8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition and results of operations for each of the three (3) financial years ended 31 December 2003, 2004 and 2005. The financial data for the financial years under review have been derived from our proforma consolidated financial statements which is based on our Group's audited financial statements, assuming that our current Group structure had been in existence throughout the financial years under review and after incorporating such adjustments considered necessary as set out in the Reporting Accountants' Letter on the Proforma Consolidated Financial Information set out in Section 7.5 of this Prospectus.

Our proforma consolidated financial statements are prepared in accordance with the approved accounting standards in Malaysia. You should read the financial information presented below together with the Reporting Accountant's Letter on the Proforma Consolidated Financial Information and the related appendices and notes thereto as disclosed in Section 7.5 of this Prospectus and our historical financial information as disclosed in Section 7 of this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly in Section 5 of this Prospectus.

Consolidated Income Statements

	Financial year ended 31 December		
	2003	**2004**	**2005**
	RM 000	**RM 000**	**RM 000**
Revenue	94,724	120,366	137,738
Direct costs	(70,456)	(82,175)	(94,313)
Gross profit	24,268	38,191	43,425
Other operating income	195	1,001	1,552
Staff costs	(2,264)	(3,554)	(4,860)
Depreciation	(311)	(224)	(525)
Other operating expenses	(1,300)	(1,453)	(3,059)
Profit from operations	20,588	33,961	36,533
Finance costs	(960)	(5,361)	(7,233)
Share of results in associated company	-	-	142
PBT	19,628	28,600	29,442
Taxation	(5,741)	(8,426)	(9,098)
PAT	13,887	20,174	20,344
MI	(46)	(312)	(520)
PATAMI	13,841	19,862	19,824

8.1 Overview

Our Group's business commenced in 1998, when AMSB first commenced its operations. In the early years, AMSB provided charter services by chartering third party vessels to transport its customers' goods and supplies. Given the significant advantage of owning its own vessels, AMSB acquired its first vessel in 1999. Since then, AMSB began establishing itself as an owner of offshore support vessels servicing predominantly companies operating in the Malaysian oil and gas industry, whilst at the same time developing its chartering and brokerage skills by acting as manager or operator for third party vessels. As at 31 December 2005, we own fourteen (14) vessels which are all Malaysian-flagged and plan to acquire additional vessels in the current and coming years. Please refer to Sections 11.8.1 and 11.8.2 of this Prospectus for details on the vessels that we own as at 31 December 2005 and the vessels that we have acquired/contracted to acquire in 2006 respectively, and Section 11.3 of this Prospectus for further details on our strategy for fleet expansion.

As operations expanded, subsidiaries of AMSB were incorporated to venture and specialise into specific areas related to the marine support services such as underwater services, ship owners and/ or ship managers. Currently, our Group comprises an investment holding company, five (5) subsidiaries and one (1) associated company which operate our two (2) principal business activities as set forth below:

(i) **Offshore Support Vessels and Services**. We provide our own vessels for charter as well as identifying suitable third party vessels based on our customers' needs and requirements, chartering the identified vessels from third parties and re-chartering them to our customers. We also provide various types of services to our customers such as assisting seismic operators in seismic survey related activities to locate oil and gas reserves in ocean beds; transportation of crew, supplies and cargoes to and from shore to rigs, platforms, offshore facilities or vessels; towing and mooring of rigs offshore; anchor-handling services; providing stand-by duties such as fire-fighting duties for offshore fires, and anti-pollution and preventive measures to react to oil slicks; and other support/ repair and maintenance services such as pipe and cable laying, jacket commissioning and/ or decommissioning.

(ii) **Offshore Facilities Construction and Installation and Underwater Services**. We provide our equipment such as saturation diving system and air diving system for rental to our customers. We also provide services such as offshore facilities construction and installation and related services; sub sea engineering services; and offshore pipeline construction and installation and related services.

Please refer to Section 12 of this Prospectus for further details on the companies in our Group and our Group's principal business activities and Section 11 of this Prospectus for further details of our operations.

8.2 Revenue

Our Group's revenue is principally derived from the chartering of offshore support vessels and providing offshore support services to our customers. Charter hire contracts with our customers would normally include the provision of offshore support vessels complimented by the provision of offshore support services for a specific project. The revenue from the charter hire contracts ("Charter Hire Revenue") would normally comprise charges for the mobilisation and demobilisation of vessels, and charter rates (which include supply of crew and manpower, catering, accommodation and other specific services provided, where applicable). Mobilisation and demobilisation are both, normally, one-off activity to bring the vessel to a specific location at the start of a project and to return the vessel to a specific location at the end of a project respectively.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Our Group's revenue from underwater services ("Underwater Services Revenue") are principally derived from the rental of underwater equipment such as our saturation diving system and air diving system as well as diving services, underwater inspection, underwater repairs and maintenance and the provision of manpower for underwater related activities to customers. Mobilisation and demobilisation of underwater equipment provided are also classified as part of Underwater Services Revenue.

Our Group also derives a very small percentage of revenue from other business activities that relate to marine support services which are provided on an ad-hoc basis.

All of our Group's revenue is recognised based on invoiced value on an accrual basis.

The table below sets forth the breakdown of our Group's revenue by activity and the percentages that they represent as a proportion of total revenue for the respective periods:

	Financial year ended 31 December					
	2003		2004		2005	
Revenue	**RM 000**	**%**	**RM 000**	**%**	**RM 000**	**%**
Charter hire						
- Third (3rd) Party Vessels	57,525	60.7	68,012	56.5	71,280	51.8
- Own Vessels	37,090	39.2	48,747	40.5	57,971	42.1
	94,615	99.9	116,759	97.0	129,251	93.9
Underwater services	109	0.1	3,551	3.0	7,868	5.7
Others	-	-	56	*	619	0.4
Total	**94,724**	**100.0**	**120,366**	**100.0**	**137,738**	**100.0**

Note:

* *Negligible*

8.2.1 Charter Hire Revenue

Charter Hire Revenue represents 99.9%, 97.0% and 93.9% of our Group's total revenue in 2003, 2004 and 2005 respectively. Our Charter Hire Revenue is derived from the chartering of our own vessels to customers ("Charter Hire Revenue from Own Vessels") as well as the chartering of vessels from third parties and subsequently, re-chartering them to our customers ("Charter Hire Revenue from 3rd Party Vessels"). Historically, Charter Hire Revenue from 3rd Party Vessels constituted a majority of our revenue. The Charter Hire Revenue from 3rd Party Vessels constituted 60.7%, 56.5% and 51.8% of our Group's total revenue in 2003, 2004 and 2005 respectively, whilst Charter Hire Revenue from Own Vessels constituted 39.2%, 40.5% and 42.1% of our Group's total revenue for the same respective periods.

Over the years, the E&P activity level in the oil and gas sector has been on the rise and has resulted in increase in demand for offshore support vessels. However, given the high initial capital outlay required to acquire vessels, we initially chartered vessels from third parties and re-chartered them to customers. Whilst Charter Hire Revenue from 3rd Party Vessels have traditionally been our Group's biggest revenue contributor, Charter Hire Revenue from Own Vessels has grown significantly important over the years. The increase in the Charter Hire Revenue from Own Vessels and the increasing percentage it commands over our total revenue is in line with our strategy of fleet expansion. Prior to 2001, we operated one (1) own vessel and received delivery of our second vessel in 2001. In 2002, we acquired two (2) vessels towards the end of the year. In 2003, we acquired three (3) new vessels and added another one (1) vessel to our fleet in 2004 whilst in 2005, we acquired another six (6) vessels.

Effectively, we operated two (2), four (4), seven (7), eight (8) and fourteen (14) own vessels in 2001, 2002, 2003, 2004 and 2005 respectively. In addition to our fourteen (14) vessels that were already operational by the end of 2005, we have executed contracts in 2005 to acquire two (2) additional vessels. We have received delivery of one (1) of these two (2) vessels in March 2006 and are expecting the delivery of the other vessel in July 2006. Moving forward, we plan to further increase our fleet size by identifying and acquiring suitable new vessels.

The increase in the number of vessels that we own is part of our fleet expansion strategy intended to realise the higher margin that can be derived from the charter hire of own vessels compared to the charter hire of third party vessels, as well as to reduce reliance on third party vessels. As a result, our revenue composition has been characterised by an increasing percentage of Charter Hire Revenue from Own Vessels over total revenue in recent years.

Please refer to Section 10 of this Prospectus for further details on the oil and gas, and offshore support services industries, Section 8.4 of this Prospectus for further discussion on our Group's gross profit and gross profit margin and Section 11.8 of this Prospectus for further information on the vessels that we own.

8.2.2 Underwater Services Revenue

Underwater Services Revenue represents 0.1%, 3.0% and 5.7% of our Group's total revenue in 2003, 2004 and 2005 respectively. Historically, Underwater Services Revenue have accounted for a small percentage of our total revenue. In 2004, our Group acquired new equipments, namely the saturation diving system and air diving system for rental to our customers. These equipments have been continuously rented out to customers for different projects since its commissioning in August 2004, and have continued to be in demand in 2005. As a result, our Underwater Services Revenue has increased significantly in 2004 and 2005 compared to previous years. With the continuing rental of these equipments in the future and the expected acquisition and commissioning of our new ROV in the third quarter of 2006, our underwater services are expected to grow and constitute a higher percentage of our Group's total revenue in future years.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

8.3 Direct Costs

Our total direct costs comprise mainly of direct costs that are related to the charter hire of third party vessels, charter hire of own vessels and charter hire of underwater services.

The direct costs related to the charter hire of third party vessels ("Direct Costs of 3rd Party Vessels") comprise mainly of charter hire expenses incurred as a result of chartering vessels from third parties. The charter hire expenses would normally be inclusive of crew/ manpower, utilities, and other related costs associated with the vessels chartered.

The direct costs of the charter hire of our own vessels ("Direct Costs of Own Vessels") comprise mainly of depreciation charges for vessels and equipment on board, amortisation of dry docking expenses capitalised, insurance costs, crew costs, utilities, repairs and maintenance and other expenses, all of which are directly related to our vessels. We do not incur any charter rental expenses from third parties as we own the vessels.

The direct costs related to our underwater services ("Direct Costs of Underwater Services") comprise mainly of equipment rental expenses incurred as a result of renting equipment from third parties (if the equipment is not owned by us), depreciation of the equipment (if the equipment is owned by us), charter rental of boats/ ships from third parties to transport the equipment to its specific location, as well as crew, manpower, utilities, repair and maintenance, insurance and other costs associated with the equipment and underwater services provided.

The table below sets forth the breakdown of our Group's direct costs by activity and the percentages that they represent as a proportion of total direct costs for the respective periods:

	Financial year ended 31 December					
	2003		2004		2005	
Direct Costs	**RM 000**	**%**	**RM 000**	**%**	**RM 000**	**%**
Charter hire						
- Third (3rd) Party Vessels	49,380	70.1	55,651	67.7	60,511	64.2
- Own Vessels	20,908	29.7	24,096	29.3	28,455	30.2
	70,288	99.8	79,747	97.0	88,966	94.4
Underwater services	168	0.2	2,394	2.9	5,116	5.4
Others	-	-	34	*	231	0.2
Total	**70,456**	**100.0**	**82,175**	**100.0**	**94,313**	**100.0**

Note:

* *Negligible*

8.3.1 Direct Costs of Charter Hire Business

The direct costs relating to our charter hire business (own vessels and third party vessels) represent 99.8%, 97.0% and 94.4% of our total direct costs in 2003, 2004 and 2005 respectively. The high percentages of direct costs relating to the charter hire business over total direct costs are in line with the high percentages of charter hire revenue over total revenue over the same period of time.

Direct Costs of 3rd Party Vessels constituted 70.1%, 67.7% and 64.2% of our total direct costs in 2003, 2004 and 2005 respectively, whilst the Direct Costs of Own Vessels constituted 29.7%, 29.3% and 30.2% respectively, of our total direct costs for the same period of time.

The Direct Cost of 3rd Party Vessels have accounted for the majority of our total direct costs and is in line with the fact that most of our revenue is derived from the charter hire of third party vessels. The increase in charter rates over the years have also made it more costly to charter from third parties and have contributed significantly to the high Direct Cost of 3rd Party Vessels.

The Direct Costs of Own Vessels have increased steadily over the years and is in line with the increase in our Charter Hire Revenue from Own Vessels, which in turn, is in tandem with the expansion in our fleet size over the same period of time.

8.3.2 Direct Costs of Underwater Services

Direct Costs of Underwater Services represent 0.2%, 2.9% and 5.4% of our Group's total direct costs in 2003, 2004 and 2005 respectively. Historically, the Direct Costs of Underwater Services have accounted for a smaller percentage of our total direct cost due to the lower activity level in this business segment as reflected by the lower revenue generated. The higher Direct Costs of Underwater Services in 2004 and 2005 is mainly due to the expenses and charges incurred in relation to our new saturation diving system and air diving system which was commissioned in August 2004, as well as the cost of servicing contracts secured for these equipment in 2004 and 2005. The increase in our Direct Costs of Underwater Services in 2004 and 2005 is in line with the higher Underwater Services Revenue generated during the same period of time.

8.4 Gross Profit and Gross Profit Margin

Our Group's gross profit comprise mainly of gross profit derived from the charter hire of third party vessels ("Gross Profit from 3rd Party Vessels"), charter hire of own vessels ("Gross Profit from Own Vessels") and underwater services ("Gross Profit from Underwater Services"), respectively.

Historically, gross profit derived from our charter hire business has been by far the main contributor to our total gross profit whilst Gross Profit from Underwater Services has contributed positively to our results, except in the year 2003.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The tables below sets forth the breakdown of our Group's gross profit by activity and the percentages that they represent as a proportion of total gross profit for the respective periods:

	Financial year ended 31 December					
	2003		2004		2005	
Gross Profit	**RM 000**	**%**	**RM 000**	**%**	**RM 000**	**%**
Charter hire						
- Third (3rd) Party Vessels	8,145	33.5	12,361	32.4	10,769	24.8
- Own Vessels	16,182	66.7	24,651	64.5	29,516	68.0
- Total	24,327	100.2	37,012	96.9	40,285	92.8
Underwater services	(59)	(0.2)	1,157	3.0	2,752	6.3
Others	-	-	22	0.1	388	0.9
Total	**24,628**	**100.0**	**38,191**	**100.0**	**43,425**	**100.0**

Our Group recorded gross profit margins of 25.6%, 31.7% and 31.5% in 2003, 2004 and 2005 respectively.

The table below sets forth the breakdown of our Group's gross profit margin by activity for the respective periods under review:

	Financial year ended 31 December		
	2003	2004	2005
Gross Profit Margin	**%**	**%**	**%**
Charter hire			
- Third (3rd) Party Vessels	14.2	18.2	15.1
- Own Vessels	43.6	50.6	50.9
- Total	25.7	31.7	31.2
Underwater services	(54.1)	32.6	35.0
Others	-	39.3	62.7
Total	**25.6**	**31.7**	**31.5**

8.4.1 Gross Profit and Gross Profit Margin from Charter Hire

Our Gross Profit from 3rd Party Vessels represents 33.5%, 32.4% and 24.8% of our total gross profit in 2003, 2004 and 2005 respectively, whilst our Gross Profit from Own Vessels represents 66.7%, 64.5% and 68.0% respectively, of our total gross profit for the same period.

Although Charter Hire Revenue from 3rd Party Vessels constituted the majority of our revenue in 2003 to 2005, the majority of our total gross profit in 2003 to 2005 was derived from the charter hire of own vessels. This is mainly due to the higher gross profit margin that is derived from the charter hire of own vessels compared to charter hire of third party vessels. Concurrently, during the same period of time, our Charter Hire Revenue from Own Vessels has also increased steadily, primarily due to the gradual expansion in our fleet of vessels, and thus contributed to the higher gross profit from the charter hire of own vessels.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The gross profit margin derived from the charter hire of own vessels were 43.6%, 50.6% and 50.9% in 2003, 2004 and 2005 respectively compared to 14.2%, 18.2%, and 15.1% respectively, from the charter hire of third party vessels for the same period.

Our gross profit margin from charter hire is a function of revenue and direct costs. Our charter hire revenue (for both third party vessels and own vessels) is primarily dependent on the availability of vessels, the securing of contracts with our customers and the charter hire rates thereof. On the other hand, the amount of direct costs incurred for our charter hire contracts would essentially be dependent on the vessels used, i.e. whether the vessels are owned by us or chartered from third parties. The Direct Costs of 3rd Party Vessels primarily comprise of chartering costs from third parties that are significantly high and ever increasing. Direct Costs of Own Vessels do not comprise such chartering costs from third parties but instead include depreciation and other expenses related to our own vessels. Generally, our vessels' depreciation and other related expenses are relatively lower than the chartering costs from third parties. As a result, the gross profit margin derived from the charter hire of own vessels are higher than the gross profit margin of third party vessels.

In addition, the charter hire rate for a particular vessel would depend on, amongst other factors, the engine capacity of the vessels. Our newer vessels acquired in 2003, 2004 and 2005, with generally bigger engine capacities, were able to command higher charter rates, and consequently, higher gross profit margins were derived from these vessels.

8.4.2 Gross Profit and Gross Profit Margin from Underwater Services

Gross Profit from Underwater Services represents (0.2)%, 3.0% and 6.3% of our Group's total gross profit in 2003, 2004 and 2005 respectively. The gross profit margin for underwater services for the same respective periods were (54.1%), 32.6% and 35.0% respectively.

The relatively lower percentage of gross profit derived from underwater services over total gross profit is in line with the lower revenue generated from this business segment. Albeit lower in value compared to the gross profit generated from our charter hire business, our underwater services have contributed positively to our results year on year except in 2003.

The gross loss margin of 54.1% incurred in 2003 was mainly due to our underwater services contract that had been existing since 2000 coming to its tail end in 2003. Lower revenue derived from the contract and the existence of fixed costs that were incurred regardless whether there was any contract, such as divers' wages and depreciation changes on the equipment, contributed to the gross loss margin in 2003. The high gross profit margin in 2004 and 2005 was mainly due to new underwater equipment (namely our saturation diving system and the air diving system) which were acquired and commenced operations in 2004 were able to command higher valued contracts as well as close monitoring of direct costs to keep them at an optimum level.

8.5 Year on Year Review

8.5.1 Financial Year Ended 31 December 2005 Compared to Financial Year Ended 31 December 2004

Revenue

Our revenue for the year 2005 increased by 14.4% from RM120.4 million in 2004 to RM137.7 million in 2005 due to the increase in revenue for all business segments.

Our Charter Hire Revenue from 3rd Party Vessels increased by 4.8% from RM68.0 million in 2004 to RM71.3 million in 2005 mainly due to the higher number of contracts secured especially during the second half of the year. We were also able to secure higher charter hire rates for our third party vessels generally due to the high demand for vessels during the year.

Our Charter Hire Revenue from Own Vessels increased by 18.9% from RM48.7 million in 2004 to RM58.0 million in 2005. The increase in Charter Hire Revenue from Own Vessels was mainly due to our acquisition of six (6) vessels in 2005, which were commissioned and placed on charter contracts immediately upon delivery. Similar to our Charter Hire Revenue from 3rd Party Vessels, we were also able to secure higher charter hire rates for our own vessels, generally due to the high demand for vessels during the year. However, as these six (6) vessels were received on a staggered basis, mainly in the last quarter of the year, the impact of the additional six (6) vessels on our revenue in 2005 is not as significant. We expect the contribution from these vessels to our revenue to be much higher in future years when these vessels are operational for a full year.

Our Underwater Services Revenue increased by 121.6% from RM3.6 million in 2004 to RM7.9 million in 2005 mainly due to the higher revenue derived from the rental of the saturation diving system and air diving system. These diving systems were deployed to numerous projects and were able to generate a full year's revenue in 2005 as compared to shorter period of five (5) months in 2004, as they were only delivered and commissioned in August 2004.

Direct Costs

Our Group's direct costs for the year 2005 increased by 14.8% from RM82.2 million in 2004 to RM94.3 million in 2005 due to the increase in direct costs for all business segments and was in tandem with the increase in our revenue.

Our Group's Direct Costs of 3rd Party Vessels increased by 8.7% from RM55.7 million in 2004 to RM60.5 million in 2005 as a result of a higher number of contracts secured, especially in the second half. In addition, higher rates imposed by owners of third party vessels, mainly due to the general increase in demand for vessels, also contributed significantly to the increase in our Direct Costs of 3rd Party Vessels.

Our Direct Costs of Own Vessels increased by 15.4% from RM24.1 million in 2004 to RM27.8 million in 2005 and was in line with the increase in Charter Hire Revenue from Own Vessels. The increase in the Direct Costs of Own Vessels was mainly due to the increase in vessel, crew salaries and related expenses which was mainly due to the increase in the number of vessels in operations during the year, i.e. fourteen (14) vessels in 2005 compared to eight (8) vessels in 2004.

8. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Our Direct Costs of Underwater Services increased by 113.7% from RM2.4 million in 2004 to RM5.2 million in 2005 and is in line with the higher revenue derived from our underwater services. The increase in our Direct Costs of Underwater Services was mainly due to the additional costs incurred in servicing contracts for the rental of our saturation diving system and air diving system during the year. The additional costs incurred in servicing the diving systems contracts was mainly due to the longer operation time for the diving systems in 2005.

The diving systems were operational for a full year in 2005 compared to only five (5) months in 2004 (only delivered and commissioned in August 2004).

<u>Gross profit</u>

Our gross profit increased by 13.7% from RM38.2 million in 2004 to RM43.5 million in 2005, as a result of the higher gross profit derived from the charter hire of own vessels and underwater services due to the higher number of contracts secured during the year, which in turn resulting in the higher number of vessels in operation as well as the longer utilisation of the diving systems during the year. Our charter hire of third party vessels also contributed significantly to our overall results, although at lower levels compared to 2004, and was mainly due to the lower gross profit margin derived from this business segment.

Our overall gross profit margin decreased marginally from 31.7% in 2004 to 31.5% in 2005 mainly due to lower gross profit margin derived from the charter hire of third party vessels. The gross profit margin from the charter hire of third party vessels decreased from 18.2% in 2004 to 15.1% in 2005 mainly due to the higher chartering costs of third party vessels which we were not able to pass in entirety to our customers. This was partially offset by the increase in our gross profit margin derived from own vessels of 50.9% in 2005 compared to 50.6% in 2004 mainly due to us being able to secure favourable charter hire rates, in particular, from the deployment of our vessels overseas such as the Middle East, Indonesia and Russia. Our gross profit margin from our underwater services also recorded improvement, from 32.6% in 2004 to 35.0% in 2005 as a result of securing contracts with higher rental rates in relation to our saturation diving system and air diving system in 2005 compared to 2004.

<u>Other operating income</u>

Our other operating income increased by 55.0% from RM1.0 million in 2004 to RM1.6 million in 2005 mainly due to higher one-off income in relation to "Recoupment of Costs"* from third party vessel owners and/or clients and higher interest income on deposits placed out during the year.

Note:

* *"Recoupment of Costs" mainly relates to back-charging of expenses incurred on behalf of third party vessel owners and/or client. We would normally recoup whatever costs (in particular repair and maintenance expenses) incurred on owner/client's behalf at 'cost plus margin' or certain pre-agreed amount before the commencement of charter hire contract.*

<u>Staff costs</u>

Staff costs increased by 36.7% from RM3.6 million in 2004 to RM4.9 million in 2005 mainly due to the increase in the number of staff from thirty-four (34) in 2004 to fifty-five (55) in 2005 to accommodate the expansion in our business activities, salary increment and bonus pay-out to staff.

Depreciation

Our depreciation charges increased by 134.4% from RM0.2 million in 2004 to RM0.5 million in 2005 mainly due to the additional depreciation for new motor vehicles during the financial year 2005.

Other operating expenses

Our other operating expenses increased by 110.5% from RM1.4 million in 2004 to RM3.1 million in 2005 mainly due to the additional legal fees and banking charges incurred to facilitate the acquisition of our six (6) new vessels in 2005 and the borrowings to finance the acquisition thereof.

Finance costs

Finance costs increased by 34.9% from RM5.4 million in 2004 to RM7.2 million in 2005 mainly due to the increase in borrowings to finance the acquisition our six (6) new vessels in 2005.

Share of results in associated company

Our only associated company is WIF (which is 33.33% owned by us). WIF was only incorporated in 2005 and hence, there is no comparative share of results in associated company for the year 2004. The amount in 2005 reflects our 33.33% share of WIF's profit for the period since its incorporation up to 31 December 2005.

Profit before taxation

Profit before taxation increased by 2.9% from RM28.6 million in 2004 to RM29.4 million in 2005 mainly due to the increase in our gross profit, and other income but partially offset by increases in staff costs, finance costs, depreciation and other operating expenses.

Taxation

Taxation increased by 8.0% from RM8.4 million in 2004 to RM9.1 million in 2005 mainly due to the increase in profit before taxation. Our effective tax rate for 2005 was 30.9% and is higher than the statutory tax rate of 28.0% mainly due to the incurrence of some non-deductible expenses for taxation purposes such as depreciation, entertainment, legal and registration fees, donations and etc.

Profit after taxation

Profit after taxation decreased slightly by 0.2% from RM19.9 million in 2004 to RM19.8 million in 2005 and is mainly due to the increase in profit before taxation which was offset by the increase in taxation.

8.5.2 Financial Year Ended 31 December 2004 Compared to Financial Year Ended 31 December 2003

Revenue

Our revenue for the year 2004 increased by 27.1% from RM94.7 million in 2003 to RM120.4 million in 2004 due to the increase in revenue for all business segments.

Our Charter Hire Revenue from 3rd Party Vessels increased by 18.2% from RM57.5 million in 2003 to RM68.0 million in 2004 mainly due to the securing of new contracts at higher charter rates. Our charter hire contracts with our customers were mainly on a 'back-to-back' basis with our own chartering of vessels from third parties. As the charter rates from third parties had increased during the year, the amount that was subsequently charged to our customers was also higher.

Our Charter Hire Revenue from Own Vessels increased by 31.4% from RM37.1 million in 2003 to RM48.7 million in 2004. The increase in Charter Hire Revenue from Own Vessels was mainly due to our Group's acquisition of one (1) new vessel during the year 2004 and the subsequent charter contract placed with a customer in relation to the newly acquired vessel in the same year. Our three (3) new vessels operating in 2003 did not generate a full year's revenue in 2003 as we received the delivery of those vessels at various periods in 2003. However, they were all operating for a full year in 2004 and hence, increased the Charter Hire Revenue from Own Vessels in 2004.

Our Underwater Services Revenue increased by 3,157.8% from RM0.1 million in 2003 to RM3.6 million in 2004 mainly due to the purchase of the saturation diving system and air diving system in August 2004, and the subsequent rental of these equipment to customers in the same year. Mobilisation and demobilisation fees in relation to the new equipment were also charged to customer as part of our Underwater Services Revenue. We also managed to secure new contracts in 2004 for 'Diving Related Onshore' which primarily comprise the provision of diving services in relation to hull inspection, underwater inspection and other related activities as well as securing new contracts in relation to general underwater services. These have all further increased our Group's Underwater Services Revenue in 2004.

Direct Costs

Our Group's direct costs for the year 2004 increased by 16.6% from RM70.5 million in 2003 to RM82.2 million in 2004 due to the increase in direct costs for all business segments.

Our Group's Direct Costs from 3rd Party Vessels increased by 12.7% from RM49.4 million in 2003 to RM55.7 million in 2004 as a result of servicing a higher number of contracts during the year and was in line with the increase in Charter Hire Revenue from 3rd Party Vessels. Higher vessel chartering rates from third parties have also contributed to the increase in our Direct Costs of 3rd Party Vessels.

Our Direct Costs of Own Vessels increased by 15.2% from RM20.9 million in 2003 to RM24.1 million in 2004 and was in line with the increase in Charter Hire Revenue from Own Vessels. The increase in the Direct Costs of Own Vessels was mainly due to the increase in the depreciation and insurance charges in relation to the newly acquired vessel in 2004 as well as the increase in crew and other vessel related charges incurred in the process of servicing the contract we entered into. Furthermore, our three (3) new vessels operating in 2003 were received during various periods in 2003 and as such, the direct cost in relation to the new vessels such as depreciation, insurance and other related costs were only proportionately taken up during the year 2003, whereas they were charged in full in 2004.

Our Direct Costs of Underwater Services increased by 1,325.0% from RM0.2 million in 2003 to RM2.4 million in 2004 mainly due to the additional depreciation and equipment related charges incurred as a result of the acquisition and operations of the saturation diving system and air diving system in August 2004. Divers' costs incurred in providing services for the new contracts in relation to 'Diving Related Onshore' as well as new contracts in relation to general underwater services further increased our Direct Costs of Underwater Services.

Gross profit

Our gross profit increased by 57.4% from RM24.3 million in 2003 to RM38.2 million in 2004, as a result of increase in our gross profit levels for all of our business segments.

Our gross profit margin improved from 25.6% in 2003 to 31.7% in 2004 mainly due to the improvement in gross profit margins in all business segments. In particular, the higher percentage of revenue being derived from the more profitable segment of Charter Hire Revenue from Own Vessels contributed significantly towards the overall higher gross profit margin.

Other operating income

Other operating income increased by 413.3% from RM0.2 million in 2003 to RM1.0 million in 2004 mainly due to a one-off income raised in 2004 to our customers for mobilisation and demobilisation fees and other consumables amounting to approximately RM0.8 million. Higher interest income generated from the higher placement in fixed deposits also contributed to the increase in other operating income.

Staff costs

Staff costs increased by 57.0% from RM2.3 million in 2003 to RM3.6 million in 2004 mainly due to the increase in the number of staff from eighteen (18) in 2003 to thirty-four (34) in 2004 to accommodate our expansion in business activities.

Depreciation

Our depreciation charges decreased by 28.0% from RM0.3 million in 2003 to RM0.2 million in 2004. Although we purchased approximately RM1.0 million of property, plant and equipment, our depreciation charges decreased marginally mainly due to the disposal and write-off of other property, plant and equipment.

Other operating expenses

Our other operating expenses remained relatively unchanged at approximately RM1.3 million to RM1.4 million in 2003 and 2004.

Finance costs

Finance costs increased significantly by 458.4% from RM1.0 million in 2003 to RM5.4 million in 2004 mainly due to the increase in borrowings to finance the acquisition of the additional vessel and the new underwater equipment (saturation diving system and air diving system) in 2004. Further, we only incurred partial interest expense in 2003 in relation to the three (3) new vessels acquired in that year as the borrowings for the vessels were drawn down on a staggered basis over the financial year ended 31 December 2003 whilst we incurred a full year's interest charge in 2004 for these borrowings.

Profit before taxation

Profit before taxation increased by 45.7% from RM19.6 million in 2003 to RM28.6 million in 2004 mainly due to the increase in our gross profit and other income, but partially offset by the increase in our staff costs, other operating expenses and finance costs.

Taxation

Taxation increased by 45.3% from RM5.7 million in 2003 to RM8.4 million in 2004 and is mainly due to the increase in our profit before taxation. Our effective tax rate for 2004 was 29.5% and is higher than the statutory tax rate of 28.0% mainly due to the incurrence of some non-deductible expenses for taxation purposes such as depreciation, entertainment, legal and registration fees, donations and etc.

Profit after taxation

Profit after taxation increased by 43.5% from RM13.8 million in 2003 to RM19.9 million in 2004 and is mainly due to increase in profit before taxation off set by the increase in taxation.

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ACCOUNTANTS' REPORT
(Prepared for inclusion in the Prospectus to be dated 29 June 2006)

2 June 2006

The Board of Directors
Alam Maritim Resources Berhad
38F, Level 2,
Jalan Radin Anum,
Bandar Baru Sri Petaling,
57000 Kuala Lumpur

Dear Sirs,

I. INTRODUCTION

This Report has been prepared by Ernst & Young, an approved company auditor, for inclusion in the Prospectus of Alam Maritim Resources Berhad ("AMRB") to be dated 29 June 2006, in connection with the restructuring and subsequent listing of AMRB on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") comprising of the following transactions:

(a) Acquisition of AMSB

The acquisition by AMRB of the entire issued and paid-up share capital of AMSB comprising 20,000,000 ordinary shares of RM1.00 each from the previous shareholders for a total purchase consideration of RM66,558,440 satisfied by the issuance of 133,116,880 new shares in AMRB at an issue price of RM0.50 per share, credited as fully paid-up.

(b) Transfer of AMLI

The transfer of the entire issued and paid-up share capital of AMLI comprising 7,110,100 ordinary shares of USD1.00 each from AMSB to AMRB for a total transfer consideration of USD7,110,100 (RM27,018,380).

(c) Initial Public Offering ("IPO")

AMRB is undertaking a public offering of 29,219,200 Public Issue Shares at the IPO price of RM1.65 per Public Issue Share. CIMB Mezzanine I Sdn Bhd and CIMB Mezzanine Fund I, Ltd. P. ("Offerors") are undertaking an offer for sale of 8,652,600 Offer Shares at the IPO price of RM1.65 per Offer Share. The Public Issue Shares and Offer Shares will be allocated in the following manner:

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I. INTRODUCTION (CONTD.)

(1) Public Issue

(i) 8,116,500 Public Issue Shares, representing 5.00% of the enlarged issued and paid-up share capital of AMRB, to be allocated via ballot, will be made available for application by Malaysian citizens, companies, co-operatives, societies and institutions whereby 30% of the Public Issue Shares will be set aside for Bumiputera investors;

(ii) 11,363,000 Public Issue Shares, representing 7.00% of the enlarged issued and paid-up share capital of AMRB, by way of private placement, will be placed with Malaysian and/or foreign investors by the Placement Agent whereby attempt will be made to place 30% of the shares to Bumiputera investor(s); and

(iii) Up to 9,739,700 Public Issue Shares, representing up to 6.00% of the enlarged issued and paid-up share capital of AMRB, will be made available for application by eligible Directors and employees of AMRB Group, and persons who have contributed to the success of the AMRB Group.

(2) Offer for Sale

8,652,600 Offer Shares, representing 5.33% of the enlarged issued and paid-up share capital of AMRB, by way of private placement, will be placed with Malaysian and/or foreign investors by the Placement Agent whereby attempt will be made to place 30% of the shares to Bumiputera investor(s).

(d) Employee Share Option Scheme ("ESOS")

Implementation of the ESOS wherein the Options to be granted under the ESOS shall not exceed 15% of the issued and paid-up share capital of AMRB at any one time. Based on the enlarged issued and paid-up share capital of AMRB, upon completion of the IPO, of RM81,168,041, comprising of 162,336,082 Shares, the number of new Shares to be issued pursuant to the ESOS is 24,350,412 Shares.

(e) Listing

Listing and quotation of AMRB's entire issued and paid-up share capital of RM81,168,041 comprising 162,336,082 ordinary shares of RM0.50 each ("AMRB Shares") on the Main Board of Bursa Securities.

(Collectively referred to as the "Listing Scheme")

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II. GENERAL CORPORATE INFORMATION

1. AMRB

AMRB was incorporated in Malaysia on 23 June 2005 as a public company limited by shares under the name of Alam Maritim Resources Berhad.

The principal activity of the Company is that of investment holding company.

2. SUBSIDIARIES

At the date of this Report, the subsidiaries of AMRB are as follows:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM *(unless otherwise stated)*	Principal Activities	Effective Equity Interest %
Alam Maritim (M) Sdn. Bhd. ("AMSB")	15.07.1996 Malaysia	20,000,000	Ship-owning, managing, chartering, catering and other shipping related activities.	100
Alam Maritim (L) Inc. ("AMLI")	14.06.2004 Malaysia	USD7,110,100	Investment holding and ship owning.	100
Subsidiary of AMSB				
Najdah Gemilang Sdn. Bhd. ("NAJDAH")	20.09.2000 Malaysia	100,000	Transportation, ship forwarding and agent, ship chandeling and other related activities	100

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II. GENERAL CORPORATE INFORMATION (CONTD.)

2. SUBSIDIARIES (CONTD.)

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM *(unless otherwise stated)*	Principal Activities	Effective Equity Interest %
Alam Hidro (M) Sdn. Bhd. ("AHSB")	05.02.1999 Malaysia	143,000	Offshore facilities construction and installation and underwater services	70
Alam Eksplorasi (M) Sdn. Bhd. ("AESB")	21.11.2000 Malaysia	300,000	Ship owning, ship operating and chartering.	60

3. SHARE CAPITAL

3.1 AMRB

Authorised Share Capital

The authorised share capital of the Company at 31 May 2006 is RM250,000,000 comprising 500,000,000 ordinary shares of RM0.50 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of the Company at 31 May 2006 is RM66,558,441 comprising 133,116,880 ordinary shares of RM0.50 each.

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II. GENERAL CORPORATE INFORMATION (CONTD.)

3. SHARE CAPITAL (CONTD.)

3.2 AMSB

Authorised Share Capital

The authorised share capital of AMSB at 31 May 2006 is RM25,000,000 comprising 25,000,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of AMSB at 31 May 2006 is RM20,000,000 comprising 20,000,000 ordinary shares of RM1.00 each.

3.3 AMLI

Authorised Share Capital

The authorised share capital of AMLI at 31 May 2006 is USD10,000,000 comprising 10,000,000 ordinary shares of USD1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of AMLI at 31 May 2006 is USD7,110,100 comprising 7,110,100 ordinary shares of USD1.00 each.

3.4 NAJDAH

Authorised Share Capital

The authorised share capital of NAJDAH at 31 May 2006 is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of NAJDAH at 31 May 2006 is RM100,000 comprising 100,000 ordinary shares of RM1.00 each.

II. GENERAL CORPORATE INFORMATION (CONTD.)

3. SHARE CAPITAL (CONTD.)

3.5 AHSB

Authorised Share Capital

The authorised share capital of AHSB at 31 May 2006 is RM500,000 comprising 500,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of AHSB at 31 May 2006 is RM143,000 comprising 143,000 ordinary shares of RM1.00 each.

3.6 AESB

Authorised Share Capital

The authorised share capital of AESB at 31 May 2006 is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each.

Issued and Paid-Up Share Capital

The issued and paid-up share capital of AESB at 31 May 2006 is RM300,000 comprising 300,000 ordinary shares of RM1.00 each.

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II. GENERAL CORPORATE INFORMATION (CONTD.)

4. FINANCIAL STATEMENTS AND AUDITORS

The following is the summary of information in relation to the auditors of the subsidiaries of AMRB for the relevant years under review:

Company	**FY 2003**	**FY 2004**	**FY 2005**
AMRB	N/A	N/A	EY
AMSB	IA	IA	EY
AHSB	IA	IA	EY
AESB	IA	IA	EY
NAJDAH	AIC	IA	EY
AMLI *	N/A	IA	EY

Legend:

EY Audited by Ernst & Young
AIC Audited by Azmi Ismail & Co
IA Audited by Inpana & Associates
N/A Not applicable

* The audited financial statements of AMLI was prepared only for the purpose of preparing consolidated financial statements of AMSB Group.

4.1 Auditors' Report

There was no qualification in the auditors' reports on the financial statements for the financial years under review.

The auditors' reports on the financial statements of the AMSB Group for the financial years ended 31 December 2003 to 2005 are set out in Appendix 1, Appendix 2 and Appendix 3, respectively.

The auditors' reports on the financial statements of AMRB for the financial year ended 31 December 2005 is set out in Appendix 4.

4.2 Accounting Policies and Standards

This Report is prepared on a basis consistent with the accounting policies adopted by AMRB and its subsidiaries as disclosed in Section XII (1) of this Report, and the information presented in this Report has been prepared in accordance with applicable MASB Approved Accounting Standards in Malaysia.

II. GENERAL CORPORATE INFORMATION (CONTD.)

4. FINANCIAL STATEMENTS AND AUDITORS (CONTD.)

4.3 Material Change in the Accounting Policies Adopted

There has been no material change in the accounting policies adopted by the Group during the financial periods and years under review except for those disclosed in Section VIII of this Report.

4.4 Restatements to the Audited Financial Statements

There are no restatements to the audited financial statements of AMRB for the financial period under review.

Restatements are made to the audited financial statements of AMSB Group as disclosed in Section VIII to X of this Report.

5. DIVIDENDS

The Company has not paid or declared any dividends since its incorporation.

No dividends have been declared or paid by the subsidiaries during the relevant years under review.

6. FINANCIAL INFORMATION AND LIMITATIONS

We set out in the following pages the financial information of AMRB and the AMSB Group based on its audited financial statements for the relevant financial years covered in this Report as required by Section 14.12(b) of the Guidelines as AMRB has been in operation for a period less than three financial years and the AMSB Group (the existing group) accounted for more than 75% of the proforma group.

The scope of work conducted in the preparation of this Report does not, in itself, constitute an audit in accordance with the approved standards on auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report was not independently verified by us. In preparing this Report, we have relied upon information and representations given to us by Directors, officers, and employees of the respective companies and sought explanations for apparent discrepencies, if any.

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III. AUDITED INCOME STATEMENT OF ALAM MARITIM RESOURCES BERHAD

FOR THE FINANCIAL PERIOD ENDED FROM 23 JUNE 2005 (DATE OF INCORPORATION) TO 31 DECEMBER 2005

	Note	2005 RM
Revenue		-
Cost of sales		-
Gross Profit		-
Staff Costs		-
Depreciation		-
Other Operating expenses	1	(20,590)
Loss from operations		(20,590)
Finance costs		-
Loss before taxation		(20,590)

IV. AUDITED BALANCE SHEET OF ALAM MARITIM RESOURCES BERHAD AS AT 31 DECEMBER 2005

	Note	2005 RM
CURRENT ASSETS		
Cash in hand		1
Listing expenses	2	711,521
		711,522
CURRENT LIABILITIES		
Other payables	3	732,111
NET CURRENT ASSETS		(20,589)
FINANCED BY:		
Share capital		1
Accumulated loss		(20,590)
		(20,589)

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V. AUDITED STATEMENT OF CHANGES IN EQUITY OF ALAM MARITIM RESOURCES BERHAD

FOR THE FINANCIAL PERIOD ENDED FROM 23 JUNE 2005 (DATE OF INCORPORATION) TO 31 DECEMBER 2005

	Share capital RM	Accumulated loss RM	Total RM
At 23 June 2005	1	-	1
Loss for the period	-	(20,590)	(20,590)
At 31 December 2005	1	(20,590)	(20,589)

VI. AUDITED CASH FLOW STATEMENT OF ALAM MARITIM RESOURCES BERHAD

FOR THE FINANCIAL PERIOD ENDED FROM 23 JUNE 2005 (DATE OF INCORPORATION) TO 31 DECEMBER 2005

	2005 RM
CASH FLOW FROM OPERATING ACTIVITIES	
Loss before taxation	(20,590)
Changes in working capital:	
Increase in payables	20,090
Net cash from operating activities	(500)
CASH AND CASH EQUIVALENTS AT DATE OF INCORPORATION	1
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	1

VII. NOTES TO THE FINANCIAL STATEMENTS - AMRB

The accounting policies adopted by AMRB is consistent with the accounting policies disclosed in Section XII (1) of this report.

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VII. NOTES TO THE FINANCIAL STATEMENTS - AMRB (CONTD.)

1. OTHER OPERATING EXPENSES

	2005 RM
Secretarial fees	4,060
Advisory fee	5,290
Professional fee	9,740
Provision for audit fees	1,500
	20,590

2. LISTING EXPENSES

	2005 RM
Securities Commission - Perusal and submission fees	133,007
Bursa Malaysia Securities Berhad - Perusal fees	3,000
Reporting Accountants fees	123,250
Legal advisers fees	51,718
Independent research fees	70,000
Corporate finance advisory fees	197,500
Valuation fees	130,000
Secretarial services fees	3,046
	711,521

The listing expenses incurred in relation to the Company's application to the Securities Commission for its proposed listing on the Main Board of Bursa Securities Malaysia Berhad. As permitted under Section 60 (3) of the Companies Act, 1965, the amount will be offset against the share premium account upon the listing of the Company.

3. OTHER PAYABLES

	2005 RM
Amount due to AMSB	730,611
Provision for audit fees	1,500
	732,111

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VIII. AUDITED CONSOLIDATED INCOME STATEMENTS OF ALAM MARITIM (M) SDN. BHD.

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005

	Note	2003 RM (restated)	2004 RM (restated)	2005 RM (restated)
Revenue	2	94,724,023	119,251,939	137,609,505
Cost of sales	2	(70,455,851)	(81,500,763)	(94,229,250)
Gross profit		24,268,172	37,751,176	43,380,255
Other operating income		195,400	1,150,959	1,552,588
Staff costs	3	(2,255,503)	(3,423,632)	(4,830,401)
Other operating expenses		(1,598,231)	(1,635,042)	(3,545,357)
Profit from operations		20,609,838	33,843,461	36,557,085
Finance costs, net	4	(959,910)	(5,510,869)	(7,233,087)
Share of results of associate		-	-	141,969
Profit before taxation	5	19,649,928	28,332,592	29,465,967
Taxation	6	(5,741,525)	(8,376,339)	(9,098,420)
Profit after taxation		13,908,403	19,956,253	20,367,547
Minority interests		(27,578)	(326,973)	(520,093)
Net profit for the year		13,880,825	19,629,280	19,847,454

The financial results of the Group AMSB have been prepared based on the audited income statements after making such adjustments and reclassifications as we considered appropriate for the relevant financial years to reflect retrospective effect of adjustments to taxation and deferred taxation in respect of prior year adjustments and over/under provision of taxation.

The adjustments as stated above have been reflected in the respective financial years as follows:

	31.12.2003 RM	31.12.2004 RM	31.12.2005 RM
Profit before taxation as stated in the audited financial statements	19,649,928	28,332,592	29,465,967
Adjustment for:			
Taxation as stated in the audited financial statements	(2,068,130)	(6,827,296)	(10,650,377)
Adjustment for:			
- change in deferred tax policy,	(3,670,481)	-	-
- reversal of prior year adjustment	(2,914)	2,914	-
- under provision of deferred tax	-	(1,551,957)	1,551,957
Taxation, adjusted	(5,741,525)	(8,376,339)	(9,098,420)

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VIII. AUDITED CONSOLIDATED INCOME STATEMENTS OF ALAM MARITIM (M) SDN. BHD. (CONTD.)

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005

	31.12.2003 RM	31.12.2004 RM	31.12.2005 RM
Net profit after taxation, adjusted	13,908,403	19,956,253	20,367,547
Minority interests	(27,578)	(326,973)	(520,093)
Net profit after taxation, as stated in this report	13,880,825	19,629,280	19,847,454
Accumulated profits brought forward as stated in this report	4,560,762	14,741,587	33,689,867
Bonus issue	(3,700,000)	(681,000)	-
Accumulated profits carried forward, as stated in this report	14,741,587	33,689,867	53,537,321

	Prior to 2003 RM'000
Accumulated profits brought forward prior to adjustments	4,935,762
Adjustment for under provision of deferred taxation	(375,000)
Accumulated profits brought forward as stated in this report	4,560,762

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IX. AUDITED CONSOLIDATED BALANCE SHEET OF ALAM MARITIM (M) SDN. BHD.

AS AT 31 DECEMBER 2003, 31 DECEMBER 2004 AND 31 DECEMBER 2005

	Note	2003 RM (restated)	2004 RM (restated)	2005 RM (restated)
NON-CURRENT ASSETS				
Property, plant and equipment	7	102,699,361	126,857,370	251,934,390
Investment in an associate	8	-	-	350,279
Goodwill	9	-	-	952,767
		102,699,361	126,857,370	253,237,436
CURRENT ASSETS				
Trade receivables	10	22,069,705	29,923,076	48,330,688
Other receivables	11	1,119,205	2,082,334	14,132,783
Due from a related company	12	11,616	11,792	-
Cash and bank balances		15,184,127	6,179,451	2,032,854
Short term deposits	13	1,166,559	10,501,151	7,062,098
Tax recoverable		107,236	-	31,275
		39,658,448	48,697,804	71,589,698
CURRENT LIABILITIES				
Trade payables	14	14,547,033	13,191,271	25,174,338
Other payables	15	4,976,720	2,276,246	8,397,832
Borrowings	16	16,958,342	20,502,213	24,154,788
Loan stocks	18	1,337,160	1,337,160	-
Taxation		221,484	977,469	-
Due to ultimate holding company		2,684,247	-	4,755,209
		40,724,986	38,284,359	62,482,167
NET CURRENT (LIABILITIES)/ ASSETS		(1,066,538)	10,413,445	9,107,531
		101,632,823	137,270,815	262,344,967

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IX. AUDITED CONSOLIDATED BALANCE SHEET OF ALAM MARITIM (M) SDN. BHD. (CONTD.)

AS AT 31 DECEMBER 2003, 31 DECEMBER 2004 AND 31 DECEMBER 2005

	Note	2003 RM (restated)	2004 RM (restated)	2005 RM (restated)
FINANCED BY:				
Share capital		15,500,000	20,000,000	20,000,000
Retained profits		14,741,587	33,689,867	53,537,321
		30,241,587	53,689,867	73,537,321
Minority interest		936,965	1,263,938	1,750,956
		31,178,552	54,953,805	75,288,277
LONG TERM LIABILITIES				
Borrowings	16	62,028,635	67,936,900	163,627,234
Loan stocks	18	1,337,160	-	-
Deferred tax liabilites	19	7,088,476	14,380,110	23,429,456
		70,454,271	82,317,010	187,056,690
		101,632,823	137,270,815	262,344,967

The balance sheets of the Group have been prepared based on the audited financial statements after making the following adjustments and reclassifications to reflect the classifications as adopted in the latest audited financial statements and adjustments made to the income statements as described in Section VIII above as follows:

	31.12.2003 RM	31.12.2004 RM	31.12.2005 RM
Deferred taxation as stated in the audited financial statements	3,042,995	12,828,153	23,429,456
Adjustment for under provision of deferred tax	4,045,481	1,551,957	-
Deferred taxation as stated in this report	7,088,476	14,380,110	23,429,456
Tax recoverable as stated in the audited financial statements	746,342	-	670,381
Adjustment for under provision of taxation	(639,106)	-	(639,106)
Tax recoverable as stated in this report	107,236	-	31,275

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X. AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF ALAM MARITIM (M) SDN. BHD.

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005

		Share capital RM	Retained profit RM	Total RM
At 1 January 2003, audited		3,000,000	4,935,762	7,935,762
Prior year adjustments	(i)	-	639,106	639,106
	(ii)	-	(375,000)	(375,000)
	(iii)	-	(639,106)	(639,106)
At 1 January 2003, restated		3,000,000	4,560,762	7,560,762
Issue of shares		8,800,000	-	8,800,000
Bonus issue		3,700,000	(3,700,000)	-
Net profit for the year, restated		-	13,880,825	13,880,825
At 31 December 2003, restated		15,500,000	14,741,587	30,241,587
At 1 January 2004, audited		15,500,000	19,429,088	34,929,088
Prior year adjustments	(ii)	-	(375,000)	(375,000)
	(ii)	-	(3,670,481)	(3,670,481)
	(iii)	-	(639,106)	(639,106)
	(iii)	-	(2,914)	(2,914)
At 1 January 2004, restated		15,500,000	14,741,587	30,241,587
Issue of shares		3,819,000	-	3,819,000
Bonus issue		681,000	(681,000)	-
Net profit for the year, restated		-	19,629,280	19,629,280
At 31 December 2004, restated		20,000,000	33,689,867	53,689,867
At 1 January 2005, audited		20,000,000	35,880,930	55,880,930
Prior year adjustments	(ii)	-	(1,551,957)	(1,551,957)
	(iii)	-	(639,106)	(639,106)
At 1 January 2005, restated		20,000,000	33,689,867	53,689,867
Net profit for the year, restated		-	19,847,454	19,847,454
At 31 December 2005		20,000,000	53,537,321	73,537,321

Note:

(i) Adjustments raised in the audited financial statements.
(ii) Adjustments raised due to under provision of deferred taxation in prior years.
(iii) Adjustments raised for the reversal of tax exemption.

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XI. AUDITED CONSOLIDATED CASH FLOW STATEMENTS OF ALAM MARITIM (M) SDN. BHD.

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005

	2003 RM	2004 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	19,649,928	28,332,592	29,465,967
Adjustments for:			
Depreciation of property, plant and equipment	6,296,964	8,854,908	9,546,845
Interest expense	959,910	5,510,869	7,233,087
Property, plant and equipment written off	83,522	28,705	46,291
Loss/(gain) on disposal of property, plant and equipment	-	(17,484)	435
Operating profit before working capital changes	26,990,324	42,709,590	46,292,625
Changes in working capital:			
Increase in receivables	(6,993,466)	(10,578,015)	(24,258,408)
Increase/(decrease) in payables	5,391,227	(4,056,236)	17,879,427
Increase in due to related company	(2,116)	11,616	4,766,825
Cash generated from operations	25,385,969	28,086,955	44,680,469
Tax paid	(343,688)	(967,827)	(7,197,357)
Interest paid	(959,910)	(5,510,869)	(7,524,979)
Net cash generated from operating activities	24,082,371	21,608,259	29,958,133
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(87,282,775)	(33,550,137)	(134,621,778)
Proceeds from disposal of property, plant and equipment	-	376,000	15,000
Proceeds from sale of investment	57,200	-	-
Acquisition of a subsidiary	-	-	(851,072)
Net cash used in investing activities	(87,225,575)	(33,174,137)	(135,457,850)

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XI. AUDITED CONSOLIDATED CASH FLOW STATEMENTS OF ALAM MARITIM (M) SDN. BHD.

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2003 TO 2005

	2003 RM	2004 RM	2005 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	8,800,000	3,819,000	-
Proceeds from hire purchase creditors	33,000	960,000	708,305
Proceeds from insurance claims	-	150,000	-
Repayment of hire purchase creditors	(159,812)	(507,830)	(113,784)
Proceeds from term loans	78,241,434	22,898,207	109,144,533
Repayment of term loans	(12,027,768)	(18,368,496)	(16,165,817)
Repayment of loan stocks	(1,337,160)	-	-
Net cash generated from financing activities	73,549,694	8,950,881	93,573,237
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	10,406,490	(2,614,997)	(11,926,480)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	5,943,100	16,349,590	13,734,593
CASH AND CASH EQUIVALENTS AT END OF YEAR	16,349,590	13,734,593	1,808,113
CASH AND CASH EQUIVALENTS COMPRISE:			
Cash and bank balances	15,184,127	6,179,451	2,032,854
Short term deposits (Note 13)	1,166,559	10,501,151	7,062,098
Bank overdraft (Note 16)	(1,096)	(449,944)	(2,234,741)
Deposits in sinking funds	-	(2,000,000)	(4,208,000)
Margin deposits	-	(496,065)	(844,098)
	16,349,590	13,734,593	1,808,113

XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those companies in which the Group has equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(ii) Associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the consolidated income statement. The group's interest in associates is carried in the consolidated balance sheet at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transaction between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

(c) Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the idetifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill is stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(i). Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet while goodwill arising on the acquisition of associates is included within the respective carrying amounts of these investments.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Negative goodwill is recognised immediately in the income statement in the year it arises.

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(d) Investment in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(i).

On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 1(i).

Vessels are depreciated in equal annual instalments calculated to reduce to scrap value the cost of vessels over their estimated useful lives of between 5 to 25 years.

Leasehold building is depreciated over the period of the lease of seventy-six years.

Drydocking costs are capitalised and amortised over the period of the vessels's next drydocking cycle which is approximately over two and a half years.

Depreciation is provided for on a straight line method to write off the cost of each assets to its residual value over the estimated useful lives, at the following annual rates:

Diving equipments	10%
Equipment on vessel	10%
Computers	10%
Office equipments	10%
Furniture and fittings	10%
Motor vehicles	20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(f) Cash and Cash Equivalents

For the purpose of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposit at call and short term highly liquid invesments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

(g) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(h) Assets Acquired Under Hire Purchase

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Company's incremental borrowings rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately. Reversal of impairment losses recognised in prior years is recorded when the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(j) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2003 RM	2004 RM	2005 RM
Singapore Dollar	2.18	2.27	2.30
United States Dollar	3.80	3.80	3.80

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(k) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(l) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Charter hire

Charter hire is recognised when the services are performed and is computed at the contracted daily rate. In the event invoices are yet to be issued at year end, the revenue is accrued to the extent of the services performed at the balance sheet date.

(ii) Management fees

Management fees are recognised on an accrual basis based on a predetermined rate.

(iii) Mobilisation and demobilisation fees, remainder on board, rental of equipments and diving survey

The above revenue are recognised on an accrual basis when the services are performed.

XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(m) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on review of all outstanding amounts as at the balance sheet date.

(ii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(iii) Interest- bearing borrowings

Interest- bearing bank loans and overdrafts are recorded at the amount of proceeds received net of transaction costs.

Borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(iv) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

2. REVENUE, COST OF SALES AND GROSS PROFIT MARGIN

	2003 RM	2004 RM	2005 RM
Charter hire	91,926,551	111,334,462	122,530,501
Ship catering	316,756	616,025	782,775
Management fees	1,191,930	597,859	1,264,961
Underwater services	132,986	1,776,777	536,560
Mobilisation and demobilisation fees	1,155,800	3,136,076	2,280,392
Remainder on board	-	374,120	2,050,424
Rental of equipments	-	939,442	5,688,523
Diving survey	-	-	1,533,920
Miscellaneous	-	477,178	941,449
	94,724,023	119,251,939	137,609,505
Cost of sales	70,455,851	81,500,763	94,229,250
Gross profit margin (%)	25.6	31.7	31.5

Revenue has increased over the financial years 2003 to 2005 mainly due to the additional contracts secured for the chartering of third party vessels and additions to the Group owned vessels.

Cost of sales represents the cost of chartering third party vessels, crew salaries and allowances, depreciation of vessels and equipments on board and other vessels related expenses.

The increase in gross profit margin in financial year 2004 as compared to 2003 is contributed by the higher margin from the new vessels acquired during the financial year. The gross profit margin for financial year 2005 is relatively consistent to financial year 2004.

3. STAFF COSTS

	2003 RM	2004 RM	2005 RM
Salaries, bonuses and allowances	1,426,342	2,287,151	3,191,224
EPF- Defined contribution plan	130,198	235,869	346,609
Social security costs	6,213	10,086	14,841
Other staff related expenses	692,750	890,526	1,277,727
	2,255,503	3,423,632	4,830,401

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

3. STAFF COSTS

Included in staff costs of the Group are executive directors' remuneration as follows:

	2003 RM	2004 RM	2005 RM
Executive Directors' remuneration	674,200	955,108	1,150,886

4. FINANCE COSTS

	2003 RM	2004 RM	2005 RM
Interest on:			
Hire purchase	49,381	54,567	141,198
Term loans	667,020	5,144,114	7,018,819
Bank overdraft	1,096	17,729	17,772
Loan stocks	237,850	144,719	50,647
Advances and administrative charges	-	149,740	4,651
Short term borrowings	4,563	-	-
	959,910	5,510,869	7,233,087

5. PROFIT BEFORE TAXATION

	2003 RM	2004 RM	2005 RM
Profit before taxation is stated after charging/(crediting):			
Rental of premises	47,614	74,096	54,874
Hire of equipments and boats	114,035	185,781	2,297,344
Auditors' remuneration	31,500	53,500	87,000
Depreciation	6,296,964	8,854,908	9,546,845
Directors' fees	25,000	25,000	25,000
Provision for doubtful debts	-	33,915	11,787
Interest income	(36,430)	(72,767)	(100,390)
Al-Wadiah profit sharing	(28,687)	(46,938)	(1,372)
(Gain)/loss on disposal of property, plant and equipment	-	(17,484)	435
Insurance claims	(241,201)	(16,575)	-
Property, plant and equipment written off	83,522	28,705	46,291
Loss on foreign exchange	110,988	125,144	651,167

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

6. TAXATION

	2003 RM	2004 RM	2005 RM
Income tax:			
Charge for the year	221,484	1,084,705	49,074
Deferred tax:			
Relating to origination and reversal of temporary differences	5,520,041	7,291,634	9,049,346
	5,741,525	8,376,339	9,098,420
Effective tax rate (%)	29.2	29.6	30.9

The effective tax rate throughout the financial years under review is higher than the statutory tax rate of 28% due to certain expenses non-deductible for taxation purposes.

7. PROPERTY, PLANT AND EQUIPMENT

2005

Group	Leasehold Building	Vessels	Diving Equipment, Equipment on Vessel	Drydocking	Motor Vehicles	Computers, Office Equipments, Furniture and Fittings	Renovations	Total
Cost								
At 1.1.2005	1,490,000	130,191,241	7,133,123	3,642,754	1,597,567	559,372	492,777	145,106,834
Additions	-	130,405,523	2,277,614	1,043,664	491,825	145,034	258,118	134,621,778
Disposal	-	-	-	-	(40,569)	-	-	(40,569)
Write off	-	-	-	(1,952,770)	-	-	-	(1,952,770)
Acquisition of a subsidiary	-	-	-	-	-	10,201	-	10,201
At 31.12.2005	1,490,000	260,596,764	9,410,737	2,733,648	2,048,823	714,607	750,895	277,745,474
Accumulated Depreciation								
At 1.1.2005	39,210	14,508,316	676,200	2,530,438	364,998	84,773	45,529	18,249,464
Charge for the year	19,605	6,927,888	808,621	1,286,260	380,398	62,090	61,983	9,546,845
Disposal	-	-	-	-	(32,455)	-	-	(32,455)
Write off	-	-	-	(1,952,770)	-	-	-	(1,952,770)
At 31.12.2005	58,815	21,436,204	1,484,821	1,863,928	712,941	146,863	107,512	25,811,084
Net Book Value								
At 31.12.2005	1,431,185	239,160,560	7,925,916	869,720	1,335,882	567,744	643,383	251,934,390

7. PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(a) During the financial year, the Group acquired property, plant and equipment at agregate cost of RM491,825 by means of hire purchase agreements. The net book values of property, plant and equipment held under hire purchase agreements are as follows:

	2005
	RM
Motor vehicles	1,335,882

(b) The net book values of property, plant and equipment pledged for borrowings (Note 16) are as follows:

	2005
	RM
Leasehold building	1,431,185
Vessels	239,160,560
	240,591,745

(c) The land/strata titles for the leasehold land and buildings located at 38E and 38F, Level 2, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur, measuring approximately 9,095 square feet, have not been issued by the relevant authorities.

8. INVESTMENT IN AN ASSOCIATE

	2005
	RM
Outside Malaysia:	
Unquoted shares, at cost	208,310
Share of post acquisition reserves	141,969
	350,279

9. GOODWILL

	2005
	RM
At 1 January	-
Arising from acquisition of a subsidiary	952,767
At 31 December	952,767

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

10. TRADE RECEIVABLES

	2005 RM
Trade receivables	35,985,810
Accrued ship management fee	297,853
Accrued charter hire income	12,058,812
	48,342,475
Less: Provision for doubtful debts	(11,787)
	48,330,688
% of trade receivables to revenue	35.1%
Trade receivables turnover period (days)	128

Trade receivables ageing analysis as at 31 December 2005 is as follows:

	Within credit period	← Exceeding credit period				→	
	0 - 30 Days RM	31 - 60 Days RM	61 - 90 Days RM	> 90 - 180 Days RM	> 180 - 360 Days RM	> 360 Days RM	Total RM
Trade receivables (RM'000)	16,463	6,180	4,313	3,947	739	4,344	35,986
% of total trade receivables	45.7	17.2	12.0	11.0	2.1	12.1	100.0

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

11. OTHER RECEIVABLES

	2005
	RM
Deposit for purchase of vessels	8,576,791
Other deposits	1,080,966
Prepayments	1,698,017
Advances and staff loans	384,662
Sundry receivables	2,392,347
	14,132,783

12. AMOUNT DUE FROM A RELATED COMPANY

The amount due from related company is non-trade in nature, unsecured, do not bear any interest and have no fixed repayment terms.

13. SHORT TERM DEPOSITS

	2005
	RM
Deposits with licensed banks	5,062,098
Repurchase agreements with a discount house	2,000,000
	7,062,098

Deposits with licensed banks of the Group amounting to RM4,208,000 (2004: RM2,000,000) are set aside into a sinking fund for the purpose of repayment of the Group's borrowings.

Deposits with licensed banks of the Group amounting to RM844,098 (2004: RM496,065) are set aside as margin deposits for the utilisation of bank guarantee facility.

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

14. TRADE PAYABLES

The normal trade credit term granted to the company ranges from 30 to 60 days.

	2005
Trade payables turnover period (days)	98

Trade payables ageing analysis as at 31 December 2005 is as follows:

	0 - 30 Days RM	31 - 60 Days RM	61 - 90 Days RM	> 90 - 180 Days RM	> 180 - 360 Days RM	> 360 Days RM	Total RM
Trade payables (RM'000)	14,163	4,917	2,644	2,328	808	314	25,174
% of total trade payables	56.3	19.5	10.5	9.2	3.2	1.2	100.0

15. OTHER PAYABLES

	2005 RM
Advances for purchase of vessels	1,878,041
Accrued expenses	508,151
Sundry payables	6,011,640
	8,397,832

16. BORROWINGS

	2005 RM
Short Term Borrowings	
Secured:	
Bank overdrafts	2,234,741
Term loans	17,196,936
Hire purchase payables (Note 17)	223,111
	19,654,788
Unsecured:	
Revolving Credit	4,500,000
Total	24,154,788

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

16. BORROWINGS (CONTD.)

	2005 RM
Long Term Borrowings	
Secured:	
Term Loans	162,377,400
Hire purchase payables (Note 17)	1,249,834
	163,627,234
Total Borrowings:	
Bank overdrafts	2,234,741
Term loans	179,574,336
Revolving Credit	4,500,000
Hire purchase payables (Note 17)	1,472,945
	187,782,022

Maturity of borrowings (excluding hire purchase payables):

Within one year	23,931,677
More than 1 year and less than 2 years	22,001,951
More than 2 years and less than 5 years	54,496,943
More than 5 years	85,878,506
	186,309,077

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	2005 %
Bank overdrafts	4.00
Term loans	7.00
Revolving credit	7.73

The bank overdrafts and revolving credits of the Group are secured by certain assets of the Group as disclosed in Note 7.

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

16. BORROWINGS (CONTD.)

The term loans are secured by the following:

(a) First legal charge over the vessels;

(b) Legal assignments of charter proceeds;

(c) Debentures incorporating fixed and floating asset of the Company;

(d) Joint and several guarantees issued by all directors of the Company;

(e) Sinking fund of RM200,000 quarterly to partially cover the last year installment with interest to be capitalised.

17. HIRE PURCHASE PAYABLES

	2005 RM
Minimum lease payments:	
Within one year	310,632
More than 1 year and less than 2 years	306,882
More than 2 years and less than 5 years	527,052
5 years and more	723,178
	1,867,744
Less: future interest charges	(394,799)
Present value of hire purchase liabilities	1,472,945
Present value of hire purchase liabilities:	
Within one year	223,111
More than 1 year and less than 2 years	237,489
More than 2 years and less than 5 years	430,396
5 years and more	581,949
	1,472,945
Analysed as:	
Due within one year	223,111
Due after one year	1,249,834
	1,472,945

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XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

17. HIRE PURCHASE PAYABLES (CONTD.)

The hire purchase liability bears interest as follows:

	2005
	RM
Interest rate on hire purchase liability	2.95% - 4.50%

18. LOAN STOCKS

	2005
	RM
Redeemable convertible loan stocks ("RCLS")	1,337,160
Less: Repayment during the year	(1,337,160)
Balance as at 31 December	-

On 8 December 2000, the Company and a subsidiary, Alam Eksplorasi (M) Sdn. Bhd. entered into a shareholders' agreement with Synergy Sparkle Sdn. Bhd., for the purpose of purchasing a vessel named M.V. Setiabakti. The amount has been fully settled during the financial vear.

19. DEFERRED TAXATION

	2005
	RM
At 1 January	14,380,110
Recognised in income statement (Note 6)	9,049,346
At 31 December	23,429,456
Presented after appropriate offsetting as follows:	
Deferred tax assets	-
Deferred tax liabilty	23,429,456
	23,429,456

ERNST & YOUNG
AF: 0039

XII. NOTES TO THE FINANCIAL STATEMENTS - AMSB GROUP (CONTD.)

19. DEFERRED TAXATION (CONTD.)

The components and movements of deferred tax liability and assets during the financial year are as follows:

Deferred tax liability of the Group:

	2005 RM
Accelerated capital allowances	
At 1 January	14,380,110
Recognised in the income statement	14,772,508
At 31 December	29,152,618

Deferred tax assets of the Group:

Tax losses and unabsorbed capital allowances	
At 1 January	-
Recognised in the income statement	(4,167,905)
At 31 December	(4,167,905)
Provision for doubtful debts	
At 1 January	-
Recognised in the income statement	(3,300)
At 31 December	(3,300)
Total	
At 1 January	-
Recognised in the income statement	(4,171,205)
At 31 December	(4,171,205)

20. CAPITAL COMMITMENTS

	2005 RM
Purchase of vessels:	
- Approved and contracted for	69,540,000
- Approved but not contracted for	74,320,000

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XIII. POST BALANCE SHEET EVENTS

(i) Acquisition of AMSB by AMRB

AMRB entered into a conditional shares purchase agreement dated 1 July 2005 ("SPA") and subsequently into a supplemental agreement to the SPA dated 20 February 2006 ("Supplemental SPA") with the existing shareholders of AMSB for the acquisition of 100% equity interest in AMSB, comprising 20,000,000 ordinary shares of RM1.00 each, for a total purchase consideration of RM66,558,440, satisfied wholly by the issuance of 133,116,880 Shares at an issue price of RM0.50 per Share, credited as fully paid-up ("Acquisition of AMSB"). The Acquisition of AMSB was completed on 21 April 2006.

(ii) Transfer of AMLI

On 24 May 2006, AMSB transferred its 100% equity interest in AMLI, comprising 7,110,100 ordinary shares of USD1.00 each, to AMRB for a transfer consideration of USD7,110,100, being AMSB's cost of investment in AMLI, satisfied wholly by cash.

XIV. AUDITED FINANCIAL STATEMENTS

No audited financial statements have been prepared in respect of any period subsequent to 31 December 2005.

Yours Faithfully

Ernst & Young	Wong Kang Hwee
AF: 0039	No. 1116/01/08(J)
Chartered Accountants	Partner

Appendix 1

Seelan S. Chelliah
C.A. (M), F.C.A. (Eng & Wales), C.P.A. (M), F.T.I.I.

INPANA & ASSOCIATES
Chartered Accountants
Firm No : AF 0413

No. 568-9-19, 9th Floor,
Kompleks Mutiara, 3½ Mile, Jalan Ipoh,
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Tel : 03-62576177, 62576178
Fax : 03-62576179

Company No. 394243 - P

REPORT OF THE AUDITORS TO THE MEMBERS OF
ALAM MARITIM (M) SDN. BHD.
(Incorporated in Malaysia)

We have audited the accompanying balance sheet as at 31 December 2003 and the related statements of income and cash flows for the financial year then ended. These statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of :

    (i) the financial position of the Group and the Company as at 31 December 2003 and of the results and the cash flows of the Group and the Company for the year then ended; and

    (ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiaries for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

SEELAN S.CHELLIAH, C.A.(M),F.C.A.,C.P.A.
Approval No.815/4/04 (J)
Chartered Accountant

INPANA & ASSOCIATES
Firm No.AF 0413
Chartered Accountants

Kuala Lumpur
Dated: 12 APRIL 2004

Appendix 2

Seelan S. Chelliah
C.A. (M), F.C.A. (Eng & Wales), C.P.A. (M), F.T.I.I.

INPANA & ASSOCIATES
Chartered Accountants
Firm No : AF 0413

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Email: inpana2@hotmail.com

Company No. 394243 - P

REPORT OF THE AUDITORS TO THE MEMBERS OF
ALAM MARITIM (M) SDN. BHD.
(Incorporated in Malaysia)

We have audited the accompanying balance sheet as at 31 December 2004 and the related statements of income and cash flows for the financial year then ended. These statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with approved standards on auditing in Malaysia. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia so as to give a true and fair view of:

(i) the financial position of the Group and the Company as at 31 December 2004 and of the results and the cash flows of the Group and the Company for the year then ended; and

(ii) the matters required by Section 169 of the Companies Act 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and the subsidiaries for which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

SEELAN S.CHELLIAH, C.A.(M),F.C.A.,C.P.A.
Approval No.815/4/06 (J)
Chartered Accountant

INPANA & ASSOCIATES
Firm No.AF 0413
Chartered Accountants

Kuala Lumpur
Dated: 25 April 2005

Appendix 3

ERNST & YOUNG
AF: 0039

■ Chartered Accountants
Level 23A, Menara Milenium
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(General Line)
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(03) 2095-9078
www.ey.com/my

394243-P

REPORT OF THE AUDITORS TO THE MEMBERS OF ALAM MARITIM (M) SDN. BHD.
(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 8 to 43. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:

   (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and

   (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
AF: 0039

394243-P

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF ALAM MARITIM (M) SDN. BHD. (CONTD.)
(Incorporated in Malaysia)

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young
Ernst & Young
AF: 0039
Chartered Accountants

Habibah Abdul
Habibah bte Abdul
No. 1210/05/06(J)
Partner

Kuala Lumpur, Malaysia
17 April 2006

Appendix 4

ERNST & YOUNG
AF: 0039

■ Chartered Accountants
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REPORT OF THE AUDITORS TO THE MEMBERS OF
ALAM MARITIM RESOURCES BERHAD
(Incorporated in Malaysia)

We have audited the accompanying financial statements set out on pages 7 to 14. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:

  (i) the financial position of the Company as at 31 December 2005 and of the results and the cash flows of the Company for the year then ended; and

  (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young
Ernst & Young
AF: 0039
Chartered Accountants

Habibah bte Abdul
No.1210/05/06(J)
Partner

Kuala Lumpur, Malaysia
20 April 2006