

**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 is 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 ₂₀₀₄	Employee Benefits - Actuarial Gains and losses, Group Plans and Disclosures
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net investment in a foreign operation
Interpretation 8	Scope of FRS 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 30 June 2007 was RM441.993 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
REVENUE AND RESULTS				
REVENUE				
External sales	-	233,143	-	233,137
RESULTS				
Profit from operations	(5,947)	37,801	-	31,854
Interest expense	-	(19,442)	-	(19,442)
Interest income	630	1,734	-	2,364
Share of profits of an associated company	-	16,213	-	16,213
Profit before taxation	(5,317)	36,306	-	30,989
Taxation				(3,501)
Profit after taxation				27,488
Minority interests				(2,433)
Profit attributable to shareholders				25,055
ASSETS AND LIABILITIES				
ASSETS				
Assets employed in the segment	874,581	1,435,211	(800,769)	1,509,023
Investment in associated companies	-	206,118	-	206,118
Unallocated assets	-	-	-	15
Total assets				1,715,156
LIABILITIES				
Liabilities in segment	2,823	1,475,722	(729,218)	749,327
Unallocated liabilities	-	-	-	1,268
Total liabilities				750,595
OTHER INFORMATION				
Capital expenditure	-	420	-	420
Depreciation of Property, plant and equipment	-	27,843	-	27,843
Non cash expenses other than depreciation, amortization and impairment losses	-	3,731	-	3,731

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	
	3 months ended 30 June 2007	3 months ended 30 June 2006	6 months ended 30 June 2007	6 months ended 30 June 2006
Profit from jewellery operations	-	322	-	1,347

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June 2007 RM'000	3 months ended 30 June 2006 RM'000	6 months ended 30 June 2007 RM'000	6 months ended 30 June 2006 RM'000
Revenue	-	36,680	-	69,056
Profit before taxation	-	997	-	2,785
Taxation	-	(675)	-	(1,438)
Profit for the period from discontinued operations	-	322	-	1,347
Cash flow from operating activities	-	311	-	1,906
Cash flows from investing activities	-	(157)	-	(165)
Cash flows from financing activities	-	(2,099)	-	(2,093)
Total cash flows	-	(1,945)	-	(352)

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

	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 was settled by 6 July 2007.

A14 Contingent Liabilities

Details of contingent liabilities of the Group as at 7 August 2007 is as follows:-

	RM'000
Fixed deposit pledged by a subsidiary company to financial institutions for facilities granted to its associated company	9,660
Bank guarantees issued for charter marine contracts	10,366

	20,026
	=====

A15 Capital Commitments

There are no capital commitments for the Group as at 7 August 2007 except for the following:

	As at 30 June 2007	As at 31 December 2006
Approved but not contracted for	121,130 =====	- =====

A16 Related party transactions

	Current quarter 3 months ended 30 June 2007 RM'000	Cumulative quarter 6 months ended 30 June 2007 RM'000
<i>Transactions with an associated company</i>		
Agency fees paid	406	835
Agency fee income	315	612
<i>Transactions with substantial shareholders</i>		
Management fee charged	1,050	1,600
Office rental paid/payable	12	16
Interest charged	209	430
<i>Transactions with companies of which certain substantial shareholders have interests</i>		
Management fee payable	184	371
Commission paid	439	915
Rental charges	65	131
Management fee income	25	50
Car rental	4	19
Chartering income receivable	3,830	7,699
Air ticket cost charged	59	110

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 30 June 2007, the Group achieved a higher revenue of RM116.7 million compared to RM109.1 million recorded in the corresponding quarter in FY 2006. The increase in revenue is largely from the offshore support vessels division.

Group profit for the current quarter decreased by RM8.4 million or 42% compared to the corresponding quarter last year to RM11.7 million. The lower profit is mainly due to lower Gross Profit margin of 25.4% in the current quarter as compared to 32.5 % in corresponding period last year mainly due to increased docking expenses.

In July 2006, the Group divested its jewellery business to Habib Holding Sdn Bhd. In accordance with FRS 5, the revenue and profit before tax for the financial year 2006 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 against the preceding quarter is comparable. However, Gross Profit Margin in the current quarter of 25.4% is higher than the preceding quarter of 22.4%. The higher Gross Profit Margin is mainly due to the favourable sales mix of the marine logistic division.

The Profit after tax and minority interest for the current quarter, decreased by RM3.7 million i.e 25.9% to RM10.7 million as compared to RM14.4 million recorded in the preceding quarter largely due to share of lower profit from an associated company. The associated company recorded a higher gain on disposal of vessels in the previous quarter as compared to this quarter.

B3 Current Year Prospects

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

The marine logistics division operates in Indonesia servicing two major coal producers. The focus continues to be improving fleet efficiency with emphasis on cycle time and cost control with the division actively seeking new opportunities to capitalize on its expertise into other markets. We now have presence in the Middle East with our vessels involved in bulk aggregates logistics.

For the offshore support division, strong demand for oil continues to support exploration and production activities. Our fleet is currently achieving utilisation rates in excess of 90% with charter rates trending 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.

The Malaysian & Indonesian operations also recorded good performances. The Indonesian subsidiary, PT Rig Tenders has recently entered into a conditional ship building contract for 2 Accommodation Barges expected to be delivered by end 2008 which would enhance contribution of the Offshore Support Vessels division. The said ship building transaction is subject to the approval of the shareholders of PT Rig Tenders.

B3 Current Year Prospects (continued)

The outlook for the remainder of FY2007 remains positive 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:-

	Current quarter 3 months ended 30 June 2007 RM'000	Cumulative period 6 months ended 30 June 2007 RM'000
Malaysian Income taxation		
- Current year	(12)	6
Foreign Income taxation		
- Current year	1,810	3,495
Total	1,798	3,501
Effective tax rate	13.3%	11.3%

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 was no sale of unquoted investments and properties for the current quarter.

B7 Particulars Of Purchase Or Disposal Of Quoted Securities

There was 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 30 June 2007 are as follows:-

	RM'000
Short term borrowings (secured)	61,791
Long term borrowings (secured)	422,217
	<u>484,008</u>

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

	RM'000
United States Dollar	483,572
Singapore Dollar	436
	<u>484,008</u>

B10 Off Balance Sheet Financial Instruments

a) Foreign Exchange Contract

The total notional amount of outstanding forward foreign exchange contracts to which the Group is committed are as follows:

	As at 30 June 2007 RM'000	As at 31 March 2007 RM'000
Buy – Singapore Dollar	123,510	28,507
Sell – United States Dollar	123,863	27,918
Fair value – United States Dollar	<u>124,355</u>	<u>28,780</u>

In addition, the Group had forward call options to sell USD14,808,000 equivalent to RM50,348,000 (31 March 2007: RM57,827,000).

The fair values of forward foreign exchange contracts represent the unrealised gains or losses of open contracts. As at 30 June 2007, the unrealised gain on revaluation to fair value of the outstanding forward foreign exchange contracts for the Group is RM492,000 (31 March 2007: RM862,000).

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 RM51.750 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 RM51.75 million (which is denominated in US Dollar, equivalent to USD15 million). The termination date of the agreement is August 31, 2011.

As at 30 June, 2007, the unrealised gain on revaluation to fair value of the outstanding interest swap transaction agreement for the Group is RM259,000 (31 December 2006: RM259,000)

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

A final dividend in respect of the financial year ended 31 December 2006 was approved by the shareholders at the Annual General Meeting, held on 21 June 2006, with details as follows:-

- i) A final tax exempt dividend of 2.5% per share;
- ii) Date payable is 20 September 2007; and
- iii) In respect of deposited securities, entitlement to dividends to be determined on the basis of the record of depositors as at 24 August 2007.

Total dividend per share for the financial year ended 31 December 2006 was 2.5 sen per share (For the financial year ended 31 December 2005: 2.0 sen tax exempt dividend per share).

The Board of Directors has declared an interim tax exempt dividend of 1.25 sen per share (2006: NIL) for the financial year ending 31 December 2007. The payment date and book closure date for entitlement to dividends is to be determined.

B13 Earnings Per Share (EPS)

	Current Quarter		Cumulative Quarter	
	3 months ended 30 June 2007	3 months ended 30 June 2006	6 months ended 30 June 2007	6 months ended 30 June 2006
Basic earnings per share				
Profit from continuing operations attributable to equity holders of the Company (RM'000)	10,661	19,387	25,055	31,580
Less: Dividend on RCCPS (RM'000)	-	(1,200)	-	(2,400)
Profit from continuing operations after dividend on RCCPS (RM'000)	10,661	18,187	25,055	29,180
Profit from discontinued operation attributable to equity holders of the Company (RM'000)	-	322	-	1,347
Profit attributable to equity holders of the Company	10,661	18,509	25,055	30,527
Weighted average number of ordinary shares in issue ('000)	733,009	590,923	733,009	589,426
Basic earnings per share (sen) :-				
- For profit from continuing operations	1.45	3.08	3.42	4.95
- For profit from discontinued operations	-	0.05	-	0.23
Profit for the period	1.45	3.13	3.42	5.18
Fully diluted earnings per share				
Profit from continuing operations attributable to equity holders of the Company (RM'000)	10,661	19,387	25,055	31,580
Profit from discontinued operation attributable to equity holders of the Company (RM'000)	-	322	-	1,347
Profit attributable to equity holders of the Company (RM'000)	10,661	19,709	25,055	32,927
Weighted average number of ordinary shares in issue ('000)	733,009	590,923	733,009	589,426
Assumed shares issued from the exercise of ESOS ('000)	29	100	88	100
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)	733,0038	730,153	733,0097	728,656
Diluted earnings per share (sen):-				
- For profit from continuing operations	1.45	2.65	3.42	4.34
- For profit from discontinued operations	-	0.04	-	0.18
Profit for the period	1.45	2.69	3.42	4.52

B14 Authorised For Issue

The interim financial statements were authorized for issue on 14 August 2007 by the Board of Directors.