

**SCOMI MARINE BHD (397979-A)**  
**(Incorporated in Malaysia)**

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

**A1 Basis Of Preparation**

The interim financial report are unaudited and 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 2006.

**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 2006 except for the adoption of the following/revised FRS effective for financial period beginning 1 January 2007:

FRS 124	Related Party Disclosures
Amendment to FRS 119 <sub>2004</sub>	Employee Benefits - Actuarial Gains and losses, Group Plans and Disclosures
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates
Interpretation 8	Scope of IFRS 2

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

**A3 Audit Report For Preceding Annual Financial Statements**

The audit report for the Group's annual financial statements for the year ended 31 December 2006 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**

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 current financial period 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 31 March 2007 was RM443.274 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.

**A8 Dividend Paid**

No dividends were paid during the quarter under review.

## A9 Segment Reporting

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

	Investment holding RM'000	Marine Services RM'000	Intersegment elimination RM'000	Total RM'000
<b>REVENUE AND RESULTS</b>				
<b>REVENUE</b>				
External sales	-	116,475	-	116,475
<b>RESULTS</b>				
Profit from operations	(1,479)	18,187	(577)	16,131
Interest expense	-	(10,087)	-	(10,087)
Interest income	303	994	-	1,297
Share of profits of an associated company	-	10,141	-	10,141
Profit before taxation	(1,176)	19,235	(577)	17,482
Taxation				(1,703)
Profit after taxation				15,779
Minority interests				(1,384)
Net profit attributable to shareholders				14,395
<b>ASSETS AND LIABILITIES</b>				
<b>ASSETS</b>				
Assets employed in the segment	876,438	1,435,304	(800,583)	1,511,159
Investment in associated companies	-	200,650	-	200,650
Unallocated assets	-	-	-	15
Consolidated total assets				1,711,824
<b>LIABILITIES</b>				
Liabilities in segment	2,916	1,485,443	(731,815)	756,544
Unallocated liabilities	-	-	992	992
				757,536
<b>OTHER INFORMATION</b>				
Capital expenditure	-	280	-	280
Depreciation of Property, plant and equipment	-	14,213	-	14,213
Non cash expenses other than depreciation, amortization and impairment losses	-	540	-	540

## 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

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

Save as disclosed in the audited financial statements for the financial year ended 31 December 2006, there were no other changes in the composition of the Group for the current quarter.

## 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 31 March 2007	Quarter Ended 31 March 2006	Year Ended 31 March 2007	Year Ended 31 March 2006
Profit from jewellery operations	-	1,027	-	1,027

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

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31 March 2007 RM'000	Quarter Ended 31 March 2006 RM'000	Year Ended 31 March 2007 RM'000	Year Ended 31 March 2006 RM'000
Revenue	-	32,377	-	32,377
Profit before taxation	-	1,792	-	1,792
Taxation	-	(765)	-	(765)
Profit for the period from discontinued operations	-	1,027	-	1,027
Cash flow from operating activities	-	1,595	-	1,595
Cash flows from investing activities	-	(8)	-	(8)
Cash flows from financing activities	-	6	-	6
Total cash flows	-	1,593	-	1,593

### A13 Discontinued Operations (continued)

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
	<u>89,352</u>
Incidental costs on disposal	376
Gain/(Loss) on disposal	-
	<u>89,728</u>
	=====
<b>Satisfied by:</b>	
Cash	35,891
Deferred consideration	53,837
	<u>89,728</u>
	=====
<b>Net cash inflow arising on disposal :</b>	
Cash consideration received	35,891
Cash and cash equivalent disposed of	7,444
	<u>43,335</u>
	=====

The deferred consideration is to 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 2 May 2007 is as follows:-

	RM'000
Fixed deposit pledged by a subsidiary company to financial institutions for facilities granted to its associated company	15,483
Bank guarantees issued for charter marine contracts	11,744
	<u>27,227</u>
	=====

### A15 Capital Commitments

There are no capital commitments for the Group as at 2 May 2007.

## A16 Related party transactions

	Current quarter Quarter ended 31 March 2007 RM'000	Cumulative quarter Year ended 31 March 2007 RM'000
<b><i>Transactions with an associated company</i></b>		
Agency fees paid	429	429
Agency fee income	148	148
<b><i>Transactions with substantial shareholders</i></b>		
Management fee charged	550	550
Office rental paid/payable	4	4
Interest charged	221	221
<b><i>Transactions with companies of which certain substantial shareholders have interests</i></b>		
Management fee payable	187	187
Commission paid	126	126
Rental charges	66	66
Management fee income	25	25
Car rental	15	15
Chartering income receivable	3,869	3,869
Air ticket cost charged	51	51

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 3 months ended 31 March 2007, the Group achieved a higher revenue of RM116.5 million compared to RM109.1 million recorded in corresponding quarter in FY 2006. The increase in revenue is largely from revision in freight rates and more revenue earned from the offshore support division.

The performance of the Group was affected by lower Gross Profit margin of 22.5% in the current quarter as compared to 26% in corresponding period last year. The lower gross profit margin is mainly due to higher docking cost.

Despite the higher costs, profit for the period for the Group increased by RM1.9 million or 13% over the corresponding quarter last year to RM15.8 million. The higher profit is mainly contributed by our associated company, CH Offshore, due to better operational performance and gain from vessel disposals.

In July 2006, the Group divested its jewellery business to M.S. Habib Holding Sdn Bhd. In accordance with FRS 5, the revenue and profit before tax of the jewellery business is separately disclosed in Note A13.

### **B2 Comparison Of The Current Quarter Results Against Preceding Quarter**

The revenue of the Group for the current quarter to the preceding quarter is comparable. However, Gross Profit Margin in the current quarter of 22.5% is lower than the preceding quarter of 26% as more vessels were docked in the current quarter and higher bunker cost were incurred.

The Profit after tax and minority interest for the current quarter, decreased by RM6.9 million i.e 32.5% to RM14.4 million as compared to RM21.3 million recorded in the preceding quarter largely due to lower Gross Profit Margin but was partly cushioned by higher share of profit from an associated company.

### **B3 Current Year Prospects**

For FY2007, the Group expects to continue to be actively involved in mainly two businesses, which are marine logistics services and offshore support services targeting the South East Asia and Middle East regions as the Group looks to consolidate its existing operations.

The marine logistics division is concentrated in Indonesia servicing two major coal producers. For FY2007, the division's focus is to increase fleet efficiency with emphasis on cycle time and cost control. The division is also looking to capitalise on its expertise in other markets. The division now has presence in the Middle East with its vessels transporting bulk aggregates.

For the offshore support division, strong demand for oil continues to support exploration and production activities. Our fleet is currently achieving utilisation rates of above 90% and charter rates have trended upwards over the last 12 months. Our associated company, CH Offshore continues with the fleet rationalisation as older vessels are disposed and 6 new deep water vessels are to be delivered from 2008. Our Malaysian & Indonesian operations also recorded good performances.

The outlook for the remainder of FY2007 remains attractive to our business due to the continued strong demand for energy.

**B4 Profit Forecast**

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

**B5 Taxation Charge**

Taxation comprises the following:-

	<b>Current quarter 3 months ended 31 March 2007 RM'000</b>	<b>Cumulative quarter For year ended 31 March 2007 RM'000</b>
Malaysian Income taxation - Current year	<b>31</b>	<b>31</b>
Foreign Income taxation - Current year	<b>1,672</b>	<b>1,672</b>
Total	<b>1,703</b>	<b>1,703</b>
Effective tax rate	<b>9.7%</b>	<b>9.7%</b>

The effective tax rate for the current quarter presented above is lower than the statutory tax rate principally due to the 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.

**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

The Group does not have any corporate proposals announced and not completed as at the date of this announcement.

## B9 Group Borrowings

The Group borrowings as at 31 March 2007 are as follows:-

	RM'000
Short term borrowings (secured):	46,400
Long term borrowings (secured)	437,207
	<u>482,607</u>

The currency exposure profile of the Group borrowings is analysed as follows:

	RM'000
United States Dollar	482,144
Singapore Dollar	463
	<u>482,607</u>

## B10 Off Balance Sheet Financial Instruments

### a) Foreign Exchange Contract

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	The Group	
	31 March 2007 RM'000	31 December 2006 RM'000
Buy – Singapore Dollar	28,507	23,033
Sell – United States Dollar	27,918	22,716
Fair value – United States Dollar	<u>28,780</u>	<u>23,323</u>

In addition, the Group had forward call options to sell RM57,827,000 (31 December 2006: RM48,187,000).

The fair values of forward foreign exchange contracts represent the unrealised gains or losses of open contracts. As at March 31, 2007, the unrealised gain on revaluation to fair value of the outstanding forward foreign exchange contracts for the Group is RM862,000 (31 December 2006: RM266,000).

## **B10 Off Balance Sheet Financial Instruments (continued)**

### b) Interest Rate Swap

- i) On November 6, 2006, the Group entered into an interest swap transaction agreement with a bank to fix its floating interest rate at 4.895%p.a. The effective date of the swap transaction is on February 28, 2007 with a notional amount of RM52.950 million (which is denominated in US Dollar, equivalent to USD15 million). The termination date of the agreement is August 31, 2011.
- ii) On December 6, 2006, the Group entered into an interest swap transaction agreement with a bank to fix its floating interest rate at 4.95%p.a. The effective date of the swap transaction is on February 28, 2007 with a notional amount of RM52.950 million (which is denominated in US Dollar, equivalent to USD15 million). The termination date of the agreement is August 31, 2011.

Other than those disclosed, there were no other financial instruments with off balance sheet risks as at the end of the current quarter.

## **B11 Material Litigation**

There were no pending material litigation at the date of this quarterly report.

## **B12 Proposed Dividend**

Subject to shareholders' approval at the forthcoming Annual General Meeting (AGM), a final dividend in respect of the financial year ended 31 December 2006 has been recommended, with details as follows:-

- i) A final tax exempt dividend of 2.5% per share;
- ii) Estimated date payable is September 2007; and
- iii) In respect of deposited securities, entitlement to dividends will be determined on the basis of the record of depositors as at book closure date.

Total dividend per share for the current financial year is 2.5 sen per share (tax exempt)  
(FY 2006 : 2 sen per share – tax exempt)

## B13 Earnings Per Share (EPS)

	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31March 2007	Quarter Ended 31 March 2006	Year Ended 31March 2007	Year Ended 31 March 2006
<b>Basic earnings per share</b>				
Profit from continuing operations attributable to equity holders of the Company (RM'000)	14,395	12,192	14,395	12,192
Less: Dividend on RCCPS (RM'000)	-	(864)	-	(864)
Profit from continuing operations after dividend on RCCPS (RM'000)	14,395	11,328	14,395	11,328
Profit from discontinued operation attributable to equity holders of the Company (RM'000)	-	1,027	-	1,027
Profit attributable to equity holders of the Company	14,395	12,355	14,395	12,355
Weighted average number of ordinary shares in issue ('000)	733,009	587,913	733,009	587,913
Basic earnings per share (sen) :-				
- For profit from continuing operations	1.96	1.93	1.96	1.93
- For profit from discontinued operations	-	0.17	-	0.17
Profit for the period	1.96	2.10	1.96	2.10

### Fully diluted earnings per share

Profit from continuing operations attributable to equity holders of the Company (RM'000)	14,395	12,192	14,395	12,192
Profit from discontinued operation attributable to equity holders of the Company (RM'000)	-	1,027	-	1,027
Profit attributable to equity holders of the Company (RM'000)	14,395	13,219	14,395	13,219
Weighted average number of ordinary shares in issue ('000)	733,009	587,913	733,009	587,913
Assumed shares issued from the exercise of ESOS ('000)	-	1,040	-	1,040
Assumed shares converted under RCCPS ('000)	-	139,130	-	139,130
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	733,009	728,083	733,009	728,083
Diluted earnings per share (sen):-				
- For profit from continuing operations	1.96	1.68	1.96	1.68
- For profit from discontinued operations	-	0.14	-	0.14
Profit for the period	1.96	1.82	1.96	1.82

The assumed conversion of ESOS for the current quarter has an anti-dilutive effect on the earnings per share of the Group.

## B14 Authorised For Issue

The interim financial statements were authorized for issue on 9 May 2007 by the Board of Directors.