

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 117	Leases
FRS 124	Related Party Disclosures
Amendment to FRS 119 ₂₀₀₄	Employee Benefits - Actuarial Gains and losses, Group Plans and Disclosures

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 September 2007 was RM438.1 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

During the current quarter, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM1.10 per share. The total consideration paid for the repurchase including transaction costs was RM1,114 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

Save as disclosed above, 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

	2007 RM'000	2006 RM'000
<i>Interim dividend:</i>		
Tax exempt dividend of 1.25% per share declared and paid in respect of the financial year ending 31 December 2007, paid on 23 October 2007	9,167	-
<i>Final dividend:</i>		
Tax exempt dividend 2.50% per share declared and paid in respect of the financial year ended 31 December 2006, paid on 12 September 2007	18,325	-
Tax exempt dividend 2.00% per share declared and paid in respect of the financial year ended 31 December 2005, paid on 22 September 2006	-	11,878
<i>Dividend on Redeemable Convertible Cumulative Preference Shares:</i>		
Dividend on Redeemable Convertible Cumulative Preference Shares, paid on 30 September 2006	-	3,906

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	-	351,093	-	351,093
RESULTS				
Profit from operations	(10,472)	55,384	-	44,912
Interest expense	-	(29,024)	-	(29,024)
Interest income	1,210	2,312	-	3,522
Share of profits of associated companies	-	29,675	-	29,675
Profit before taxation	(9,262)	58,347	-	49,085
Taxation				(5,633)
Profit after taxation				43,452
Minority interests				(3,746)
Profit attributable to shareholders of the Company				39,706
ASSETS AND LIABILITIES				
ASSETS				
Assets employed in the segment	865,838	1,403,324	(813,183)	1,455,979
Investment in associated companies	-	217,552	-	217,552
Unallocated assets	-	-	-	15
Total assets				1,763,546
LIABILITIES				
Liabilities in segment	13,025	1,451,125	(735,783)	728,367
Unallocated liabilities	-	-	-	1,150
Total liabilities				729,517
OTHER INFORMATION				
Capital expenditure	-	482	-	482
Depreciation of Property, plant and equipment	-	42,315	-	42,315
Non cash expenses other than depreciation, amortization and impairment losses	-	-	-	-

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 September 2007	3 months ended 30 September 2006	9 months ended 30 September 2007	9 months ended 30 September 2006
Profit from jewellery operations	-	-	-	-

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

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 September 2007 RM'000	3 months ended 30 September 2006 RM'000	9 months ended 30 September 2007 RM'000	9 months ended 30 September 2006 RM'000
Revenue	-	-	-	69,056
Profit before taxation	-	-	-	2,785
Taxation	-	-	-	(1,438)
Profit for the period from discontinued operations	-	-	-	1,347
Cash flow from operating activities	-	-	-	1,906
Cash flows from investing activities	-	-	-	(165)
Cash flows from financing activities	-	-	-	(2,093)
Total cash flows	-	-	-	(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
	<u>89,352</u>
Incidental costs on disposal	376
Gain/(Loss) on disposal	-
	<u>89,728</u>
	=====
Satisfied by:	
Cash	35,891
Deferred consideration	53,837
	<u>89,728</u>
	=====
Net cash inflow arising on disposal :	
Cash consideration received	35,891
Cash and cash equivalent disposed of	7,444
	<u>43,335</u>
	=====

The deferred consideration was settled by 6 July 2007.

A14 Contingent Liabilities

Details of contingent liabilities of the Group as at 5 November 2007 is as follows:-

	RM'000
Fixed deposit pledged by a subsidiary company to financial institutions for facilities granted to its associated company	6,156
Bank guarantees issued for charter marine contracts	9,825
	<u>15,981</u>
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A15 Capital Commitments

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

Approved and contracted for	RM'000 106,068 =====
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A16 Related party transactions

	Current quarter 3 months ended 30 September 2007 RM'000	Cumulative quarter 9 months ended 30 September 2007 RM'000
<i>Transactions with an associated company</i>		
Agency fees paid	417	1,252
Agency fee income	276	888
<i>Transactions with substantial shareholders</i>		
Management fee charged	801	2,400
Office rental paid/payable	17	33
Interest charged	-	430
<i>Transactions with companies of which certain substantial shareholders have interests</i>		
Management fee payable	184	555
Commission paid	241	1,156
Rental charges	65	196
Management fee income	-	50
Car rental	15	35
Chartering income receivable	3,883	11,582
Air ticket cost charged	101	181

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 September 2007, the Group achieved a higher revenue of RM117.9 million compared to RM109.7 million recorded in the corresponding quarter in FY 2006. The increase in revenue is largely attributable by the improved offshore support vessels division contribution.

Group profit for the current quarter decreased by RM11.6 million or 44% compared to the corresponding quarter last year to RM26.2 million. The lower profit is mainly due to lower Gross Profit margin of 22.0% in the current quarter as compared to 27.2% in corresponding period last year mainly due to increased docking and bunker 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 22.0% is lower than the preceding quarter of 25.4%. The lower Gross Profit Margin is mainly due to the higher bunker costs in current quarter compared to the preceding quarter.

The Profit after tax and minority interest for the current quarter, increased by RM4.0 million i.e 37% to RM14.7 million as compared to RM10.7 million recorded in the preceding quarter largely due to higher share of profit from associated companies. The associated company recorded a higher gain on disposal of vessels in this quarter as compared to preceding quarter.

B3 Current Year Prospects

The Group will continue to be active in two core businesses, which are the marine logistics services and offshore support vessels services targeting the South East Asia and Middle East regions.

The Marine Logistics division continues to deliver steady cash flows. Our contract with the coal producer should ensure we receive our share of carriage of their transport requirement for the year in review.

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

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 September 2007 RM'000	Cumulative period 9 months ended 30 September 2007 RM'000
Malaysian Income taxation		
- Current year	5	24
Foreign Income taxation		
- Current year	<u>2,127</u>	<u>5,618</u>
Total	<u>2,132</u>	<u>5,642</u>
Deferred Taxation	-	(9)
Total	<u>2,132</u>	<u>5,633</u>
Effective tax rate	<u>11.8%</u>	<u>11.5%</u>

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 September 2007 are as follows:-

	RM'000
Short term borrowings (secured)	20,214
Long term borrowings (secured)	612,804
	<u>633,018</u>

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

	RM'000
United States Dollar	632,612
Singapore Dollar	406
	<u>633,018</u>

B10 Off Balance Sheet Financial Instruments

a) Foreign Exchange Contract

The Group has outstanding forward option contract to sell USD4.97 million for SGD7.5 million at the option of the bank.

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.

B10 Off Balance Sheet Financial Instruments (continued)

c) Interest Rate Swap (continued)

i) On September 10, 2007 the Group entered into an interest swap transaction agreement with a bank to fix its floating interest rate at 4.59%p.a. The effective date of the swap transaction is on October 9, 2007 with a notional amount of RM338.6 million (which is denominated in US Dollar, equivalent to USD99.0 million). The termination date of the agreement is September 6, 2009.

ii) On October 1, 2007, the Group entered into an interest swap transaction agreement with a bank to fix its floating interest rate at 4.56%p.a. The effective date of the swap transaction is on 02 October with a notional amount of RM44.05 million (which is denominated in US Dollar, equivalent to USD12.880 million). The termination date of the agreement is November 27, 2009

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

An interim dividend in respect of the financial year ending 31 December 2007 was approved by the Directors on 14 August 2007, with details as follows:-

- i) An interim tax exempt dividend of 1.25% per share;
- ii) Date of payment was 23 October 2007; and
- iii) In respect of deposited securities, entitlement to dividends was determined on the basis of the record of depositors as at 28 September 2007.

Total interim tax exempt dividend per share for the financial year ending 31 December 2007 was 1.25 sen per share (For the financial year ended 31 December 2006: NIL).

B13 Earnings Per Share (EPS)

	Current Quarter		Cumulative Quarter	
	3 months ended 30 September 2007	3 months ended 30 September 2006	9 months ended 30 September 2007	9 months ended 30 September 2006
Basic earnings per share				
Profit from continuing operations attributable to equity holders of the Company (RM'000)	14,652	26,214	39,706	57,795
Less: Dividend on RCCPS (RM'000)	-	(642)	-	(3,042)
Profit from continuing operations after dividend on RCCPS (RM'000)	14,652	25,572	39,076	54,753
Profit from discontinued operation attributable to equity holders of the Company (RM'000)	-	-	-	1,347
Profit attributable to equity holders of the Company	14,652	25,572	39,706	56,100
Weighted average number of ordinary shares in issue ('000)	733,009	696,686	733,009	623,621
Basic earnings per share (sen) :-				
- For profit from continuing operations	2.00	3.67	5.42	8.78
- For profit from discontinued operations	-	-	-	0.22
Profit for the period	2.00	3.67	5.42	9.00
Fully diluted earnings per share				
Profit from continuing operations attributable to equity holders of the Company (RM'000)	14,652	25,572	39,706	54,753
Effect on dilution (RM'000)	36	-	-	60
	14,688	25,572	39,706	54,813
Profit from discontinued operation attributable to equity holders of the Company (RM'000)	-	-	-	1,347
Profit attributable to equity holders of the Company (RM'000)	14,688	25,572	39,706	56,160
Weighted average number of ordinary shares in issue ('000)	733,009	696,686	733,009	623,621
Assumed shares issued from the exercise of ESOS ('000)	5,663	-	-	2,621
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	738,672	696,686	733,009	626,242
Diluted earnings per share (sen):-				
- For profit from continuing operations	1.99	3.67	5.42	8.75
- For profit from discontinued operations	-	-	-	0.21
Profit for the period	1.99	3.67	5.42	8.96

B14 Authorised For Issue

The interim financial statements were authorized for issue on 12 November 2007 by the Board of Directors.

