

**SCOMI MARINE BHD (397979-A)
(formerly known as HABIB CORPORATION BERHAD)**

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT – FRS 134

A1 Basis Of Preparation

The interim financial report has been prepared in accordance with Financial Reporting Standards ("FRS") 134 Interim Financial Reporting and Chapter 9 Part K of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2005 except for the adoption of the following new/revised FRSs effective for financial period beginning 1 January 2006:

FRS 2	Share-based payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentations
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets

Up to 31 December 2005, the Group's consolidated financial statements were prepared in accordance with the FRSs with effective dates before 1 January 2006. Certain comparative figures in respect of 2005 have been restated to reflect the relevant adjustments.

A2 Changes in Accounting Policies (continued)

The adoption of FRS 3, 108, 110, 116, 121, 127, 132, 133, 136 and 138 does not have significant financial impact to the Group. With the adoption of the new applicable FRSs, the Group has effected the necessary changes to the accounting policies and disclosures as follows:

a) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of the minority interests, share of net after tax results of associated companies, and other disclosures. In the condensed consolidated balance sheet, minority interests are now presented within total equity. In the condensed consolidated income statements, minority interests are presented as an allocation of the net profit or loss for the period. A similar requirement is also applicable to the statements of changes in equity. This standard also requires disclosure, on the face of the statements of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to shareholders of the Company and to minority interests.

The current period's presentation of the Group's financial statements is based on the requirements of the revised FRS 101, with the comparatives restated to conform with the requirement.

b) FRS 2 : Share-based payment

This FRS requires an entity to recognize share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company implements an equity-settled, share based compensation plan for the employees of the Group known as the Employees' Share Option Scheme ("ESOS"). Prior to 1 January 2006, no compensation expense was recognized in the consolidated income statement for share options granted. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercised.

With the adoption of FRS 2, the compensation expense relating to share options is recognized within staff costs in the consolidated income statement over the vesting periods of the grants with a corresponding increase in equity.

If an employee chooses to exercise the options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options are unexercised and lapsed, the related capital reserve is transferred directly to retained earnings.

The new accounting policy is to be applied retrospectively with comparative restated in accordance with FRS 2, except for the transitional provisions set out in paragraph 53 of FRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- a) all options granted to employees on or before 31 December 2004; and
- b) all options granted to employees after 31 December 2004 and which were vested before 1 January 2006.

No adjustments to the opening balances as at 1 January 2005 are required as no options existed at that time which were unvested as at 1 January 2006.

A2 Changes in Accounting Policies (continued)

The amount charged to the income statement as a result of the change of policy increase the administrative expenses for the nine months ended 30 September 2006 by RM387,000 (nine months ended 30 September 2005: Nil), with the corresponding amounts credited to the Options reserve.

Effect of the changes in policies on profit after taxation for the nine months ended 30 September 2006.

Effect of changes in accounting policies (increase/decrease)	9 months ended 30 September 2006			9 months ended 30 September 2005		
	Share holders of the company	Minority interests	Total	Share holders of the company	Minority interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FRS 2						
Equity settled share based transaction	(349)	(38)	(387)	-	-	-
Total effect for the period	(349)	(38)	(387)	-	-	-
Effect on earnings per share:						
- basic earning per share (sen)	(0.05)	(0.01)	(0.06)	-	-	-
- diluted earnings per share (sen)	(0.06)	(0.01)	(0.07)	-	-	-

Details of the employees share option scheme can be found in the Company's audited financial statements for the year ended 31 December 2005.

New/revised FRSs which would be adopted from the financial period beginning 1 January 2007, are:

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of the above new FRSs has no material effect on the results and financial position of the current and prior periods.

A3 Audit Report For Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 December 2005 was not subject to any qualifications.

A4 Seasonal Or Cyclical Factors

The Group's operations are generally not affected by any seasonal or cyclical factors.

A5 Unusual Items

Other than those disclosed, there were no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review.

A6 Changes in Estimates

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date during its review for impairment of goodwill.

The key assumptions and other key sources of estimation uncertainty mentioned above that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in respect of those made during the review of impairment of goodwill. The Group determines whether goodwill is impaired on an annual basis. Estimating the value in use requires the Group to make an estimate of the expected future cashflows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cashflows. The carrying amount of goodwill as at 30 September 2006 was RM471.459 million.

There were no changes in estimates that have had a material effect in the results for the quarter under review.

A7 Debt And Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and debt equity securities during the quarter under review except for the issuance of 145,096,000 comprising 5,966,000 ordinary shares of RM1 each for cash pursuant to the Company's ESOS at an exercise price of RM1.15 per ordinary share and 139,130,000 ordinary shares of RM1 each issued for the conversion of the Redeemable Convertible Cumulative Preference Shares ("RCCPS") based on the conversion ratio of one (1) ordinary share for every 1.15 RCCPS .

A8 Dividend Paid

The final dividend of 2% in respect of the financial year ended 31 December 2005 amounting to RM11.878 million and dividend on RCCPS amounting to RM3.906 million respectively was paid out on 22 September and 30 September respectively. (2005 : RM1,850,000 in respect of the financial year ended 31 December 2004 was paid on 16 September 2005).

A9 Segment Reporting

Segment information as presented in respect of the Group's business segment.

	-Discontinued-	-----Continuing operations-----			
	Manufacturing and Jewellery RM'000	Investment holding RM'000	Marine Services RM'000	Intersegment elimination RM'000	Total RM'000
REVENUE AND RESULTS					
REVENUE					
External sales	69,056	-	327,877	-	327,877
RESULTS					
Profit from operations	5,130	14,360	73,334	(18,898)	68,796
Interest expense	(2,939)	(32)	(34,081)	-	(34,113)
Interest income	594	762	3,953	-	4,715
Share of profits of an associated company	-	-	25,266	-	25,266
Profit before taxation	2,785	15,090	68,472	(18,898)	64,664
Taxation	(1,438)	-	-	-	(5,609)
Profit after taxation	1,347	-	-	-	59,055
Minority Interest	-	-	-	-	(1,260)
Net profit attributable to shareholders	1,347	-	-	-	57,795
ASSETS AND LIABILITIES					
ASSETS					
Assets employed in the segment	n.a.	855,649	1,430,115	(753,512)	1,532,252
Investment in associated companies	n.a.	-	201,524	-	201,524
Unallocated assets	n.a.	-	6	-	6
Consolidated total assets	-	-	-	-	1,733,782
LIABILITIES					
Liabilities in segment	n.a.	1,025	764,078	(243)	763,697
Unallocated liabilities	n.a.	-	1,163	-	1,163
	-	-	-	-	764,860
OTHER INFORMATION					
Capital expenditure	165	-	85,140	-	85,140
Depreciation	1,463	-	41,224	-	41,224
Non cash expenses other than depreciation, amortization and impairment losses	n.a.	-	-	-	-

A10 Valuation of Property, Plant and Equipment

There were no changes to the valuation of property, plant and equipment brought forward from the previous annual financial statements.

A11 Material Subsequent Events

Save as disclosed in Note B8, there were no material events subsequent to the end of the quarter under review that has not been reflected in this condensed financial statements for this quarter.

A12 Changes In Composition Of The Group

Following the completion of the Proposed Divestment on 6 July 2006, the following companies have ceased to be subsidiary companies of the Group: -

- (a) Cantik Jewellery Sdn Bhd (*formerly known as CZ Jewelry Center Sdn Bhd*);
- (b) Habib Jewelry Manufacturing Sdn Bhd ;
- (c) Habib Jewels Sdn Bhd;
- (d) Haji M.A. Habib Mohamed Sdn Bhd ;
- (e) Habib Jewels Franchise Sdn Bhd; and
- (f) Habib Jewels (Johor) Sdn Bhd.

A13 Discontinued Operations

On 30 June 2006, the Group disposed of its jewellery business.

The profit for the period from the discontinued operations is analysed as follow:

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30 September 2006	Quarter Ended 30 September 2005	Period Ended 30 September 2006	Period Ended 30 September 2005
Profit from jewellery operations	-	167	1,347	4,053

A13 Discontinued Operations (continued)

The revenue, results and cash flows of the discontinued operations, jewellery business, were as follows:-

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30 September 2006 RM'000	Quarter Ended 30 September 2005 RM'000	Period Ended 30 September 2006 RM'000	Period Ended 30 September 2005 RM'000
Revenue	-	31,502	69,056	98,207
Profit before taxation	-	605	2,785	6,524
Taxation	-	(438)	(1,438)	(2,471)
Profit for the period from discontinued operations	-	167	1,347	4,053
Cash flow from operating activities	-	(436)	1,906	712
Cash flows from investing activities	-	(547)	(165)	(1,073)
Cash flows from financing activities	-	(3,809)	(2,093)	(3,652)
Total cash flows	-	(4,792)	(352)	(4,013)

The net assets and intercompany balances of jewellery division at the date of disposal were as follows:

	RM'000
Net assets disposed of	46,025
Intercompany balances	43,327

	89,352
Incidental costs on disposal	376
Gain/(Loss) on disposal	-

Total consideration	89,728
	=====
Satisfied by:	
Cash	35,891
Deferred consideration	53,837

Total consideration	89,728
	=====
Net cash inflow arising on disposal :	
Cash consideration received	35,891
Cash and cash equivalent disposed of	7,444

	43,335
	=====

The deferred consideration will be fully settled in cash by purchaser on or before 6 July 2007.

A14 Contingent Liabilities

Details of contingent liabilities of the Group as at 14 November 2006 is as follows:-

	RM'000
Security provided by a subsidiary company to financial institutions for facilities granted to its associated company	18,400
Bank guarantees issued for charter marine contracts	11,160
	<u>29,560</u>

A15 Capital Commitments

There are no capital commitments for the Group as at 14 November 2006.

A16 Related party transactions

	Current quarter Quarter ended 30 September 2006 RM'000	Cumulative quarter Period ended 30 September 2006 RM'000
<i>Transactions with an associated company</i>		
Agency fees paid	379	1,105
<i>Transactions with companies of which certain substantial shareholders have interests</i>		
Purchase of vessels	41,200	77,512
Management fees charged	120	390
Commission paid	43	43
Rental charges	77	195
Management fee income	25	40
Car rental	27	40

A16 Related party transactions (continued)

	Current quarter Quarter ended 30 September 2006 RM'000	Cumulative quarter Period ended 30 September 2006 RM'000
<i>Transactions with substantial shareholders</i>		
Management fee charged	500	1,500
Office rental paid/payable	32	88
Car rental	63	63
Working capital loan by a shareholder	-	15,410
Interest charged	790	2,252
Disposal of certain subsidiary companies to a company in which a substantial shareholder has interest	-	89,728

The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Group and the Company than those arranged with independent third parties.

B BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1 Review Of Performance

For the quarter ended 30 September 2006, the Group achieved a total turnover of RM109.675 million and Profit before tax of RM28.906 million. In accordance with FRS 5, the turnover and profit before taxation of the jewellery business has been excluded and is shown separately in Note A13.

Profit for the period was RM26.404 million compared to RM0.354 million in the corresponding period for the preceding year. The significant increase in the profit for the period was due to the acquisition of the Marine Logistics business, PTRT and CH Offshore since September 2005. The results from the new activities contributed significantly to the third quarter results for 2006 compared to the corresponding period for the preceding year.

For the current quarter, the Marine Logistics business together with PTRT generated revenue and profit after tax of RM109.675 million and RM10.074 million respectively. Contribution from CH Offshore, the associated company was very significant in this quarter, at RM17.374 to the Group's profit after tax. The increase in contribution from CH Offshore was primarily due to the gain on disposal of vessel.

On a cumulative nine months ended 30 September 2006 basis, the Group recorded turnover of RM327.877 million (excluding turnover from jewellery division) and a net profit of RM60.402 million respectively.

B2 Comparison Of The Current Quarter Results Against Preceding Quarter

Profit after tax and after minority interests for the current quarter under review was RM26.214 million.. This represents an increase of 31% from RM19.709 million from the preceding quarter. The improvement in the profit after taxation and after minority interests was due to the gain on disposal of vessel recorded by CH Offshore, the associated company.

B3 Current Year Prospects

The Group's main focus is on its marine logistics and offshore support services in the South East Asia and Middle East regions.

For the marine logistics division, whilst the Group's main activities continues to remain in the Indonesian market, it has embarked on its first transshipment business in Malaysia via the carrying of bulk coal for Tenaga Fuel Services Sdn. Bhd. ("Tenaga"). The contract for Tenaga is for a duration of 3 years (with the option to extend for another 2 years) and the first shipment was completed in October 2006. The Group has also deployed 2 sets of tugs and barges to cater for transportation requirement of constructions materials in the Middle East.

For the offshore support division, the Group will continue to focus on the South East Asia and Middle East markets as the strong demand for offshore vessels continue to increase on the back of increased exploration and production activities. For the Malaysian Market, the Group expects to complete the acquisition of 2 vessels in Q4, which enables these vessels to operate on long term charters.

The Directors are of the view that the Group's performance for the remainder of 2006 will remain positive. The Group will continue its efforts to improve operational efficiency to ensure its competitiveness in the offshore and coal transportation markets.

B4 Profit Forecast

This section is not applicable as no profit forecast was published.

B5 Taxation Charge

The taxation comprises the following:-

	Current quarter 3 months ended 30 September 2006 RM'000	Cumulative quarter For period ended 30 September 2006 RM'000
Malaysian Income taxation		
- Current year	(336)	(336)
Foreign Income taxation		
- Current year	2,838	5,945
Total	2,502	5,609
Effective tax rate	8.6%	8.7%

The effective tax rate for the current quarter presented above is lower than the statutory tax rate principally due to tax exempt status for income derived from shipping operations in Singapore.

B6 Unquoted Investments And Properties

There were no sale of unquoted investments and properties for the current quarter except for the disposal of the subsidiary companies as disclosed in the previous quarterly announcements.

B7 Particulars Of Purchase Or Disposal Of Quoted Securities

There were no purchase or disposal of quoted securities for the current quarter.

B8 Corporate Proposals

A. Status of Corporate Proposals Announced

- (a) On 24 April 2006, the Company announced that Scomi Marine had on the same date acquired an aggregate of 51% equity interest, representing fifty one (51) ordinary shares of USD1.00 each in MarineCo Limited ("MarineCo"), a Labuan incorporated company. Pursuant to the acquisition, MarineCo became a subsidiary of Scomi Marine. The remaining 49% equity interest of MarineCo is held by CH Offshore Limited ("CHO"), a Singapore incorporated company where the 49% equity interest was acquired by CHO on the same date.

MarineCo has been dormant since its incorporation on 9 November 2004, but is intended to be principally involved in the leasing of marine vessels.

On 24 April 2006, the Company also announced that MarineCo entered into two (2) Memoranda of Agreements ("MOA") with CHO to acquire the following vessels from CHO ("Proposed Acquisitions"):

- a) the "Beryl"; and
- b) the "Zircon";

(collectively the "Vessels") both registered in the ownership of CHO under the laws and flag of Singapore, for a total consideration of USD 23 million. The MOA sets out the general terms of the Proposed Acquisitions and the parties will enter into a more definitive Joint Venture Agreement in due course.

On 8 June 2006, the Company announced that Scomi Marine had entered into the following agreements:

- a) a Joint Venture Agreement with CHO to establish and formalize the relationship between both parties in MarineCo.
- b) a Joint Venture Agreement with CHO to establish and formalize the relationship between both parties in a joint venture by the name of Gemini Sprint Sdn Bhd ("Gemini Sprint Joint Venture").

The Gemini Sprint Joint Venture is subject to the approval of the FIC. The approval of the FIC was obtained on 21 August 2006.

B9 Group Borrowings

The Group borrowings as at 30 September 2006 are as follows:-

	RM'000
Short term borrowings (secured):	49,755
Long term borrowings (secured)	441,405
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	<u>491,160</u>

The group borrowings are denominated in US Dollar.

B10 Off Balance Sheet Financial Instruments

There were no financial instruments with off balance sheet risks as at the end of the current quarter.

B11 Material Litigation

The legal case announced previously was in relation to the jewellery division.

Following the disposal of the jewellery business, there are no new material litigation initiated by, or against, the Group.

B12 Proposed Dividend

No interim ordinary dividend has been declared for the current quarter ended 30 September 2006 (30 September 2005 : Nil).

B13 Earnings Per Share (EPS)

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30 September 2006	Quarter Ended 30 September 2005	Period Ended 30 September 2006	Period Ended 30 September 2005
Basic earnings per share				
Profit from continuing operations (RM'000)	26,404	187	59,055	89
Less: Dividend on RCCPS (RM'000)	(642)	-	(3,042)	-
Profit from continuing operations after dividend on RCCPS (RM'000)	25,762	187	56,013	89
Profit from discontinued operation (RM'000)	-	167	1,347	4,053
	25,762	354	57,360	4,142
Weighted average number of ordinary shares in issue ('000)	696,686	104,629	623,621	84,322
Basic earnings per share (sen) :-				
- For profit from continuing operations	3.70	0.18	8.98	0.10
- For profit from discontinued operations	-	0.16	0.22	4.81
Profit for the period	3.70	0.34	9.20	4.91

Fully diluted earnings per share

Profit from continuing operations (RM'000)	25,762	187	56,013	89
Effect on dilution (RM'000)	-	-	60	-
	25,762	187	56,073	89
Profit from discontinued operation (RM'000)	-	167	1,347	4,053
Net profit (RM'000)	25,762	354	57,420	4,142
Weighted average number of ordinary shares in issue ('000)	696,686	104,629	623,621	84,322
Assumed shares issued from the exercise of ESOS ('000)	-	-	2,661	-
New shares issued arising from the conversion of RCCPS ('000)	-	1,513	-	510
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	696,686	106,142	626,282	84,832
Diluted earnings per share (sen):-				
- For profit from continuing operations	3.70	0.18	8.95	0.10
- For profit from discontinued operations	-	0.15	0.21	4.78
Profit for the period	3.70	0.33	9.16	4.88

B14 Authorised For Issue

The interim financial statements were authorized for issue on 21st November 2006 by the Board of Directors.