13
Total number of issued shares	422,022,894	422,022,894	422,022,894
Total number of treasury shares	(2,511,600)	(2,511,600)	(2,511,600)
Total number of issued shares (excluding treasury shares)	<u>419,511,294</u>	<u>419,511,294</u>	<u>419,511,294</u>

- 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.

- 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.

The accounting policies adopted and methods of computation in the preparation of the financial statements are consistent with those of the audited financial statements as at 30 June 2014 except in the current financial period, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning as of 1 July 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group.

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 financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group			
	3 months ended 31 December		6 months ended 31 December	
	2Q FY2015	2Q FY2014	1H FY2015	1H FY2014
Earnings per ordinary share:				
(i) On weighted average no. of ordinary shares in issue	0.36 cents	1.74 cents	1.08 cents	4.79 cents
(ii) On a fully diluted basis	0.36 cents	1.74 cents	1.08 cents	4.79 cents
Net profit attributable to shareholders:	\$1,522,000	\$7,315,000	\$4,532,000	\$20,109,000
Number of shares in issue:				
(i) Weighted average no. of shares in issue	419,511,294	419,511,294	419,511,294	419,511,294
(ii) On a fully diluted basis	419,511,294	419,511,294	419,511,294	419,511,294

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.

	Group		Company	
	31-Dec-14	30-Jun-14	31-Dec-14	30-Jun-14
Net Asset Value (NAV) per ordinary share	98.98 cents	97.88 cents	24.19 cents	23.98 cents
NAV has been computed based on the share capital of	419,511,294	419,511,294	419,511,294	419,511,294

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

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 our business or of the results for the whole of the financial year.

Aside: On 6 December 2014 the Group announced the rescission of shipbuilding contracts for two (2) units of Offshore Support Vessels ("OSV") and that unless these vessels are sold, the revenue booked in the previous financial periods and up to date of rescission will have to be reversed.

It was also mentioned in the same announcement that the first and second vessel will only be ready for operation by end of the first and third quarter of calendar year 2015 respectively.

Revenue

Consequent to the rescission of the two OSV shipbuilding contracts in December 2014, the Group reversed a total amount of \$95.0 million recognised in the previous financial years thereby resulting in negative revenue of \$21.1 million being recorded in 2Q FY2015. If the reversal of the two OSV shipbuilding contracts had been excluded in 2Q FY2015 and not included in 2Q FY2014, the respective shipbuilding turnovers would have been \$5.8 million and \$81.1 million, respectively.

Details for revenue generated from each segment are as follows:

	Group					
	2Q	2Q	Increase/	1H	1H	Increase/
	FY2015	FY2014	(Decrease)	FY2015	FY2014	(Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Shipbuilding	(91,238)	95,365	NM	(67,489)	198,471	NM
Shiprepair and conversion	42,989	54,840	(21.6)	58,282	74,103	(21.4)
Shipchartering	17,691	17,983	(1.6)	34,954	34,993	(0.1)
Engineering	9,471	22,248	(57.4)	21,696	31,171	(30.4)
	(21,087)	190,436	NM	47,443	338,738	(86.0)

Shipbuilding

Recognition of shipbuilding revenue is calculated based on project value multiply by the percentage of completion ("POC").

Aside from the reversal of revenue recognised in previous financial years, the low revenue booked in 2Q FY2015 and 1H FY2015 were also due to the following:-

1. Smaller POC achieved as most of the ongoing shipbuilding projects were either near completion or at the beginning of the construction phase;
2. Reclassification of shipbuilding contracts for three (3) units of multi-purpose offshore support vessels from third parties to related parties; and
3. Fewer new orders secured due to: a) a slowdown in demand due to sharp declines in bulk commodities and oil prices; and b) significant competition – as previously noted the Group is unwilling to quote at a loss or take on significant additional risk just to secure new build orders.

Shiprepair and conversion

Unlike shipbuilding projects, revenue from shiprepair and conversion are deemed to be short term in nature and are recognised only upon completion of the projects. However as several of our shiprepair jobs are partial conversions, and thus take far longer than historic jobs to complete, it is impossible to ensure that one major job completes each quarter.

The breakdown of revenue generated from the Shiprepair and conversion division is as follows:

	Group					
	2Q FY2015 \$'000	2Q FY2014 \$'000	Increase/ (Decrease) %	1H FY2015 \$'000	1H FY2014 \$'000	Increase/ (Decrease) %
Shiprepair and conversion	42,950	54,567	(21.3)	58,131	73,275	(20.7)
Other marine related services	39	273	(85.7)	151	828	(81.8)
	42,989	54,840	(21.6)	58,282	74,103	(21.4)

Shiprepair and conversion revenue for 2Q FY2015 was 21.3% lower year-on-year (yoy) compared to 2Q FY2014, as fewer high value (amount above \$1.0 million) jobs were completed.

Shipchartering

The breakdown of revenue generated from the shipchartering division is as follows:

	Group					
	2Q FY2015 \$'000	2Q FY2014 \$'000	Increase/ (Decrease) %	1H FY2015 \$'000	1H FY2014 \$'000	Increase/ (Decrease) %
Offshore support vessels ("OSV")	4,138	5,035	(17.8)	8,795	10,300	(14.6)
Landing crafts ("LCT")	1,298	393	230.3	2,648	728	263.7
Tug boats	5,805	5,153	12.7	10,877	10,172	6.9
Barges	5,783	6,246	(7.4)	11,620	11,589	0.3
Total charter	17,024	16,827	1.2	33,940	32,789	3.5
Trade sales	667	1,156	(42.3)	1,014	2,204	(54.0)
	17,691	17,983	(1.6)	34,954	34,993	(0.1)

Shipchartering revenue decreased marginally by \$0.3 million (1.6%) to \$17.7 million in 2Q FY2015 and remained flat for 1H FY2015 compared to the corresponding periods.

The lower revenue generated by the shipchartering division in 2Q FY2015 was due to:

- (1) Lower revenue from OSV following disposal of the ROV Support Vessel in November 2014 as well as the absence of revenue for one unit of Anchor Handling Tug (“AHT”), and
- (2) Lower trade sales due to fewer ad hoc services

However charter of tug boats and LCT improved as a result of higher utilisation of tug boats and the contribution of an additional unit of LCT since July 2014. These vessels were mainly deployed to support our customers in marine infrastructure and transportation of precast/ reinforced concrete used in construction.

Engineering

The breakdown by revenue generated from the Engineering division is as follows:

	Group					
	2Q FY2015	2Q FY2014	Increase/ (Decrease)	1H FY2015	1H FY2014	Increase/ (Decrease)
	\$'000	\$'000	%	\$'000	\$'000	%
Engineered Dredger Products & Dredgers ("New Buildings")	3,165	9,601	(67.0)	3,370	10,054	(66.5)
Components & Services ("Components")	6,306	12,647	(50.1)	18,326	21,117	(13.2)
	9,471	22,248	(57.4)	21,696	31,171	(30.4)

Similar to shipbuilding, revenue from New Buildings is calculated based on project value multiply by POC.

Revenue generated from New Buildings in 2Q FY2015 decreased by \$6.4 million (67.0%) due to lower POC achieved as well as fewer projects undertaken.

The decline in revenue from Components was mainly due to fewer orders received from customers.

Gross profit and gross profit margin

Resultant to the rescission of shipbuilding contracts the Group reversed a total of \$5.5 million gross profits recognised in the previous financial years. Consequentially total gross profit in 2Q FY2015 decreased by \$12.9 million (70.4%) to \$5.4 million.

The breakdown of gross profit and gross profit margin for each respective segment are as follows:

	Group							
	2Q FY2015		2Q FY2014		1H FY2015		1H FY2014	
	\$'000	GPM	\$'000	GPM	\$'000	GPM	\$'000	GPM
Shipbuilding	(4,919)	NM	(419)	NM	(6,035)	NM	8,456	4.3%
Shiprepair and conversion	5,582	13.0%	10,482	19.1%	9,298	16.0%	15,760	21.3%
Shipchartering	2,864	16.2%	4,908	27.3%	6,848	19.6%	11,897	34.0%
Engineering	1,911	20.2%	3,416	15.4%	5,137	23.7%	6,266	20.1%
	5,438	NM	18,387	9.7%	15,248	32.1%	42,379	12.5%

Shipbuilding

The gross loss recorded in 2Q FY2015 and 1H FY2015 was mainly caused by the reversal of gross profits recognised in previous financial years as well as upward revision of material and subcontractors' cost for higher complexity shipbuilding projects.

Shiprepair and conversion

Shiprepair and conversion gross profit for 2Q FY2015 was 46.7% lower yoy compared to 2Q FY2014 mainly due to the lower margins achieved for projects completed during this financial quarter.

Shipchartering

Gross profit declined by \$2.0 million (41.6%) to \$2.9 million in 2Q FY2015 and \$5.0 million (42.4%) to \$6.8 million in 1H FY2015.

The lower gross profit and gross profit margin in 2Q FY2015 was mainly attributable to higher depreciation arising from the increase in number of vessels owned, thereby resultant to higher operating expenses such as crew salaries, fuel oil and upkeep of vessels.

Engineering

As a result of the lower revenue achieved in 2Q FY2015 and 1H FY2015, gross profit decreased by \$1.5 million (44.1%) and \$1.1 million (18.0%) respectively.

Other operating income

Details for other operating income are as follows:

	Group			
	2Q	2Q	1H	1H
	FY2015	FY2014	FY2015	FY2014
	\$'000	\$'000	\$'000	\$'000
Gain on disposal of plant and equipment	5,057	964	6,299	2,353
Gain on disposal of assets held for sale	-	133	-	286
Gain on foreign exchange				
- unrealised	-	1,374	-	1,464
- realised	-	-	-	102
Interest income	46	27	55	150
Insurance claims	62	1,302	883	1,302
Rental income	670	223	1,651	440
Write-back of allowance for impairment of doubtful receivables (net)	316	-	627	-
Bad debts recovered	236	-	236	-
Miscellaneous income	146	190	230	513
	6,533	4,213	9,981	6,610

Gain on disposal of plant and equipment of \$5.1 million in 2Q FY2015 arose mainly from the disposal of one unit of ROV support vessel, two units of AHT and two units of barges. A net gain of approximately \$4.4 million was recorded from the disposal of the ROV support vessel.

Administrative expenses

Administrative expenses decreased by \$0.6 million (6.6%) to \$8.2 million in 2Q FY2015 mainly due to amortisation of intangible assets. Higher amount of amortisation charge was recorded in 2Q FY2014 as it included the amortisation of Order Backlog intangible asset that arose from the acquisition of Vosta LMG group. The Order Backlog intangible asset was amortised based on the declining method, and was fully amortised in FY2014.

Other operating expenses

Other operating expenses comprised the following:

	Group			
	2Q	2Q	1H	1H
	FY2015	FY2014	FY2015	FY2014
	\$'000	\$'000	\$'000	\$'000
Allowance for impairment of doubtful receivables	-	(205)	-	(205)
Bad debts written off	-	-	-	1
Changes in fair value of short term investment	-	3	-	(37)
Loss on foreign exchange				
- unrealised	1,387	-	1,679	-
- realised	33	383	136	-
Property, plant and equipment written off	-	1,175	802	1,179
	1,420	1,356	2,617	938

Unrealised forex loss arose mainly due to the appreciation of USD against SGD (USD denominated liabilities).

Exchange rates for the respective reporting periods were as follows:-

	31 Dec 2014	31 Dec 2013	30 Sep 2014	30 Sep 2013	30 June 2014	30 June 2013
USD against SGD	1.3021	1.2660	1.2740	1.2576	1.2490	1.2662
Euro against SGD	1.6251	1.7468	1.6173	1.7003	1.7073	1.6512
IDR against USD	12,456	12,189	12,195	11,613	12,010	9,929
IDR against SGD	9,434	9,628	9,615	9,234	9,615	7,841

Loss on property, plant and equipment written off in 2Q FY2014 arose from two units of barges that were damaged and uneconomical for repair.

Finance costs

Finance costs increased by \$0.6 million (17%) to \$4.0 million in 2Q FY2015 mainly due to the additional loans drawdown in 2H FY2014 for re-financing of the bonds due for redemption in March 2014 and financing the acquisition of the new yard in Batam.

Share of results of jointly-controlled entities and associates

The Group's share of results of jointly-controlled entities and associates comprised:

	Group's effective interest	Group			
		2Q FY2015	2Q FY2014	1H FY2015	1H FY2014
		\$'000	\$'000	\$'000	\$'000
<u>Jointly-controlled entity</u>					
Sindo-Econ Group	50.0%	1,163	(100)	1,162	(100)
<u>Associates</u>					
PT. Hafar Capitol Nusantara ("PT Hafar")	36.75%	1,281	600	2,596	1,153
PT Capitol Nusantara Indonesia ("PT CNI")	36.0%	(412)	(604)	(1,228)	(244)
		2,032	(104)	2,530	809

Sindo-Econ Group, which is primarily engaged in the business of concrete precast operations, was acquired in November 2013 and has since turned around in the current reporting quarter. This resulted in the Group recording a \$1.2 million share of Sindo-Econ Group's results in 2Q FY2015.

PT Hafar derived its profit from charter and operation of its pipe-lay cum accommodation barge ("Hafar Neptune"). The higher profit is contributed by the higher utilisation of Hafar Neptune.

The loss of PT CNI was mainly attributable to the low utilisation of its vessels; several of its vessels have remained off-hired in 2Q FY2015 mainly a result of the slowdown in Indonesia coal mining industry conditions.

Profit before tax

Consequential to the cancellation of shipbuilding contracts, the reversal of shipbuilding profits recognised in the previous the financial years and up to date of rescission and lower gross profits achieved across the respective divisions, the Group recorded a nominal profit before tax of \$0.4 million in 2Q FY2015.

Tax credit/ (expense)

The Group's current period tax credit/ (expenses) comprised:

	Group			
	2Q FY2015 \$'000	2Q FY2014 \$'000	1H FY2015 \$'000	1H FY2014 \$'000
Income tax	346	(1,604)	(517)	(3,520)
Deferred tax	1,519	(327)	1,875	(2,998)
	1,865	(1,931)	1,358	(6,518)
Effective tax rate			NM	26.5%

The Group recorded a current period tax credit of \$1.9 million in 2Q FY2015 and \$1.4 million in 1H FY2015.

The income tax credit was mainly attributable to lower profitability of shipbuilding operations in 2Q FY2015, resulting in reversal of provision for income tax.

The deferred tax credit in 2Q FY2015 arose mainly from:

1. Reversal of temporary differences on the Group's plant and equipment, particularly vessels owned by the shipchartering division
2. Reversal of deferred tax provision arising from operations in Batam. This arose from the consequential impact of functional currency on deferred taxes. The functional currency of the Group's Indonesia subsidiary is in SGD, however its taxable profit is determined in IDR in Indonesia. Changes in the exchange rate gives rise to temporary differences that result in changes in deferred tax provision.

Non-controlling interests

Non-controlling interests' share of loss decreased by \$0.6 million in 2Q FY2015 mainly due to lower losses from China shipbuilding operations coupled with higher share of shipchartering profits recorded by the non-wholly owned foreign subsidiaries.

Operating cash flow

2Q FY2015

The Group recorded a net cash outflow of \$40.6 million from operating activities in 2Q FY2015 compared to net cash inflow of \$44.7 million in 2Q FY2014. The net cash outflow was mainly attributed to the higher progress of inventory work-in-progress shipbuilding projects under the Group's Build to Stock Program, partially offset by receipts from other third party shipbuilding projects.

The Group funded its working capital mainly through proceeds from disposal of vessels and bank borrowings.

1H FY2015

In 1H FY2015, the Group recorded a net cash inflow of \$12.7 million from operating activities compared to \$31.3 million in 1H FY2014. The lower cash inflow was mainly attributed to higher work-in-progress under the Group's Build to Stock program, partially offset by higher receipts from customers.

The Group funded its repayment of bank borrowings through its working capital and internal funds.

REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

Non-current assets

Property, plant and equipment ("PPE") decreased by \$27.2 million (5.0%) from \$542.8 million as at 30 June 2014 to \$515.5 million as at 31 December 2014.

Movement in PPE during the period under review is as follows:

	\$'000
Balance as at 1 July 2014	542,777
Acquisition of property, plant and equipment	31,674
Inclusive of :	
- \$6.3 million for plant and machinery	
- \$20.4 million for vessels	
- \$5.0 million for vessels under construction	
Disposal/ write-off of plant and equipment	(44,320)
Depreciation charge	(23,703)
Translation differences	9,111
Balance as at 31 December 2014	<u>515,539</u>

Current assets

Current assets decreased by \$8.0 million (1.3%) from \$632.8 million as at 30 June 2014 to \$624.7 million as at 31 December 2014.

Inventories increased by \$136.2 million (187.5%) to \$208.9 million as at 31 December 2014 mainly due to transfer of vessels from construction work-in-progress to inventory work-in-progress following the rescission of shipbuilding contracts, coupled with the current period's progress of vessels under the Group's Build to Stock Program.

Trade and other receivables comprised the following:

	Total 31-Dec-14 \$'000	Total 30-Jun-14 \$'000	Increase/ (decrease) \$'000 %	
Trade receivables	178,540	207,278	(28,738)	(13.9)
Other receivables and deposits	30,492	26,828	3,664	13.7
Amounts due from related parties	74,859	53,552	21,307	39.8
	<u>283,891</u>	<u>287,658</u>	<u>(3,767)</u>	<u>(1.3)</u>

The decrease in trade receivables was mainly due to lower progressive billings for shipbuilding projects during the period. Of the total trade receivables, \$29.3 million was received subsequent to the period under review.

The higher other receivables and deposits balance was mainly attributable to more down payments made for the purchase of project equipment, vessels and plant and equipment.

The increase in amount due from related parties was mainly due to the trade billings and sale of vessels to associates of the Group in 1H FY2015.

Current liabilities

Current liabilities decreased by \$86.7 million (17.2%) from \$503.1 million as at 30 June 2014 to \$416.3 million as at 31 December 2014.

Trade and other payables comprised the following:

	Total 31-Dec-14 \$'000	Total 30-Jun-14 \$'000	Increase/ (decrease)	
			\$'000	%
Trade payables	134,234	147,447	(13,213)	(9.0)
Other payables	20,495	39,097	(18,602)	(47.6)
Amounts due to related parties	8,435	7,181	1,254	17.5
Loan from non-controlling interests of subsidiaries	202	191	11	5.8
	163,366	193,916	(30,550)	(15.8)

Other payables comprised mainly payables for expenditure incurred on yard developments and vessels, deferred income and deposits received from customers for shiprepairs and shipchartering services. The decrease was mainly due to settlement of payables for purchase of vessels, partially offset by higher deposit received from customers.

The decrease in current portion of interest-bearing loans and borrowings and trust receipts by \$28.7 million (17.7%) and \$20.8 million (20.8%) respectively was mainly due to the settlement of short term loans and trust receipts previously obtained, primarily to finance shipbuilding projects.

The Group's net construction work-in-progress in excess of progress billings decreased by \$130.7 million (79.6%) from \$164.3 million as at 30 June 2014 to \$33.6 million as at 31 December 2014. The decrease was mainly attributed to completion and delivery of vessels and rescission of the two shipbuilding contracts.

Non-current liabilities

Non-current liabilities increased by \$48.4 million (16.3%) to \$345.7 million as at 31 December 2014 mainly due to issuance of \$50 million in principal amount of 5.35% Notes due 2018. The net proceeds arising from the issue of the Notes have been utilised to finance working capital and refinance existing borrowings of the Group.

The breakdown of total group borrowings is as follows:

	31-Dec-14	30-Jun-14	Increase/ (decrease)	
	\$'000	\$'000	\$'000	%
Long term loans	214,860	210,723	4,137	2.0
Notes issued under Multicurrency Debt Issuance Programme	150,000	100,000	50,000	50.0
Finance lease liabilities	23,992	25,800	(1,808)	(7.0)
Short term loans	70,033	102,356	(32,323)	(31.6)
Bank overdraft	5,407	6,724	(1,317)	(19.6)
Total interest-bearing loans and borrowings	464,292	445,603	18,689	4.2
Trust receipts	79,368	100,204	(20,836)	(20.8)
Total borrowings	543,660	545,807	(2,147)	(0.4)
Total shareholders' funds	415,248	410,602		
Gearing ratio (times)	1.31	1.33		
Net gearing ratio (times)	1.14	1.15		

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 Group's announcement made on 13 November 2014 with respect to the first quarter ended 30 September 2014, the Group was profitable in 1H FY2015.

On 13 November 2014, the Group announced an outstanding delivery order of 20 vessels worth approximately \$122.8 million for its shipchartering operations. During 2Q FY2015, the shipchartering operations took delivery of 5 vessels with a total worth of \$6.2 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.

The shipping sector has been negatively impacted by further declines in bulk commodities prices and the sharp fall in oil prices. This is evidenced by the weak Baltic Dry Index and by recent charter rates for various types of oil tankers. The effect on us and other capital good suppliers has been noticeable. Projects have been slowed down, put on hold or even cancelled.

Whilst the Group's offshore support vessel businesses have also been affected, the Group also builds other vessels which include Harbour tugs, ASD tugs, work barges, dredgers, tankers etc. and given that these non-offshore related vessels are positively impacted by the low oil price (ship burns fuel) hence will benefit from lower oil price (lower fuel, logistics cost).

In addition the Group also expects business for repair of bulkers, tankers and non-oil and gas support vessels to pick up gradually in 2015 because the lower oil price will help push the vessel's operating costs lower.

As for shipchartering the Group expects high level of activities for the upcoming major infrastructure projects in Singapore and Malaysia where the Group will be supplying various support equipment (grab dredgers, tugs, hopper barges, crane barges) to the main contractors. Besides lower oil price will help to reduce speculative shipbuilding (as happened during 2008 – 2010) and provide support to the charter rates.

As at 31 December 2014, the Group had an outstanding shipbuilding order book from external customers of approximately \$270 million for 21 vessels with progressive deliveries up to second quarter of FY2017. The order book comprised AHTS, tugs, barges and tanker.

The Group's shipchartering revenue consists of mainly short-term and ad-hoc contracts. Approximately 31% of shipchartering revenue in 1H FY2015 was attributed to long-term chartering contracts (meaning contracts with a duration of more than one year). As at 31 December 2014, the Group had an outstanding order book of approximately \$60 million with respect to long-term shipchartering contracts.

The Group remains strategically committed to maximising deployment, enhancing and renewing its fleet to better meet customers' needs. The Group's shipchartering operations currently have an outstanding delivery order of 13 vessels worth approximately \$41 million, comprising Landing Crafts, tugs and barges. With the exception of 6 vessels with a total worth of \$13 million, these vessels are being built internally by the Group.

Barring any unforeseen circumstances, the Board expects the Group to remain profitable for the year.

11. Dividend

(a) Current Financial Period

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 2014.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

14. Negative confirmation pursuant to Rule 705(5).

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 interim financial statements of the Group and the Company for the second quarter and six months ended 31 December 2014 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Ang Kok Tian
Chairman and Managing Director

Ang Ah Nui
Deputy Managing Director

BY ORDER OF THE BOARD

Ang Kok Tian
Chairman and Managing Director
12 February 2015