# Contents



NOTICE is hereby given that the Second Annual General Meeting of the Company will be held at the Banquet Hall, Kuala Lumpur Golf & Country Club (KLGCC), No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on Wednesday, 27 June 2007 at 10.00 a.m. to transact the following business:

**AGENDA**

**As Ordinary Business**

1. To table and receive the Financial Statements of the Company for the financial year ended 31 December 2006 and the Directors' and Auditors' Reports thereon. (Resolution 1)
2. To declare a First and Final Dividend of 3% or 1.50 sen per share (less 27% income tax) in respect of the financial year ended 31 December 2006. (Resolution 2)
3. To approve payment of Directors' Fees amounting to RM55,773.00 for the financial year ended 31 December 2006. (Resolution 3)
4. To re-elect the following Directors who shall retire pursuant to Article 101 of the Company's Articles of Association:
   - i. Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid (Resolution 4)
   - ii. Azmi bin Ahmad (Resolution 5)
   - iii. Shaharuddin bin Warno @ Rahmad (Resolution 6)
   - iv. Mohd Abd Rahman bin Mohd Hashim (Resolution 7)
   - v. Ab Razak bin Hashim (Resolution 8)
   - vi. Dato' Mohamad Idris bin Mansor (Resolution 9)
   - vii. YB Haji Ab Wahab bin Haji Ibrahim (Resolution 10)
   - viii. Ahmad Hassanudin bin Ahmad Kamaluddin (Resolution 11)
5. To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. (Resolution 12)

**As Special Business**

To consider and, if thought fit, pass the following resolutions:

6. Authority for Allotment of Shares (*Ordinary Resolution*) (Resolution 13)

   "THAT, subject always to the Companies Act, 1965 and the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person and persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be also empowered to obtain the approval for the listing and the quotation of the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

7. Proposed Amendments to the Memorandum and Articles of Association of the Company (*Special Resolution*) (Resolution 14)

"THAT, subject to the approvals of all relevant authorities (if required) being obtained and subject further to the approval of the shareholders of the Company at an extraordinary general meeting ("EGM") to be convened for the proposed subdivision of each of the existing ordinary shares of RM0.50 each in the Company into two (2) ordinary shares of RM0.25 each in the Company being obtained, approval be and is hereby given to the Directors of the Company to:

i. delete the existing Clause 5 of the Memorandum of Association of the Company in its entirety and substituting in place thereof the following new Clause 5:

"*The authorised share capital of the Company is Ringgit Malaysia Two Hundred Fifty Million (RM250,000,000.00) divided into One Billion (1,000,000,000) ordinary shares of RM0.25 each*"; and

ii. delete the existing Article 3 of the Articles of Association of the Company in its entirety and substituting in place thereof the following new Article 3:

"*The authorised share capital of the Company is Ringgit Malaysia Two Hundred Fifty Million (RM250,000,000.00) divided into One Billion (1,000,000,000) ordinary shares of RM0.25 each*"

8. To transact any other business of which due notice shall be given in accordance with the Articles of Association of the Company and the Companies Act, 1965.

By Order of the Board,

Haniza binti Sabaran ACIS
MAICSA 7032233
Company Secretary

Kuala Lumpur
5 June 2007

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**Notes**

1. A proxy must be a member of the Company.
2. The form of proxy duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting.
3. A member shall be entitled to appoint more than one proxy to attend and vote at the same meetings subject always to a maximum of two (2) proxies at each meeting.
4. Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. If the appointer is a corporation, the form of proxy must be executed under its Seal or under the hand of its attorney.

**Explanatory Notes on Special Business**

Special Resolution - Proposed Amendments to the Memorandum and Articles of Association of the Company

This Special Resolution, if passed, is to amend the Memorandum and Articles of Association of the Company for the purpose of facilitating the proposed subdivision of the existing ordinary shares of RM0.50 each in the Company into two (2) ordinary shares of RM0.25 each in the Company ("Proposed Subdivision of Shares"), as announced by the Company on 24 May 2007. The circular to shareholders and notice of the EGM in relation to the Proposed Subdivision of Shares will be despatced to our shareholders in due course.

# Statement Accompanying Notice of the Second Annual General Meeting

Pursuant to Paragraph 8.28 (2) of the Listing Requirements of Bursa Malaysia Securities Berhad.

1. Directors standing for re-election pursuant to Article 101 of the Company's Articles of Association are as follows:-

   i. Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid

   ii. Azmi bin Ahmad

   iii. Shaharuddin bin Warno @ Rahmad

   iv. Mohd Abd Rahman bin Mohd Hashim

   v. Ab Razak bin Hashim

   vi. Dato' Mohamad Idris bin Mansor

   vii. YB Haji Ab Wahab bin Haji Ibrahim

   viii. Ahmad Hassanudin bin Ahmad Kamaluddin

2. Attendance of the Directors at Board Meetings held during the financial year ended 31 December 2006 and other additional information on the Board of Directors standing for re-election are set out in the Statement of Corporate Governance on pages 26 to 34 and on Directors' Profiles on pages 12 to 16 of this Annual Report.

3. The details of Directors' shareholdings are disclosed under the Analysis of Shareholdings on page 99 of this Annual Report.

4. Details of AGM

   Date : 27 June 2007, Wednesday
   Time : 10.00 a.m.
   Venue : Banquet Hall
   Kuala Lumpur Golf & Country Club (KLGCC)
   No. 10, Jalan 1/70D, Off Jalan Bukit Kiara
   60000 Kuala Lumpur

# Corporate Information

## Board of Directors

Dato' Captain Ahmad Sufian @ Qurnain
bin Abdul Rashid
*Chairman*
*Independent Non-Executive Director*

Azmi bin Ahmad
*Managing Director*

Shaharuddin bin Warno @ Rahmad
*Non-Independent Executive Director*

Mohd Abd Rahman bin Mohd Hashim
*Non-Independent Executive Director*

Ab Razak bin Hashim
*Non-Independent Executive Director*

Dato' Mohamad Idris bin Mansor
*Independent Non-Executive Director*

YB Haji Ab Wahab bin Haji Ibrahim
*Independent Non-Executive Director*

Ahmad Hassanudin bin Ahmad Kamaluddin
*Non-Independent Non-Executive Director*

## Audit Committee

YB Haji Ab Wahab bin Haji Ibrahim
*Chairman*

Dato' Captain Ahmad Sufian @ Qurnain
bin Abdul Rashid
*Member*

Dato' Mohamad Idris bin Mansor
*Member*

Shaharuddin bin Warno @ Rahmad
*Member*

Azmi bin Ahmad
*(Alternate to Shaharuddin bin Warno @ Rahmad )*
*Member*

## Risk Management Committee

Dato' Mohamad Idris bin Mansor
*Chairman*

YB Haji Ab Wahab bin Haji Ibrahim
*Member*

Shaharuddin bin Warno @ Rahmad
*Member*

Azmi bin Ahmad
*(Alternate to Shaharuddin bin Warno @ Rahmad)*
*Member*

## Nomination & Remuneration Committee

Dato' Captain Ahmad Sufian @ Qurnain
bin Abdul Rashid
*Chairman*

Dato' Mohamad Idris bin Mansor
*Member*

Azmi bin Ahmad
*Member*

Shaharuddin bin Warno @ Rahmad
*Member*

## Company Secretary

Haniza binti Sabaran ACIS
*(MAICSA No. 7032233)*

# Corporate Information

**Registered Office and Corporate Office**

38F Level 2
Jalan Radin Anum
Bandar Baru Sri Petaling
57000 Kuala Lumpur
Tel : +603 - 9058 2244
Website : www.alam-maritim.com.my
E-mail : info@alam-maritim.com.my

**Auditors**

Ernst & Young (AF0039)
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : +603 - 7495 8000

**Stock Exchange Listing**

Bursa Malaysia Securities Berhad
Main Board
Sector : Trading/Services
Stock Name : ALAM
Stock Code : 5115

**Legal Advisors**

Zul Rafique & Partners
Suite 17-01
17 Floor, Menara Pan Global
No. 8, Lorong P.Ramlee
50250 Kuala Lumpur
Tel : +603 - 2078 8228

Mastura Nur Aznita & Co
No. 19-2, Jalan Setiawangsa 8
Taman Setiawangsa
54200 Kuala Lumpur
Tel : +603 - 4253 2308

**Share Registrar**

PFA Registration Services Sdn Bhd (19234-W)
Level 13, Uptown 1
No 1, Jalan SS21/58
Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan
Tel : +603 - 7725 4888

**Principal Bankers**

Malayan Banking Berhad (3813-K)
Concourse Level
Petronas Twin Tower
Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : +603 - 2026 7952

Maybank International (L) Ltd (900003-A)
Level 16(B), Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Wilayah Persekutuan Labuan
Tel : +6087 - 414406

Bank Mualamat Malaysia Berhad (6175-W)
Level 1, Podium Block
Menara Bumiputra
No. 21, Jalan Melaka
50100 Kuala Lumpur
Tel : +603 - 2032 5997

Bank Pembangunan Malaysia Berhad (47572-H)
Bandar Wawasan
No. 1016, Jalan Sultan Ismail
50724 Kuala Lumpur
Tel : +603 - 2692 9088

CIMB Bank Berhad (13491-P)
10 Floor, Bangunan CIMB
Jalan Semantan
50490 Kuala Lumpur
Tel : +603 - 2084 8388

# The Group's Fleet (as at 31 May 2007)

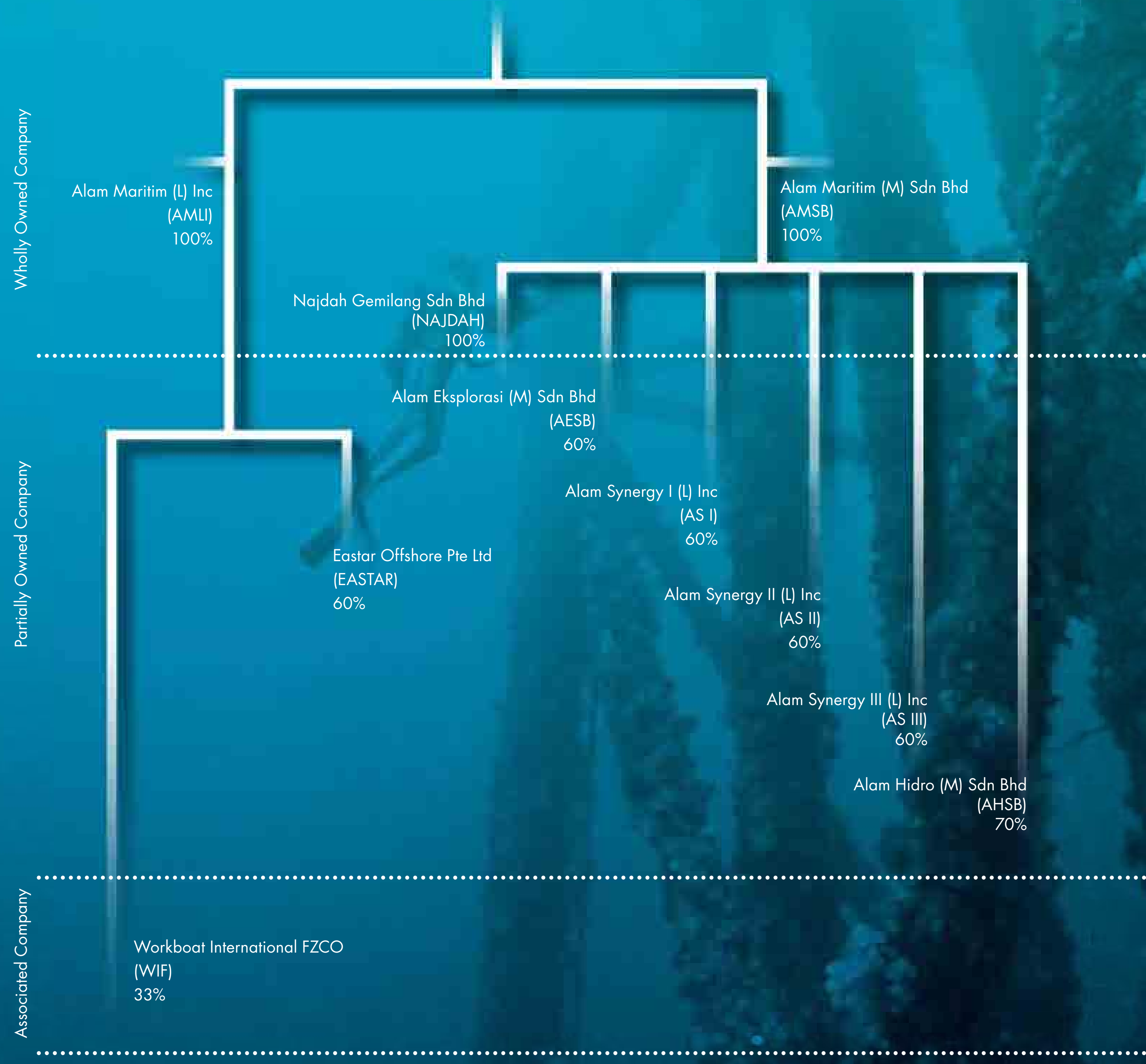
| | Vessel Name | Vessel Type | Year Built | BHP | Bollard Pull (In Metric Tonne) | Accommodation |
|---|---|---|---|---|---|---|
| ANCHOR HANDLING | | | | | | |
| 1 | Setia Emas | Anchor Handling Tug/Utility | 2004 | 4,750 | 60 | 24 men |
| 2 | Setia Fajar | Anchor Handling Tug Supply | 2005 | 5,150 | 69 | 42 men |
| 3 | Setia Jaguh | Anchor Handling Tug Supply | 1999 | 8,920 | 105 | 32 men |
| 4 | Setia Lestari | Anchor Handling Tug Supply | 2005 | 4,750 | 60 | 42 men |
| 5 | Setia Mega | Anchor Handling Tug/Utility | 2005 | 3,200 | 40 | 24 men |
| 6 | Setia Nurani | Anchor Handling Tug Supply | 2005 | 5,150 | 69 | 42 men |
| 7 | Setia Padu | Anchor Handling Tug Supply | 2006 | 5,150 | 69 | 42 men |
| 8 | Setia Rentas | Anchor Handling Tug Supply | 2006 | 5,150 | 69 | 42 men |
| SUPPLY VESSEL | | | | | | |
| 9 | Setia Indah | Straight Supply Vessel | 2005 | 4,750 | - | 42 men |
| TUG/TERMINAL SUPPORT VESSEL | | | | | | |
| 10 | Setia Gagah | Supply Utility/Tug/Straight Supply Vessel | 2002 | 4,750 | 48 | 23 men |
| 11 | Setia Handal | Tug/Straight Supply Vessel | 2002 | 3,000 | 32 | 22 men |
| 12 | Setia Kasturi | Supply Utility/Tug/Straight Supply Vessel | 2005 | 4,750 | 50 | 24 men |
| UTILITY/MAINTENANCE VESSEL | | | | | | |
| 13 | Setia Abadi | General Purpose/Survey/Utility Vessel | 1980 | 1,040 | - | 21 men |
| 14 | Setia Cekal | Work Boat/Diving Support Vessel | 1996 | 4,400 | - | 60 men |
| 15 | Setia Damai | Utility Vessel | 1985 | 804 | - | 16 men |
| NEW BUILDING VESSEL | | | | | | |
| 16 | Setia Azam | Utility Vessel | 2007 | 3,880 | 42 | 20 men |
| 17 | Setia Tangkas | Anchor Handling Tug Supply | 2007 | 5,150 | 69 | 42 men |
| 18 | Setia Wangsa | Anchor Handling Tug Supply | 2007 | 5,150 | 69 | 42 men |
| 19 | Setia Wira | Tug/Utility Vessel | 2007 | 3,500 | 40 | 28 men |
| 20 | Setia Zaman | Tug/Utility Vessel | 2007 | 2,400 | 30 | 26 men |
| 21 | Setia Unggul | Anchor Handling Tug Supply | 2007 | 5,150 | 69 | 42 men |
| 22 | Setia Budi | Tug/Utility Vessel | 2007 | 2,400 | 30 | 26 men |
| 23 | Setia Yakin | Tug/Utility Vessel | 2008 | 3,200 | 35 | 28 men |
| 24 | Setia Sakti | DP2 ROV Support and Maintenance Vessel | 2008 | 5,150 | - | 138 men |

**MV SETIA LESTARI**
Anchor Handing Tug Supply Vessel
4,750 BHP


**MV SETIA MEGA**
Anchor Handing Tug / Utility Vessel
3,200 BHP

**MV SETIA GAGAH**
Supply Utility / Tug / Straight Supply Vessel
4,750 BHP

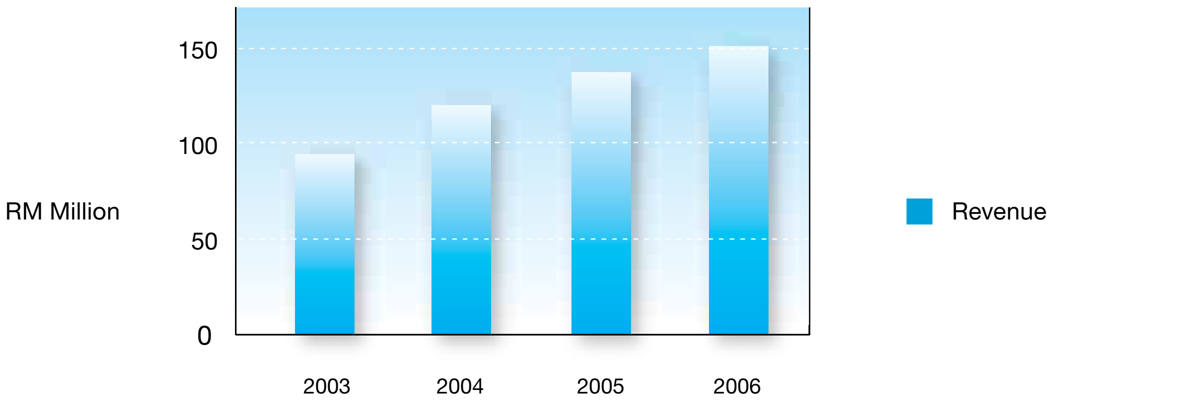
# ALAM MARITIM RESOURCES BERHAD (AMRB)

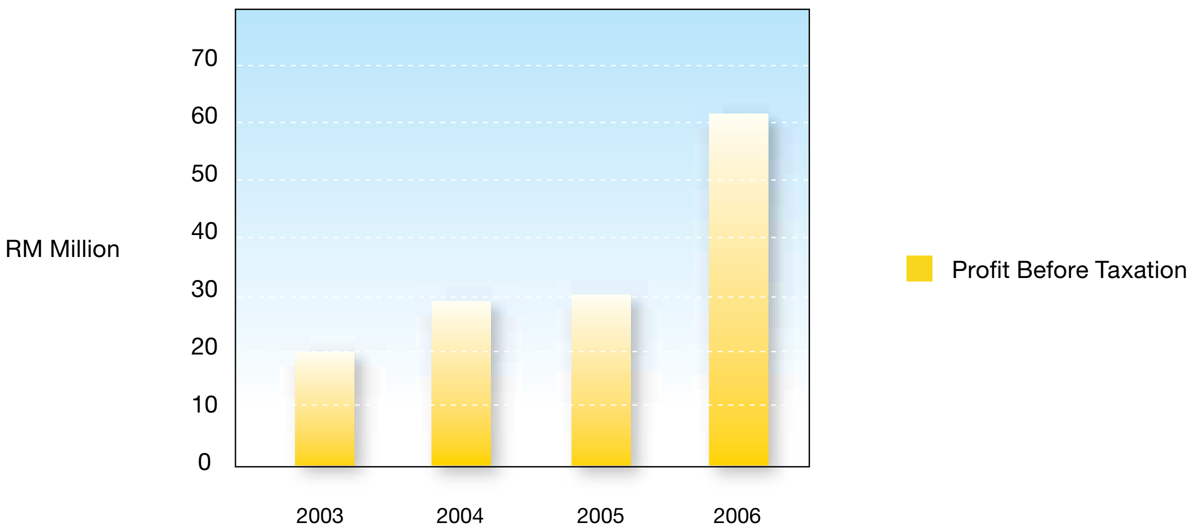


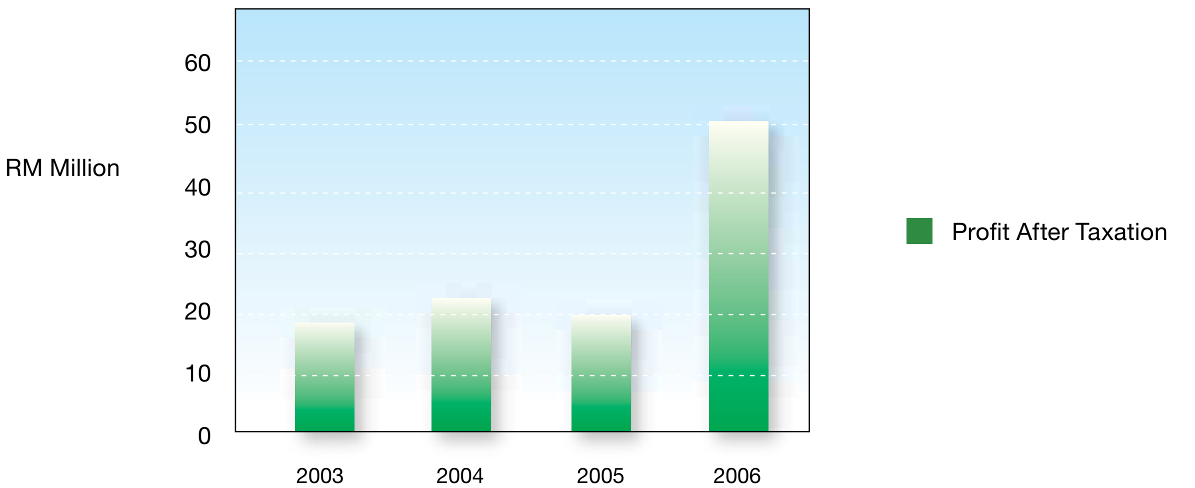

## PRINCIPAL ACTIVITIES

| | |
|---|---|
| **Alam Maritim (M) Sdn Bhd** | Ship owning, ship managing, chartering, catering and other related services. |
| **Alam Maritim (L) Inc** | Investment holding, ship owning and chartering. |
| **Najdah Gemilang Sdn Bhd** | Transportation, ship forwarding, ship agency, ship chandelling and other related services. |
| **Alam Hidro (M) Sdn Bhd** | Offshore facilities construction, installation, subsea engineering and underwater services. |
| **Alam Eksplorasi (M) Sdn Bhd** | Ship owning and ship chartering. |
| **Alam Synergy I (L) Inc** | Ship owning and ship chartering. |
| **Alam Synergy II (L) Inc** | Ship owning and ship chartering. |
| **Alam Synergy III (L) Inc** | Ship owning and ship chartering. |
| **Eastar Offshore Pte Ltd** | Designing, manufacturing and operating of Remotely Operated Vehicle (ROV). |
| **Workboat International FZCO** | Ship managing, ship operating and marine consultancy. |

# Group Financial Highlights (2003 - 2006)



# Board of Directors


1. **Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid**
   Chairman
   Independent Non-Executive Director

2. **Azmi bin Ahmad**
   Managing Director

3. **YB Haji Ab Wahab bin Haji Ibrahim**
   Independent Non-Executive Director

4. **Shaharuddin bin Warno @ Rahmad**
   Non-Independent Executive Director

5. **Mohd Abd Rahman bin Mohd Hashim**
   Non-Independent Executive Director

6. **Dato' Mohamad Idris bin Mansor**
   Independent Non-Executive Director

7. **Ab Razak bin Hashim**
   Non-Independent Executive Director

8. **Ahmad Hassanudin bin Ahmad Kamaluddin**
   Non-Independent Non-Executive Director

**Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid**
Chairman
Independent Non-Executive Director

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid, a Malaysian, aged 58, is an Independent Non-Executive Director of AMRB. He is the Chairman of the Nomination and Remuneration Committee and a member of the Audit Committee. He qualified as a Master Mariner with a Masters in Foreign-Going Certificate of Competency from the UK in 1974 and a Diploma in Applied International Management from the Swedish Institute of Management in 1984. He also attended the Advanced Management Program (AMP) at Harvard University in 1993. He is a Fellow of the Nautical Institute United Kingdom ("UK"), a Fellow of the Chartered Institute of Logistics & Transport and a Fellow of the Institut Kelautan Malaysia.

He has over thirty five (35) years of professional experience in the international maritime industry. His working experiences include five (5) years with a British shipping company and twelve (12) years in Malaysia International Shipping Corporation ("MISC"), during which he held various senior managerial appointments. He was also responsible for the creation and development of Perbadanan Nasional Shipping Line Berhad for which he served as the General Manager and Director from 1982 to 1989. He was also involved in the Kuantan Port privatisation project in the mid 1990s and served as its first Executive Director /CEO for two (2) years.

He has created many milestones in his shipping career. He was the youngest Malaysian to qualify as a Master Mariner at the age of 25, and as a qualified navigating officer, he was the only Malaysian in the team which brought back the first MISC vessel, the MV Bunga Raya, into Port Klang in December 1970. He was also in the pioneering team to start LNG shipping in Malaysia and the first Malaysian to be awarded a Fellow of the Nautical Institute of the UK. He is also the Founding Director of Akademi Laut Malaysia in 1978 and of Maritime Institute of Malaysia since 1993. In May 1996, he was appointed by the Ministry of Finance, Malaysia ("MOF") as the Chairman of Global Maritime Ventures Berhad ("GMV"), a marine venture capital company set up by the MOF under Bank Industri & Teknologi Malaysia Berhad. Prior to this appointment, he was a Director of GMV from 1993. He stepped down as Chairman of GMV on 4 August 2003.

He is currently the Chairman of WCT Engineering Berhad, a construction company listed on the Main Board of Bursa Malaysia Securities, the Chairman of GD Express Carrier Berhad, a company listed on the MESDAQ market of Bursa Malaysia Securities and a Director of Malaysian Bulk Carriers Berhad, another company listed on the Main Board of Bursa Malaysia Securities.

**Azmi bin Ahmad**
Non-Independent Executive Director

Azmi bin Ahmad, a Malaysian, aged 48, is a Non-Independent Executive Director of AMRB. He is a member of the Nomination and Remuneration Committee and alternate member to Shaharuddin bin Warno @ Rahmad in the Audit Committee and the Risk Management Committee. He is also the Chairman of the ESOS Committee. In 1990, he obtained his Diploma in Accountancy from MARA Institute of Technology, Malaysia and subsequently in 1992, a Bachelor of Arts (Hons) in Accounting and Finance from the University of South Bank, UK. In 1998, he obtained his Masters of Business Administration from University of Wales, Cardiff, UK. He began his career in 1978 as a Leftenan Udara in the Royal Malaysian Airforce.

In 1985, he joined the Merlin Hotel Group as an Administration and Security Officer and in 1988, he joined Techart Sdn Bhd as the Head of Administration. In 1992, he accepted a position with Bank Bumiputra Malaysia Bhd as the Manager of the Corporate Banking Division. He left in 1994 and joined Nepline Berhad, a shipping company providing tanker services, as the General Manager of the Finance, Administration and Human Resources Division where he served for six (6) years until 1999. He left Nepline Berhad to join AMSB in 2000. He is the co-founder of AMSB.

**Shaharuddin bin Warno @ Rahmad**
Non-Independent Executive Director

Shaharuddin bin Warno @ Rahmad, a Malaysian, aged 39, is a Non-Independent Executive Director of AMRB. He is a member of Audit Committee, Risk Management Committee and Nomination and Remuneration Committee. He also sits in the ESOS Committee. He is a member of the Association of International Accountants, UK and an Accredited Fellow of the Society of International Accounting Technicians, UK. He began his career in 1988 as a Trainee with Mayban Finance Berhad. In 1990, he joined Faber Group Berhad as an Internal Auditor and in 1991, he joined Petronas as an Accounts and Costing Supervisor, International Marketing Division. In 1995, he was the Finance Manager in Maritime (M) Sdn Bhd, where he gained the know-how and experience to develop the operational and commercial aspects of a company in the offshore vessel industry. He is the co-founder of AMSB.

**Mohd Abd Rahman bin Mohd Hashim**
Non-Independent Executive Director

Mohd Abd Rahman Bin Mohd Hashim, a Malaysian, aged 55, is a Non-Independent Executive Director of AMRB. In 1970, he completed his HSC while attending King Edward VII Secondary School. He began his career in 1975 as a Management Trainee with Century Hotel and left in 1978. His last held position prior to leaving was as an Assistant Manager (Rooms Division). After leaving Century Hotel, he joined Holiday Inn, Kuala Lumpur as the Front Office Manager.

In 1984, he left Holiday Inn and joined Hilton Hotel, Petaling Jaya as the Sales Marketing Manager and served the company for six (6) years until 1990. In 1990, he joined Maritime Pte Ltd, Singapore as the Manager of Sales and Marketing, Offshore Division where he acquired the knowledge and skills of the offshore industry. In 1993, he was seconded to Maritime (M) Sdn Bhd as the Manager of Operations and Marketing Department. In 1998, he left Maritime (M) Sdn Bhd to establish AMSB. He is the co-founder of AMSB.

**Ab Razak bin Hashim**
Non-Independent Executive Director

Ab Razak Bin Hashim, a Malaysian, aged 45, is a Non-Independent Executive Director of AMRB. He graduated from MARA Institute of Technology, Malaysia with a Diploma in Civil Engineering. He began his career in 1984 as a Technical Assistant at Kobena Sambu Joint Venture and left in 1985 to pursue a Bachelor of Science in Civil Engineering with Glasgow University, UK. Upon graduating from Glasgow University in 1987, he joined Nik Jai Associates as a Civil Engineer. In 1989, he joined Petronas Carigali Sdn Bhd, Miri as a Planning/Project Engineer.

In 1990, he was the Planning Engineer for Shapadu Holdings Sdn Bhd and subsequently he joined Comprimo Pte Ltd as a Planning/Project Engineer in 1991. He joined TL Offshore Sdn Bhd in 1992 as a Senior Cost/Planning Engineer. He served the company for eight (8) years and his last held position prior to leaving was the Head of Marine & Logistic. In 2000, he left TL Offshore Sdn Bhd and joined AMSB. He has over fifteen (15) years of experience in the oil and gas offshore construction industry, inclusive of pipe laying, offshore structures installation, directional drilling, offshore trenching as well as hook-up and commissioning, amongst others. He is also a member of the Board of Engineers Malaysia.

**Dato' Mohamad Idris bin Mansor**
Independent Non-Executive Director

Dato' Mohamad Idris bin Mansor, a Malaysian, aged 63, is an Independent Non-Executive Director of AMRB. He is the Chairman of the Risk Management Committee, a member of the Audit Committee as well as the Nomination and Remuneration Committee. He holds the Associateship of Camborne School of Mines (ACSM) from Camborne School of Mines, UK, Master of Science in Mining Geology and Exploration from the University of Leicester, UK and Master of Science in Petroleum Engineering from the University of Tulsa, Oklahama, United States of America ("USA"). He started his career in 1971 as a Research Engineer with the Department of Mines, Government of Malaysia. In February 1976, he joined Petronas as a Petroleum Engineer with the Production Department. In 1977, he served as the Production Manager of Petronas and was seconded to Petronas Carigali Sdn Bhd ("PCSB"), a wholly-owned subsidiary of Petronas in 1980 as the Deputy General Manager, Technical until 1984 and then as the General Manager until 1989. He was then appointed as the Chief Executive Officer of PCSB in 1989 and later as the Senior Vice President and Board Member of Petronas from 1 October 1993 until his retirement on 30 September 2002. He remained as Adviser, Exploration & Production Business of Petronas for another year.

He also sat as a Board Member of the Premier Oil Plc from 1999 to 2003, a company listed in the London Stock Exchange, as the Chairman of the Board of Greater Nile Petroleum Operating Company Ltd, Sudan from 1997 to 2002, as the Chairman of Energy Africa Ltd, South Africa from 1999 to 2004 and on the Board of various Petronas subsidiaries and associated companies in Malaysia and overseas. In 1995, he became the Chairman of the Society of Petroleum and Engineers ("SPE"), Asia Pacific until 2004 and continues to serve as a Board Member of SPE. He also sits on the Energy Advisory Board of Stone Bond Technologies, a technology company based in Houston, Texas, USA and is currently the Independent Non-Executive Director of KNM Group Berhad, another company listed on the Main Board of Bursa Malaysia Securities.

He was conferred the Darjah Kesatria Mangku Negara (KMN) in 1982, the Darjah Paduka Mahkota Terengganu (DPMT) and the Darjah Johan Setia Mahkota (JSM) in 1992 and an Honorary Doctorate of Science by the University of Exeter, UK in 1998.

**YB Haji Ab Wahab bin Haji Ibrahim**
Independent Non-Executive Director

YB Haji Ab Wahab bin Haji Ibrahim, a Malaysian, aged 56, is an Independent Non-Executive and the Chairman of the Audit Committee of AMRB. He is also a member of the Risk Management Committee. He is a Chartered Accountant and a member of the Malaysia Institute of Accountants. He obtained his Diploma in Accountancy and Degree in Accounting MARA Institute of Technology, Malaysia in 1974 and 1987 respectively. He started his career with Petronas in 1978 as a Management Executive and became an Accountant in the Corporate Finance Division four (4) years later. He was later promoted to Senior Accountant before being transferred to Petronas Gas Berhad, a subsidiary of Petronas which is listed on the Main Board of Bursa Malaysia Securities, where he was a Senior Manager and Joint Company Secretary.

In 1996, he became the Head of the Finance Division, OGP Technical Services Sdn Bhd, another subsidiary of Petronas, where he served until March 2004. Currently, he is the Ahli Dewan Undangan Negeri (ADUN) for Taman Medan Petaling Jaya, Selangor. He is currently an Independent Non-Executive Director on the Board of Tanjung Offshore Berhad and also serves as the Chairman of its Audit Committee. He is also currently the Executive Chairman of Foresight Approach Sdn Bhd and Geramas Sdn Bhd and the Chairman of 3OPP Sdn Bhd. He was conferred both the Ahli Mangku Negara (AMN) and Pingat Jasa Kebaktian (PJK) in 2001.

**Ahmad Hassanudin bin Ahmad Kamaluddin**
Non-Independent Non-Executive Director

Ahmad Hassanudin bin Ahmad Kamaluddin, a Malaysian, aged 61, is a Non-Independent Non-Executive Director of AMRB. He graduated with a Bachelor of Economics (Analytical) from Universiti Malaya. He also attended Business and Management courses and programmes with Harvard Business School, Oxford School of Petroleum Studies and Fletcher School of Law and Diplomacy, Tufts University, USA.

He has vast experience in the oil and gas industry, having served Petronas for almost 29 years in various capacities in both Downstream and Upstream business sectors. During his tenure he has held various senior management positions including Executive Secretary to the Fairley Baram Unitisation Scheme project, a member of the working committee which reviewed the Work Programme and Budget of Production Sharing Contract ("PSC") contractors, a member of the committee working on the Petronas Master Plan Study which looked into the development of the oil and gas industry in Malaysia and Head of Business Development under Corporate Planning. Other positions held included Head of Property in LNG Sdn Bhd, Deputy General Manager of International Marketing Division in Petronas, Managing Director of Petronas Trading Corporation Sdn Bhd ("PETCO"), a wholly owned subsidiary of Petronas, Senior General Manager of Malaysian Crude Oil Division in Petronas and CEO of Vinyl Chloride (Malaysia) Sdn Bhd. Before his retirement, he was the CEO of ASEAN Bintulu Fertiliser Sdn Bhd, a joint venture company between Petronas (representing Malaysia) and Indonesia, Thailand, Philippines and Singapore.

During his tenure, he was also appointed to the Board of various subsidiaries of Petronas and held an honorary position as Vice President of International Fertilizer Association of the East Asia in 2003. He joined AMSB in June 2004.

Note : Save as disclosed in this Annual Report, none of the Directors has;

i. any family relationship with any Directors and/or Substantial Shareholders of the Company;
ii. any conflict of interest with the Company;
iii. any conviction for offense within the past 10 years other than traffic offenses.

# Major Events (2006)

**20 July 2006**

The entire 162,336,082 ordinary shares of RM0.50 each were successfully floated on the Main Board of Bursa Malaysia Securities Berhad.

**4 – 6 August 2006**

Alam Maritim Group Family Day was held at Awana Kijal Golf, Beach & Spa Resort Terengganu with the aim to strengthen the relationship between the management and staff as well as their family members.

**13 September 2006**

Maiden Voyage of MV Setia Rentas, a newly built 5,150 bhp Anchor Handling Tug Supply Vessel at Kemaman Supply Base, Terengganu Darul Iman.

# Senior Management Team

**Azmi bin Ahmad**
Group Managing Director

**Shaharuddin bin Warno @ Rahmad**
Group Finance Director

**Mohd Abd Rahman bin Mohd Hashim**
Group Technical & Operations Director

**Ab Razak bin Hashim**
Group Project Director

**Ahmad Hassanudin bin Ahmad Kamaluddin**
Executive Chairman, AHSB

**Azman bin Shabudin**
Managing Director, AHSB

**Mohd Fozi bin Ismail**
Technical Director, AHSB

**Haniza binti Sabaran**
Group Company Secretary

**Md Nasir bin Noh**
Group Financial Controller

**Mohammad Izham bin Che Ariff**
Assistant General Manager,
Technical & Operations

**Md Noh Azizan bin Abdullah**
Assistant General Manager,
Logistics & Assets Management

**Nik Aznuddeen bin Hussain**
Project Manager

**Captain Ramli bin Bujang**
ISM-DPM Manager

**Misli bin Ismail**
Technical Superintendent

**Captain Shamsul Bahri bin Mustafa**
Operations Manager

**Shariza binti Md Saad**
Corporate Affairs &
Finance Manager

**Zuraidah binti Yunos**
Human Resources &
Admin Manager

**Nuranisma binti Ahmad**
Finance Manager

**Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid**
Chairman / Pengerusi

Dear Shareholders,

On behalf of the Board of Directors of Alam Maritim Resources Berhad ("Alam Maritim"), I am pleased to present to you this Annual Report and Audited Financial Statements, the first since Alam Maritim was listed on the Main Board of Bursa Malaysia Securities in July 2006.

And what a year it has been. Alam Maritim has made its mark on the local bourse, generating interest from both the analyst fraternity and market watchers alike, buoyed by the realisation that the Company harnesses tremendous growth potential.

Despite the market volatility, Alam Maritim's shares have gained steadily by more than 133% since the initial public offering with a market capitalization of RM625.9 million (as of 21 May 2007).

**Historical Performance**

The strong surge in the Company's share price was backed by an equally impressive financial performance. In contrast to many other companies which were adversely impacted by extreme volatility of share price, and uncertain economic climate, Alam Maritim steadily gained in all aspects of business, thus translating to an impressive set of financial results.

For the year just ended, your Company posted a pre-tax profit of RM60.9 million on the back of RM151.2 million in revenue, whilst earnings per share for the period under review was an inspiring 32.6 sen. The Company's net asset per share as at end last year stood at about RM1.05. This result is inspiring and shows a high level of commitment by the management and augurs well for future.

But then, the year just ended may just be the beginning of better times ahead. Alam Maritim is likely to be among the more watched companies on Bursa Malaysia Securities if the sterling financial performance and the impressive run on its shares are anything to go by.

Perhaps I should not express such amazement at this feat as the high level of commitment has been the strength of the Company from day one when the Company first came into being, back in 1998 where AMSB started as a ship operator and manager for offshore marine support services.

Today, I am proud to say that the Company has expanded and is the proud owner and operator of as many as 15 offshore support vessels ("OSVs") with deadweight capacity of about 15,502 metric tonnes with an average age of six (6) years.

**Outlook and Prospects**

Malaysia's economy, as measured by its gross domestic product (GDP) grew 5.9% in 2006, up from 5.3% in 2005. Last year's growth was just short of Bank Negara Malaysia's projection of 6.0%, but higher than market consensus forecast of about 5.5%. Bank Negara anticipates a global growth of 4.5% in 2007 with further easing of inflationary pressure and moderating in growth of world trade. Malaysia is projected to achieve a GDP growth of 6.0%, underpinned by sustained global growth and resilient domestic demand. The consumer price index is projected at between 2.0% to 2.5%, lower compared to 3.6% in 2006. The inflationary pressure is contributed by the moderating energy prices and the ongoing expansion in production capacity supported by the increase of competitive pressure in the global economy.

For Alam Maritim, much of my exuberance and optimism stems from the stand taken by our beloved Government, and the state controlled oil major Petroliam Nasional Bhd (Petronas), which has been aggressively penetrating new regions and is always on the look out for opportunities. There is still a lot of room for growth, especially with Petronas recent aggressive forays both at home and abroad. Petronas has recently secured oil exploration blocks in Timor Leste, Australia, and made a maiden foray into the China energy market.

These come on the back of several other large initiatives by the oil majors. Petronas also forged a partnership with Saudi Arabian Oil Co, the largest oil exploration company in the world, and the two companies are looking at strategic tie-ups for exploration work and more. Petronas has also stated that it is looking to build as many as 65 new platforms over the next few years, which heightens the possibility of Alam Maritim inking new jobs with the oil major.

With strong outlook for the oil and gas sector, your Company has been pretty aggressive on the acquisition front. In 2006, Alam Maritim acquired nine (9) newly-built OSVs comprising three (3) units of Anchor Handling Tug Supply Vessels (AHTS), five (5) units supply/utility vessels (SUV) and one (1) unit of DP2 ROV support & maintenance vessel (SMV) from foreign and local shipyards. The first OSV is sheduled to be delivered by end of second quarter 2007 while the balance of the said OSVs are expected to be delivered in stages until early 2008. All of these OSVs are aimed to be deployed in South East Asian and Middle East waters to support the exploration and production activities.

For those of you who have diligently followed our announcements to the local bourse you would know that your Company has secured several new contracts, from companies such as Murphy Sabah/Sarawak Oil Co Ltd and Talisman (Malaysia) Ltd among others.

Over the next two years, Alam Maritim is slated to receive another nine vessels to service some of the new contracts, which should contribute positively to the Company's future earning. I am convinced that the seed, which was planted nine years ago, is bearing fruit and with the commitment to excellence by the management which I mentioned earlier will point your Company towards the goal of being among the top names in marine support services for the oil and gas sector.

### Initial Public Offering

My dear shareholders, I am indeed proud to say that Alam Maritim's initial public offering on the Main Board of the Bursa Malaysia, which places it among the elite of the publicly traded companies on the Main Board was a great success. On the Company's trading debut the shares rose by as much as 21% in intraday trading which is an indication of the confidence in the Company.

Over the last few weeks, prior to the release of this annual report, your management has been aggressively meeting up with fund managers who have been equally enthusiastic as to the Company's prospects and expansion plans.

During our flotation exercise it was stated that we would be acquiring two vessels per year as a bare minimum. And I am proud to say that we have lived up to our promise and been aggressively building new vessels, but let me add that we are also always on the look out for new business opportunities.

As you know, we have successfully set up offices in other parts of the world, namely in Singapore and United Arab Emirates. These offices will increase the business profile of Alam Maritim in a large way. Much of the capital obtained from the initial public offering was directed towards the expansion of the Group. As stated in the prospectus before the floatation exercise, we spent as much as RM261.0 million for expansion purposes. At the issue price of RM1.65 per share, Alam Maritim raked in as much as RM48.2 million, of which about 58% or RM28.2 million was ploughed back into the Group as payment for the acquisition of new vessels. Another chunk of the proceeds of listing, as much as RM14.5 million was utilised for the repayment of borrowings, while the remainder was utilised for working capital and listing expenses.

### Corporate Exercises

A wholly owned unit of Alam Maritim, AMLI had acquired early this year, as much as 60% of EASTAR, a Singapore-based company for a consideration of about RM1.2 million. This acquisition gives Alam Maritim, the exposure to the designing, manufacturing and operating of Remotely Operated Vehicle ("ROV"). We anticipate the EASTAR acquisition will bear fruit by as early as the current financial year. Another corporate exercise involving a joint venture with Synergy Sparkle Sdn Bhd ("SSSB"), which is a subsidiary of Global Maritime Ventures Berhad, a wholly owned unit of Bank Pembangunan Malaysia Berhad was inked in late last year. Under the joint venture agreement, AMSB and SSSB will own and operate three (3) OSVs on a joint venture basis. This initiative should also assist Alam Maritim in beefing up its bottom line.

### Appreciation

On behalf of the Board of Directors, I would like to extend my sincere gratitude to our esteemed customers, valued shareholders, bankers, business associates and regulatory authorities for their continued, confidence and support to Alam Maritim. To our management and employees, I would also like to express our appreciation for their dedication and commitment to the Group. I wish everyone the very best for the coming year.

Thank you.

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid
Chairman

1 June 2007

# Perutusan Pengerusi

Tuan-tuan Pemegang Saham,

Saya amat berbesar hati untuk membentangkan laporan tahunan ini, iaitu laporan tahunan yang pertama sejak Alam Maritim Resources Berhad ("Alam Maritim") disenaraikan di Papan Utama Bursa Saham Malaysia pada Julai lepas.

Tahun lepas adalah satu tahun yang amat membanggakan. Alam Maritim telah berjaya meninggalkan kesan di bursa tempatan, menarik minat di kalangan penganalisa dan juga pemerhati pasaran, ditingkatkan lagi dengan kesedaran yang Syarikat ini mempunyai potensi untuk berkembang dan membangun menjadi sebuah organisasi yang lebih besar dan lebih menarik dari pelbagai sudut.

Walaupun dengan pasaran yang tidak stabil, saham Alam Maritim terus meningkat dan telah mencatatkan peningkatan sebanyak 133 % sejak mula ditawarkan pada awam manakala pemodalan pasaran Syarikat telah mencapai ke paras RM625.9 juta (sehingga 21 Mei 2007).

**Prestasi Kewangan**

Peningkatan ketara harga saham Syarikat telah disokong oleh prestasi kewangan yang amat membanggakan. Berbanding dengan syarikat-syarikat lain yang terjejas oleh harga saham dan keadaan ekonomi yang tidak menentu, Alam Maritim terus meningkat dari semua aspek perniagaan, menghasilkan keputusan kewangan yang memberangsangkan.

Bagi tahun kewangan berakhir 31 Disember 2006 yang ditinjau, Kumpulan telah mencatatkan pendapatan sebanyak RM151.2 juta dan keuntungan sebelum cukai sebanyak RM60.9 juta manakala pendapatan sesaham bagi tempoh tersebut adalah amat memberangsangkan iaitu sebanyak 32.6 sen. Aset bersih sesaham Kumpulan pada hujung tahun lepas adalah lebih kurang RM1.05. Keputusan ini amatlah membanggakan di mana ia menunjukkan komitmen pengurusan yang tinggi dan petanda baik di masa hadapan.

Walaupun demikian, tahun yang baru berakhir ini adalah hanya merupakan titik permulaan. Alam Maritim dijangka tergolong antara syarikat-syarikat yang diberi perhatian di Bursa Malaysia berdasarkan kecemerlangan prestasi kewangan dan peningkatan harga saham yang mengagumkan.

Mungkin saya tidak perlu menceritakan mengenai pencapaian yang hebat ini kerana iltizam yang tinggi adalah merupakan kekuatan Kumpulan ini sejak mula lagi apabila Kumpulan mengorak langkah dalam tahun 1998 di mana AMSB mula beroperasi sebagai pengusaha kapal dan pengurusan perkhidmatan sokongan marin luar pesisir pantai.

Hari ini, dengan besar hati saya menyatakan bahawa Kumpulan telah berkembang dan ianya memiliki serta menguruskan sebanyak 15 buah kapal sokongan pesisir pantai dengan kapasiti beratmati lebih kurang 15,502 metrik tan dengan purata usia enam (6) tahun.

**Pandangan dan Prospek**

Ekonomi Malaysia telah berkembang sebanyak 5.9% pada tahun 2006, berdasarkan kepada Keluaran Dalam Negara Kasar ("KDNK"), peningkatan dari 5.3% bagi tahun 2005. Peningkatan tahun lepas hanya kurang sedikit dari jangkaan Bank Negara Malaysia iaitu 6.0% tetapi lebih tinggi daripada jangkaan pasaran iaitu 5.5%. Bank Negara telah menjangkakan pertumbuhan secara menyeluruh sebanyak 4.5% bagi tahun 2007 dengan tekanan inflasi yang menurun dan pertumbuhan perdagangan dunia yang sederhana. Malaysia diunjurkan mencapai tahap pertumbuhan KDNK sebanyak 6.0%, disokong oleh pertumbuhan sedunia yang stabil dan pengukuhan permintaan domestik. Indeks harga pengguna telah diunjurkan berkembang antara 2.0% hingga 2.5%, lebih rendah dibandingkan dengan 3.6% pada tahun 2006. Tekanan inflasi yang sederhana adalah disumbangkan oleh harga tenaga yang sederhana dan perkembangan berterusan dalam kapasiti pengeluaran yang disokong oleh peningkatan tekanan persaingan dalam ekonomi global.

Dengan penuh semangat dan sikap optimis saya terhadap Alam Maritim berdasarkan pendirian oleh Kerajaan kita yang disayangi dan Petroliam Nasional Berhad (Petronas) yang di bawah kawalan Kerajaan, telah menerokai kawasan baru secara agresif dan sentiasa mencari peluang. Masih banyak ruang untuk peningkatan, terutama dengan usaha-usaha agresif Petronas sejak kebelakangan ini, samada di dalam dan luar negara. Petronas baru sahaja mendapat blok eksplorasi minyak di Timur Leste, Australia dan membuat usaha awal ke pasaran tenaga China.

Petronas, juga telah menjalin perkongsian dengan Saudi Arabian Oil Co, syarikat penerokaan minyak terbesar di dunia, dan kedua-duanya sedang merangka kerjasama strategik bagi kerja-kerja penerokaan dan lain-lain. Petronas telah menyatakan bahawa ia bercadang untuk membina sebanyak 65 pelantar minyak baru dalam beberapa tahun akan datang yang akan meningkatkan kebarangkalian Alam Maritim untuk memperolehi kontrak baru.

Bagi anda yang setia mengikuti pengumuman kami di Bursa Malaysia, anda tentunya mengetahui bahawa Syarikat anda ini telah mendapat beberapa kontrak baru, antaranya dari syarikat-syarikat seperti Murphy Sabah / Sarawak Oil Co Ltd dan Talisman (Malaysia) Ltd.

Dalam masa dua (2) tahun akan datang, Alam Maritim dijangkakan bakal menerima sembilan (9) buah kapal untuk memberikan perkhidmatan kepada beberapa kontrak baru di mana ia diharapkan dapat menyumbang secara positif terhadap pendapatan Kumpulan. Saya pasti dengan benih yang telah disemai sembilan (9) tahun lalu kini telah mula mengeluarkan hasil dan dengan komitmen yang berkualiti dari pihak pengurusan, ia diharapkan dapat membawa Syarikat anda menjadi antara yang terbilang dalam industri perkhidmatan marin pesisir pantai dalam sektor minyak dan gas.

**Tawaran Awam Permulaan**

Tuan-tuan pemegang saham, sesungguhnya saya amat berbangga untuk menyatakan yang tawaran awam permulaan Alam Maritim telah meletakkannya di kalangan syarikat elit yang diniagakan di Papan Utama Bursa Malaysia dan merupakan suatu kejayaan. Pada pembukaan dagangan saham Syarikat meningkat sebanyak 21% pada dagangan harian yang menunjukkan tanda kepercayaan kepada Syarikat.

Di beberapa minggu terakhir lalu, sebelum pengumuman laporan tahunan ini, pengurusan anda telah giat mengadakan pertemuan dengan pengurus-pengurus dana yang sama bersemangat tentang peluang Syarikat dan rancangan pembangunannya.

Semasa pelaksanaan apungan, kami telah mengumumkan untuk membeli sekurang-kurangnya dua (2) buah kapal setiap tahun. Saya amat berbangga untuk menyatakan yang kami telah berjaya menunaikan janji kami serta membina kapal-kapal baru dengan agresif. Biarlah saya menambah bahawa kami sentiasa mencari peluang-peluang perniagaan baru.

Seperti yang anda sedia maklum, kami telah berjaya menubuhkan cawangan di serata dunia, antaranya di Singapura dan Emiriah Arab Bersatu. Cawangan-cawangan ini akan menguatkan lagi profil perniagaan Kumpulan secara amnya. Kebanyakan dari modal yang diperolehi dari tawaran awam permulaan telah disalurkan ke arah pembangunan Kumpulan. Seperti yang dimaklumkan di dalam prospektus sebelum pelaksanaan apungan, kami telah membelanjakan sebanyak RM261.0 juta bagi perkembangan perniagaan. Pada harga tawaran RM1.65 sesaham, Alam Maritim telah merangkul sebanyak RM48.2 juta, di mana lebih kurang 58% atau RM28.2 juta telah dilaburkan balik ke dalam Kumpulan sebagai pembayaran bagi perolehan kapal-kapal baru. Sebahagian dari perolehan penyenaraian, sebanyak RM14.5 juta telah digunakan bagi pembayaran balik pinjaman, sementara bakinya digunakan sebagai modal pusingan dan belanja penyenaraian.

**Pelaksanaan Korporat**

Pada awal tahun ini, sebuah syarikat milik penuh Alam Maritim, AMLI telah mengambil alih 60% pegangan saham dalam EASTAR, iaitu sebuah syarikat berdaftar di Singapura dengan harga lebih kurang RM1.2 juta. Pengambil alihan ini telah memberi Alam Maritim pendedahan terhadap bidang perkhidmatan rekacipta, pengeluaran dan operasi Peralatan Selam Kawalan Jauh. Kami menjangkakan bahawa perolehan EASTAR ini akan membuahkan hasil seawal tahun kewangan semasa. Satu lagi usahasama iaitu dengan Synergy Sparkle Sdn Bhd ("SSSB"), sebuah unit daripada Global Maritime Ventures Berhad, anak syarikat milik penuh Bank Pembangunan Malaysia Berhad yang di bawah seliaan Kerajaan, telah dimeteraikan pada hujung tahun lepas. Di bawah perjanjian ini, AMSB dan SSSB akan memiliki dan menguruskan secara usahasama tiga (3) buah kapal sokongan pesisir pantai. Inisiatif ini akan menjana pertumbuhan keuntungan Kumpulan.

**Penghargaan**

Bagi pihak Lembaga Pengarah, saya ingin mengambil kesempatan ini untuk mengucapkan ribuan terima kasih kepada klien kami yang dihargai, pemegang-pemegang saham, pihak bank, rakan bersekutu perniagaan dan pihak-pihak berkuasa di atas sokongan dan keyakinan yang berterusan terhadap Alam Maritim. Kepada pihak pengurusan dan kakitangan, saya ingin merakamkan penghargaan terhadap dedikasi dan komitmen yang telah anda sumbangkan kepada Kumpulan. Selamat maju jaya saya ucapkan pada semua.

Terima kasih.

Dato' Kapten Ahmad Sufian @ Qurnain bin Abdul Rashid
Pengerusi

1 Jun 2007

The Board of Directors ("the Board") recognises the importance of good corporate governance and is committed to the establishment and implementation of a proper framework and controls that are in line with the principles and best practices as recommended by the Malaysian Code of Corporate Governance (the "Code").

The Board will continuously evaluate the status of the Group's corporate governance practices and procedures with a view to adopt and implement the Best Practices of the Code wherever applicable in the best interests of the shareholders of the Company. The Board has generally applied the Principles and Best Practices of the Code.

The Board is pleased to report herein the manner in which the Company has applied the Principles of the Code and the extent to which it has complied with the Best Practices of the Code.

**Board of Directors**

1. Board Responsibilities

The Board is fully aware of its role and has adopted the specific responsibilities that are listed in the Code, which facilitates the discharge of the Board's stewardship responsibilities.

a. Board Balance

The Board of Directors consists of members comprising three (3) Independent Non-Executive Directors, and four (4) Non-Independent Executive Directors, one (1) Non-Independent Non-Executive Director. The Board considers its current size adequate given the existing scope and nature of the Group's business operations.

The Board is responsible for implementing corporate policies and decisions of the Board, overseeing the operations and developing the business and corporate strategies of the Group. The Board also monitor the performance of the Group and ensures that a proper internal control system is in place. The presence of independent non-executive directors is to provide independent and unbiased views of financial and business inputs for the interest of the Group.

b. Board Meeting

The Board meets at least four (4) times a year with additional meetings held as and when urgent issues warrant matters to be attended.

The Directors are provided before each Board Meeting, with the appropriate information relating to the matters to be discussed and where necessary, additional information is provided during the Board meeting on significant issues that arise or when specifically requested by a Director. The Directors whether as a full board or in their individual capacity also have access to the services of the Company Secretary and management staff. Where considered necessary, the Board may also engage the services of professionals on specialized issues and furtherance of their duties.

During the financial year under review, three (3) Board Meetings were held and the Directors' attendance at the meetings were as follows:-

| Name | Held on 18/08/06 | Held on 16/11/06 | Held on 08/12/06 |
|---|---|---|---|
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | √ | √ | √ |
| Azmi bin Ahmad | √ | √ | √ |
| Shaharuddin bin Warno @ Rahmad | √ | √ | √ |
| Mohd Abd Rahman bin Mohd Hashim | √ | √ | √ |
| Ab Razak bin Hashim | √ | √ | √ |
| Dato' Mohamad Idris bin Mansor | √ | √ | √ |
| YB Haji Ab Wahab bin Haji Ibrahim | √ | √ | √ |
| Ahmad Hassanudin bin Ahmad Kamaluddin | √* | √* | √ |

Note : * Encik Ahmad Hassanudin bin Ahmad Kamaluddin was appointed to the Board on 6 December 2006, he sat in attendance in the first two (2) meetings.

c. Board Committees

The Board has established board committees to assist the Board in discharging their duties. These committees are as follows:

i. Audit Committee ("AC")

The Board has set up an AC, the composition of which is in compliance with the relevant regulatory requirements. The report of the AC is on pages 35 to 37 of this Annual Report.

ii. Nomination & Remuneration Committee ("NRC")

The NRC is responsible for, amongst other, the following:

1. to recommend candidates for appointments to our Board of Directors, board committees, consultative panels, regulatory committees and key management positions and to recommend and negotiate the compensation packages for these appointments; and

2. to establish performance criteria to evaluate the performance of each member of our Board of Directors and our Managing Director, and reviewing their respective performances.

The NRC meets as and when required. The decision on new appointment shall be the responsibility of the Board after considering the recommendation of the NRC. During the financial year under review, no meeting was held.

The members of the NRC are as follows:

| Name | Position |
|---|---|
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | Chairman |
| Dato' Mohamad Idris bin Mansor | Member |
| Azmi bin Ahmad | Member |
| Shaharuddin bin Warno @ Rahmad | Member |

iii. Risk Management Committee ("RMC")

The RMC is responsible for the following :

1. to ensure regular assessment, identification, measurement and monitoring of all principal risks of our Group;

2. to co-ordinate and prioritise the risk management activities of our Group to ensure all principal risks are adequately managed;

3. to ensure comprehensive enterprise-wide risk management policies and that a framework is in place to provide a strong control environment;

4. to ensure our Group's risk management strategies are continously aligned with its business strategies and risk tolerance, whereby risks are considered in our Group's long term plans and investment or capital allocations;

5. to ensure that edequate resources, expertise and information to manage risks are available throughout our Group; and

6. to propagate a "risk aware culture" among our Group's stakeholders, in particular all levels of staff within our Group, by way of continuous risk training and education.

The members of the RMC are as follow :

| Name | Position |
|---|---|
| Dato' Mohamad Idris bin Mansor | Chairman |
| YB Haji Ab Wahab bin Haji Ibrahim | Member |
| Shaharuddin bin Warno @ Rahmad | Member |
| Azmi bin Ahmad (Alternate to Shaharuddin bin Warno @ Rahmad) | Member |

iv. Employees' Share Option Scheme ("ESOS") Committee

The ESOS Committee shall be vested with such powers and duties as are conferred upon it by the Board including the powers:-

1. to administer the ESOS and to grant Options in accordance with the bye-laws;
2. to recommend to the Board to establish, amend, and revoke bye-laws, rules and regulations to facilitate the implementation of the ESOS;
3. to construe and interpret the provisions hereof in the best interest of the Company; and
4. generally, to exercise such powers and perform such acts as are deemed necessary or expedient to promote the best interest of the Company.

Subject to the foregoing, the ESOS Committee shall exercise its discretion in such manner as it deems fit.

During the financial year ended 31 December 2006, a total of 22,312,500 ESOS options were allocated to the Directors and employees of the Group inclusive of 2,500,000 units ESOS options made available to the Non-Executive Directors.

The ESOS Committee comprises two (2) Executive Directors and representatives of the employees. The members are:-

| Name | Designation |
|---|---|
| Azmi bin Ahmad | Chairman |
| Shaharuddin bin Warno @ Rahmad | Member |
| Md. Nasir bin Noh | Member |
| Haniza binti Sabaran | Secretary |

### Supply of Information

The Board recognises that the decision making process is highly dependent on the quality of information furnished. As such, the Board members have full and unrestricted access to all information concerning the Group's affairs. Prior to the Board meetings, all Board members are provided with the agenda and board papers containing information relevant to the business of the meeting to enable them to obtain further explanations, where necessary, in order to be properly briefed before the meetings. The Board papers including information on major financial, operational and corporate matters of the Group. The Board members also have access to the advice and services of the Company Secretary, Senior Management and independent professional advisers including the external auditors.

### Appointment and Re-election

In accordance with Article 103 of the Company's Articles of Association, at least one-third (1/3) of the Directors for the time being shall retire from office and be subject to retirement by rotation at each Annual General Meeting ("AGM"). The article also provides that all Directors shall retire once in every three (3) years in compliance with the Code. Directors who are appointed before the next AGM will retire and be subject to re-election by shareholders at the next AGM.

### Directors' Training

All the Directors of the Company have attended the Mandatory Accreditation Programme conducted by Bursatra Sdn Bhd within the stipulated timeframe required in the Listing Requirements, in view of the Continuous Education Programme (CEP), the Directors are mindful that they should receive appropriate continuous training and they have attended presentation and briefings in order to keep abreast with developments in the market place and with new statutory and regulatory requirements for the financial year ended 31 December 2006.

### Directors' Remuneration

The determination of remuneration packages of the Directors are matters for the Board as a whole. The remuneration of the Directors is structured to attract, retain and motivate them in order to run the Group successfully.

The Board reviews the remuneration of the Directors annually whereby the respective Executive Directors are abstained from discussions and decisions on their own remuneration.

The aggregate remuneration of the Directors for the financial year ended 31 December 2006 is as follows:-

| Remuneration Band (in RM) | Executive Directors | Non-Executive Directors |
|---|---|---|
| 0 - 30,000 | - | 2 |
| 30,001 - 40,000 | - | 1 |
| 100,000 - 200,000 | - | 1 |
| 300,000 - 400,000 | 4 | - |

**Relationship with Shareholders**

The Group recognises the importance of effective communication with its shareholders and investors to keep them informed of the major development of the Group. Such information is disseminated through the following channels:-

- Annual Report;
- Circulars to shareholders;
- Various disclosures and announcement to Bursa Malaysia Securities Berhad; and
- Company's website at www.alam-maritim.com.my

The main forum for dialogue with shareholders remains at the Annual General Meeting which encourage the shareholders to raise questions pertaining to the operations and financial performance of the Group.

**Accountability and Audit**

1. Financial Reporting

   The Board is responsible to present a balanced, clear and comprehensive assessment of the Group's financial performance and prospect through the quarterly and annual financial statements to shareholders. The Board and the AC have to ensure that the financial statements are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Board has reviewed and ensured that appropriate accounting policies have been used, consistently applied and supported by reasonable judgments and estimates.

2. Internal Control

   The Board has overall responsibility for maintaining a sound and effective system of internal control of the Group, covering not only financial controls but also controls relating to operations, compliance and risk management to safeguard shareholders investment and the Group's assets. The Board also recognises that the system of internal control has inherent limitations and is aware that such a system can only provide reasonable and not absolute assurance against material misstatements, loss or fraud.

   The internal control system of the Group is supported by an established organisational structure with well-defined authority and responsibility lines, and which comprises appropriate financial, operational and compliance controls.

3. Relationship with Auditors

   The Board, via the AC, has established a formal and transparent arrangement for maintaining an appropriate relationship with its external auditors. The Group is currently in the midst of setting up internal audit function to assist the Board, through the AC, in discharging its duties and responsibilities.

4. Statement of Directors' Responsibility

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flow of the Group and the Company for the financial year then ended.

In preparing the financial statements for the year ended 31 December 2006, the Directors have:-

- Adopted the appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- Ensure applicable approved accounting standards have been followed, and any material departures have been disclosed and explained in the financial statements; and
- Ensure the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records of the Group and Company, which disclose with reasonable accuracy the financial position of the Group and the Company, and which will enable them to ensure the financial statements have complied with the provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

5. Compliance Statement

Throughout the financial year ended 31 December 2006, the Group has complied with all the Best Practices of Corporate Governance as set out in Part 2 of the Malaysian Code on Corporate Governance.

**Other Disclosure Requirements**

a. Share Buybacks
During the financial year, there were no share buybacks by the Company.

b. Options, Warrants or Convertible Securities
A total of 202,400 ESOS Options were exercised for the financial year ended 31 December 2006.

c. Imposition of Sanctions/Penalties
There were no public sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or management by the relevant regulatory bodies during the financial year.

d. Non-Audit Fees
A total of RM299,250.00 was paid to the external auditors during the financial year.

e. Variation in Results
The audited results of the financial year ended 2006 did not differ by ten percent (10%) or more against the profit forecast and unaudited results previously announced.

f. Material Contracts

1. Share Purchase Agreement dated 1 July 2005 ("SPA") and subsequently a supplemental agreement to the SPA dated 20 February 2006 ("Supplemental SPA") between SAR Venture Holdings (M) Sdn Bhd, Forum Vest Sdn Bhd, CIMB Mezz I Sdn Bhd, CIMB Mezz Fund I Ltd P (collectively, "Vendors") and AMRB ("Purchaser") pursuant to which the Vendors have agreed to sell and AMRB has agreed to purchase the entire total issued and paid-up ordinary shares in AMSB for a total consideration of RM66,558,440.00 satisfied wholly by the issuance 133,116,880 Shares at an issue price of RM0.50 per share, credited as fully paid up.

   SAR Venture Holdings (M) Sdn Bhd is a substantial shareholder of AMRB holding 55.43% shares in AMRB.

Four (4) of our Directors, namely Azmi bin Ahmad, Shaharuddin bin Warno @ Rahmad, Ab Razak bin Hashim and Mohd Abd Rahman bin Mohd Hashim are the Directors of SAR Venture Holdings (M) Sdn Bhd.

g. Contracts Relating to Loans

1. Redeemable Cumulative Convertible Secured Loan Stock (RCCSLS) Agreement dated 24 November 2006 between SSSB and AS I pursuant to which SSSB has agreed to extend financial assistance to AS I by subscribing to the RCCSLS at the maximum aggregate price of RM7,030,000.00 to part finance the purchase of 58.7 metre Anchor Handling Supply Tug bearing Hull No. HT052007 ("the Vessel").

   a. the issuance of RCCSLS of RM7,030,000.00 to SSSB, which has the following salient terms:

      - the tenure of the RCCSLS shall be ten (10) years from the date of delivery and acceptance such other date as SSSB in its absolute discretion decides;
      - RCCSLS is chargeable at an interest of seven percentum (7.0%) per annum calculated on a quarterly reducing basis;
      - An interim interest in respect of any part of the disbursed RCCSLS shall be calculated on monthly basis after the disbursement of such part of RCCSLS.

   b. the Vessel will be mortgaged to SSSB as security for the RCCSLS.

   AMSB is our wholly-owned subsidiary and holds 60% equity of AS I. The balance of 40% of equity in AS I is held by SSSB.

   Two (2) of our Directors, namely Azmi bin Ahmad and Shaharuddin bin Warno @ Rahmad are also the Directors of both AMSB and AS I.

2. RCCSLS Agreement dated 24 November 2006 between SSSB and AS II pursuant to which SSSB has agreed to extend financial assistance to AS II by subscribing the RCCSLS at the maximum aggregate price of RM7,030,000.00 to part finance the purchase of 58.7 metre Anchor Handling Supply Tug bearing Hull No. HT062002 ("the Vessel").

   a. the issuance of RCCSLS of RM7,030,000.00 to SSSB, which has the following salient terms:

      - the tenure of the RCCSLS shall be ten (10) years from the date of delivery and acceptance such other date as SSSB in its absolute discretion decides;
      - RCCSLS is chargeable at an interest of seven percentum (7.0%) per annum calculated on a quarterly reducing basis;
      - An interim interest in respect of any part of the disbursed RCCSLS shall be calculated on monthly basis after the disbursement of such part of RCCSLS.

   b. The Vessel will be mortgaged to SSSB as security for the RCCSLS.

   AMSB is our wholly-owned subsidiary and holds 60% equity of AS II. The balance of 40% of equity in AS II is held by SSSB.

   Two (2) of our Directors, namely Azmi bin Ahmad and Shaharuddin bin Warno @ Rahmad are also the Directors of both AMSB and AS II.

3. RCCSLS Agreement dated 24 November 2006 between SSSB and AS III pursuant to which SSSB has agreed to extend financial assistance to AS III by subscribing the RCCSLS at the maximum aggregate price of RM16,132,000.00 to part finance the purchase of 76 metre DP2 ROV Support Maintenance Vessel bearing Hull No. YX3079 ("the Vessel").

   a. the issuance of RCCSLS of RM16,132,000.00 to SSSB, which has the following salient terms:

      - the tenure of the RCCSLS shall be ten (10) years from the date of delivery and acceptance such other date as SSSB in its absolute discretion decides;
      - RCCSLS is chargeable at an interest of seven percentum (7.0%) per annum calculated on a quarterly reducing basis;
      - An interim interest in respect of any part of the disbursed RCCSLS shall be calculated on monthly basis after the disbursement of such part of RCCSLS.

   b. the Vessel will be mortgaged to SSSB as security for the RCCSLS.

   AMSB is our wholly-owned subsidiary and holds 60% equity of AS III. The balance of 40% of equity in AS III is held by SSSB.

   Two (2) of our Directors, namely Azmi bin Ahmad and Shaharuddin bin Warno @ Rahmad are also the Directors of both AMSB and AS III.

h. Recurrent Related Party Transactions ("RRPT")

| | Transacting Parties | Relationship | Nature of Transactions | Transaction value for the financial year ended 31 December 2006 |
|---|---|---|---|---|
| | | | | **RM 000** |
| 1 | AMSB and AESB | AMSB is our wholly owned subsidiary.<br><br>AESB is a 60% subsidiary of AMSB. | Ship management fees charged by AMSB to AESB | 182 |
| | | Three (3) of our Directors namely Azmi bin Ahmad, Shaharuddin bin Warno @ Rahmad and Ab Razak bin Hashim are also the Directors of both AMSB and AESB. | Charter of vessel by AMSB from AESB | 5,447 |
| 2 | AMSB and AHSB | AMSB is our wholly owned subsidiary.<br><br>AHSB is a 70% subsidiary of AMSB. | Underwater services provided by AMSB to AHSB | 2,312 |

| | Transacting Parties | Relationship | Nature of Transactions | Transaction value for the financial year ended 31 December 2006 |
|---|---|---|---|---|
| | | | | RM 000 |
| | | Four (4) of our Directors namely Azmi bin Ahmad, Shaharuddin bin Warno @ Rahmad, Ab Razak bin Hashim, Mohd Abd Rahman bin Mohd Hashim are also the Directors of both AMSB and AHSB whilst Ahmad Hassanudin bin Ahmad Kamaludddin is the Director of AHSB. | Interest payable by AHSB to AMSB in relation to advances from AMSB to AHSB | 79 |
| 3 | AMSB and WIF | WIF is the 33.33% associated company of AMLI whilst AMLI and AMSB are our wholly owned subsidiaries. | Charter of vessel by WIF from AMSB | 14,298 |
| | | Two (2) of our Directors namely Azmi bin Ahmad and Shaharuddin bin Warno @ Rahmad are also the Director of AMSB and AMLI. Azmi bin Ahmad is a Director on WIF's Board | | |

The Board of Directors is pleased to present the report of the Audit Committee ("AC") for the financial year ended 31 December 2006.

## COMPOSITION OF THE COMMITTEE

| Name | Designation |
|---|---|
| YB Haji Ab Wahab bin Haji Ibrahim<br>*Independent Non-Executive Director* | Chairman |
| Dato' Mohamad Idris bin Mansor<br>*Independent Non-Executive Director* | Member |
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid<br>*Independent Non-Executive Director* | Member |
| Shaharuddin bin Warno @ Rahmad<br>*Non-Independent Executive Director* | Member |
| Azmi bin Ahmad<br>*Non-Independent Executive Director* | Alternate Member<br>to Shaharuddin bin Warno @ Rahmad |

## TERMS OF REFERENCE

1. Composition

   The Board shall elect the AC members from amongst themselves, comprising no fewer than three (3) Directors, where the majority shall be Independent Directors and incompliance with the relevant regulatory requirements. The term of office of the AC is one (1) year and may be re-nominated and appointed by the Board of Directors.

   Retirement and resignation

   If a member of the AC resigns, dies, or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

2. Chairman

   The Chairman of the AC, elected from amongst the AC members, shall be an Independent Director. The Chairman of the Committee shall be approved by the Board of Directors.

3. Secretary

   The Secretary of the AC shall be the Company Secretary.

   The Secretary shall be responsible for drawing up the agenda with concurrence of the Chairman and circulating it, supported by explanatory documentation to members of the AC prior to each meeting.

   The Secretary shall also be responsible for keeping the minutes of meetings of the AC, circulating them to members of the AC and to the other members of the Board of Directors and for following up on outstanding matters.

4. Objectives

The principal objectives of the AC is to assist the Board of Directors in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the AC shall:

a. evaluate the quality of the audits performed by the internal and external auditors;
b. provide assurance that the financial information presented by management is relevant, reliable and timely;
c. oversee compliance with laws and regulations and observance of a proper code of conduct; and
d. determine the quality, adequacy and effectiveness of the Group's control environment.

5. Reporting

The AC shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The AC shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

6. Authority

The AC shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company,

a. authorise to investigate any activity within its terms and reference. All employees shall be directed to co-operate as requested by members of the AC.
b. have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
c. obtain, at the expense of the Company, other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.
d. be able to convene meetings with the external auditors, without the attendance of the executive members of the AC, whenever deemed necessary.
e. be able to make relevant reports when necessary to the relevant authorities if a breach of the Listing Requirements occurs.

7. Duties and Responsibilities

The duties and responsibilities of the AC are as follows:-

a. to monitor the integrity of the Group's financial statements;
b. to monitor the independence and qualification of the Group's independent external auditors;
c. to review reports from the external auditors and establish audit quality;
d. to review and evaluate the Group's internal control processes and procedures;
e. to ensure that proper processes and procedures are in place to comply with the Company's and the Group's policies, and all laws, rules, regulations and code of conduct established by all relevant regulatory bodies; and
f. to review any related party transactions and conflict of interest situations that may arise.

8. Meetings

The AC meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

In the absence of the Chairman, the other Independent Director shall be the Chairman for that meeting.

The members of the AC, Group Financial Controller and the Head of Internal Audit will normally be in attendance at the meetings. Representatives of the external auditors are to be in attendance at meeting where matters relating to the audit of the statutory accounts and/or external auditors are to be discussed.

Other Directors, officers and employees of the Company and/or Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the AC. However, at least once a year the AC shall meet with the external auditors without any executive board member present.

Minutes of each meeting shall be kept and distributed to each member of the AC and also to the other members of the Board of Directors. The AC Chairman shall report on each meeting to the Board of Directors.

The AC held two (2) meetings during the financial year ended 31 December 2006. The details of the attendance of the AC members are as follows:-

| Name | Held on 18/07/06 | Held on 16/11/06 |
|---|---|---|
| YB Haji Ab Wahab bin Haji Ibrahim | √ | √ |
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | √* | √* |
| Dato' Mohamad Idris bin Mansor | √ | √ |
| Shaharuddin bin Warno @ Rahmad | √ | √ |

Note : * Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid was appointed to the Committee on 6 December 2006, he sat in attendance in both meetings by invitation of the Committee.

9. Summary of Activities During the Year

During the financial year ended 31 December 2006, the activities of the AC included the following:

i. Reviewed the external auditors' scope of work and their audit plan.
ii. Reviewed with the external auditors the results of their audit, the audit report and recommendations for improvements in respect of internal control system.
iii. Reviewed the financial statements of the Company and the Group prior to submission to the Board for their consideration and approval. The review was carried out to ensure that the audited financial statements were drawn up in accordance of the provisions of the Companies Act, 1965 and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board ("MASB").
iv. Reviewed the quarterly unaudited financial statements and its explanatory notes thereon and recommended to the Board for approval.
v. Reviewed the Group's key operational and business risk areas and the policies in place to address and minimise such risks.
vi. Reviewed and verified the allocation of options during the year under the Alam Maritim Employees Share Option Scheme ("ESOS") to ensure compliance with the allocation criteria determined by the ESOS Committee and in accordance with the Bye-Laws of the ESOS.

10. Statement by the Audit Committee

The Committee confirms that the allocation of options offered by the Company to eligible employees of the Group complies with the Bye-Laws of the Alam Maritim Employees Share Option Scheme ("ESOS").

The detail breakdown of the options offered to and exercised by Directors (including the Non-Executive Directors pursuant to ESOS in respect of the financial year is tabulated on page 44 under the Directors' Report of this Annual Report.

## Introduction

The Malaysian Code on Corporate Governance requires that listed companies maintain a sound system of internal controls to safeguard the shareholders' investment and the Company's assets. Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad's Listing Requirements requires directors of listed companies to include a statement in their annual reports on the state of internal controls. Outlined below is the Statement on Internal Control of the Group.

## Board Responsibility

The Board acknowledges its responsibility to maintain a sound system of internal control to safeguard shareholders' investment and the Company's asset. The Board has overall responsibility for the Group's system of internal control and reviewing its adequacy and integrity whilst the role of management is to implement the Board's policies on risk and controls.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable and not absolute assurance against material misstatements or losses.

## Risk Management Framework

The Board recognises that an important element for a sound system of internal control is to have in place a risk management framework in order to identify principal risks and implement appropriate controls to manage such risks. The present process of identifying and addressing risks is conducted informally. A more structured approach to formalise the existing processes by which risks are identified, assessed, controlled and reviewed with the involvement of the AC and the Board will be adopted.

## Risk and Control Process

The Directors have implemented an organisational structure with clearly defined lines of responsibilities. The key processes that the Directors have established in reviewing the adequacy and integrity of the system of internal control, are as follows:

- Board Committees with clearly defined terms of reference, authorities and responsibilities. The committees include:-

  i. Audit Committee
  ii. Nomination and Remuneration Committee
  iii. Risk Management Committee

- The AC, on behalf of the Board, regularly reviews and hold discussions with management on the actions taken on internal control issues identified in reports prepared by management and the external auditors;

- Close involvement in daily operations of the Group by the Executive Directors;

- A budgetary control system is in place whereby annual budgets are prepared by the respective operating units that are approved by the Board. Reviews of actual performance against budgets are regularly carried out, and the review encompasses both financial and non-financial key performance indicators;

- Regular financial and management information are provided to the Board, showing actual results against budgets for the month and year to date with projections for the financial year updated on regular basis;

- Clearly documented Internal Safety Management ("ISM") Operating Procedures to provide group-wide support in the areas of quality, health, safety and environment. At least one ISM audit was carried out on each vessel during the year under review.

**Internal Audit Function**

The Group is in the midst of setting up an Internal Audit Department to assist the AC in discharging its duties in respect of the internal controls within the Group. The appointed Internal Auditor, reporting to the AC, is expected to perform regular reviews of business processes to assess the effectiveness of internal controls and highlight significant risks impacting the Group.

The internal audit function shall encompass extensive review on operational and financial activities.

**Independence of the AC**

The AC comprises a majority of non-executive independent directors and has full access to the external auditors.

**Periodic Review**

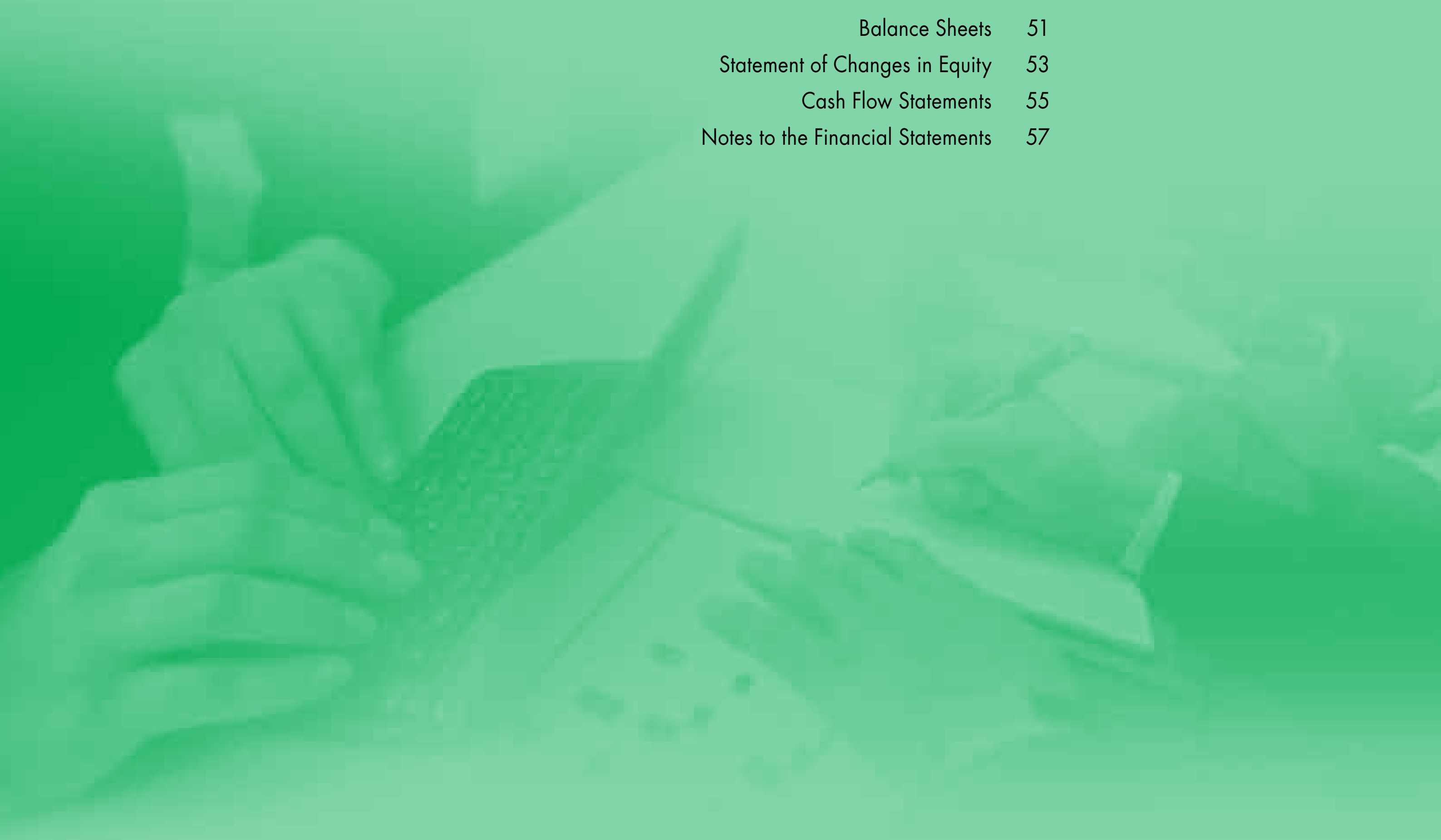
A number on internal control weaknesses were identified during the year under review. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report.

Moving forward, the Board continues to take appropriate steps to strengthen the transparency and efficiency of its operations. It is the intention of the Board and its management to undertake a comprehensive review on the corporate governance and internal control framework. Emphasis will be given by the Board to enhance and refine the risk management framework within the Group for the purposes of ensuring that a culture for ownership, management and accountability for risk exist throughout the Group. This will be supported by an assessment, independent of operations, on the adequacy and the integrity of the controls through internal audit engagement undertaken by the Group's internal audit function. Other initiatives deemed necessary will be considered from time to time in order to ensure that the control environment remains reasonably secured.

This statement is made in accordance with a resolution of the Board of Directors dated 23 April 2007.

# Financial Statements





The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2006.

## Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and of the Company during the financial year.

## Results

| | Group 2006 RM | Company 2006 RM |
|---|---|---|
| Profit for the year | 50,020,846 | 3,432,476 |
| Attributable to: | | |
| Equity holders of the Company | 49,487,202 | 3,432,476 |
| Minority interests | 533,644 | - |
| | 50,020,846 | 3,432,476 |

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the negative goodwill arising from the acquisition of subsidiaries as disclosed in Note 12 to the financial statements.

## Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, a first and final dividend in respect of the financial year ended 31 December 2006, of 1.50 sen per ordinary share less 27% taxation on 162,538,482 ordinary shares, amounting to a dividend payable of RM1,779,796 (1.10 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

## Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

| | |
|---|---|
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | (appointed on 2 May 2006) |
| Azmi bin Ahmad | (appointed on 2 May 2006) |
| Shaharuddin bin Warno @ Rahmad | (appointed on 2 May 2006) |
| Mohd Abd Rahman bin Mohd Hashim | (appointed on 2 May 2006) |
| Ab Razak bin Hashim | (appointed on 2 May 2006) |
| Dato' Mohamad Idris bin Mansor | (appointed on 2 May 2006) |
| YB Haji Ab Wahab bin Haji Ibrahim | (appointed on 2 May 2006) |
| Ahmad Hassanudin bin Ahmad Kamaluddin | (appointed on 6 December 2006) |
| Lee Yew Beng | (resigned on 2 May 2006) |
| Foo Ming Fwee | (resigned on 2 May 2006) |

## Directors' Benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate other than those arising from the share options granted under the Company's Employee Share Options Scheme.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company, as shown in Note 5 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial financial interest.

## Directors' Interests

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

| | Number of Ordinary Shares of RM0.50 Each | | | |
|---|---|---|---|---|
| | **1.1.2006** | **Acquired** | **Sold** | **31.12.2006** |
| **The Company** | | | | |
| Direct Interest: | | | | |
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | - | 175,000 | - | 175,000 |
| Azmi bin Ahmad | - | 1,016,200 | (527,500) | 488,700 |
| Shaharuddin bin Warno @ Rahmad | - | 1,016,200 | - | 1,016,200 |
| Mohd Abd Rahman bin Mohd Hashim | - | 1,130,800 | (1,114,600) | 16,200 |
| Ab Razak bin Hashim | - | 1,016,200 | (1,016,200) | - |
| Dato' Mohamad Idris bin Mansor | - | 125,000 | - | 125,000 |
| YB Haji Ab Wahab bin Haji Ibrahim | - | 125,000 | (41,000) | 84,000 |
| Ahmad Hassanudin bin Ahmad Kamaluddin | - | 545,000 | (250,000) | 295,000 |
| Indirect Interest: | | | | |
| Azmi bin Ahmad | - | 90,353,896 | - | 90,353,896 |
| Shaharuddin bin Warno @ Rahmad | - | 90,353,896 | - | 90,353,896 |
| Mohd Abd Rahman bin Mohd Hashim | - | 90,353,896 | - | 90,353,896 |
| Ab Razak bin Hashim | - | 90,353,896 | - | 90,353,896 |

| | Number of Options Over Ordinary Shares of RM0.50 Each | | | |
|---|---|---|---|---|
| | **1.1.2006** | **Granted** | **Exercised** | **31.12.2006** |
| **The Company** | | | | |
| Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | - | 500,000 | (25,000) | 475,000 |
| Azmi bin Ahmad | - | 2,292,500 | - | 2,292,500 |
| Shaharuddin bin Warno @ Rahmad | - | 2,292,500 | - | 2,292,500 |
| Mohd Abd Rahman bin Mohd Hashim | - | 2,292,500 | (114,600) | 2,177,900 |
| Ab Razak bin Hashim | - | 2,292,500 | - | 2,292,500 |
| Dato' Mohamad Idris bin Mansor | - | 400,000 | - | 400,000 |
| YB Haji Ab Wahab bin Haji Ibrahim | - | 400,000 | - | 400,000 |
| Ahmad Hassanudin bin Ahmad Kamaluddin | - | 1,200,000 | - | 1,200,000 |

## Issue of Shares

During the financial year, the Company increased its:

a. authorised share capital from RM1.00 to RM250,000,000.00 through the creation of 499,999,998 ordinary shares of RM0.50 each; and

b. issued and paid-up share capital from RM1.00 to RM81,269,241.00 by way of:

   i. issuance of 29,219,200 new ordinary shares of RM0.50 each through the Initial Public Offering ("IPO") at the IPO price of RM1.65 per ordinary share;

   ii. issuance of 133,116,880 new ordinary shares of RM0.50 each for the acquisition of the entire issued and paid-up capital of Alam Maritim (M) Sdn. Bhd. ("AMSB") from the previous shareholders; and

   iii. the issuance of 202,400 new ordinary shares of RM0.50 each for cash pursuant to the Company's Employee Share Options Scheme at the exercise price of RM1.65 per ordinary share.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

## Employee Share Options Scheme

The Alam Maritim Employee Share Options Scheme ("ESOS") is governed by the bye-laws approved by the shareholders at an Extraordinary General Meeting held on 5 June 2006. The ESOS was implemented on 20 July 2006 and is to be in force for a period of 5 years from the date of implementation.

The salient features and other terms of the ESOS are disclosed in Note 19 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of the option holders, who have been granted options to subscribe for less than 800,000 ordinary shares of RM0.50 each. The names of option holders granted options to subscribe for 800,000 or more ordinary shares of RM0.50 each during the financial year are as follows:

| | Number of Ordinary Shares of RM0.50 Each | | | |
|---|---|---|---|---|
| | **1.1.2006** | **Granted** | **Exercised** | **31.12.2006** |
| Azman bin Shabudin | - | 850,000 | - | 850,000 |
| Mohd Fozi bin Ismail | - | 850,000 | - | 850,000 |

The exercise prices, grant and expiry dates of the share options are as disclosed in Note 19. Details of options granted to Directors are disclosed in the section on Directors' Interest in this report.

## Other Statutory Information

a. Before the income statements and balance sheets of the Group and of the Company were made out, the Directors took reasonable steps:

   i. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

   ii. to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

b. At the date of this report, the Directors are not aware of any circumstances which would render:

   i. it necessary to write off any bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

   ii. the values attributed to current assets in the financial statements of the Group and of the Company misleading.

c. At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

d. At the date of this report, the Directors are not aware of any circumstances not otherwise dealt within this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

e. As at the date of this report, there does not exist:

   i. any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

   ii. any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

f. In the opinion of the Directors:

   i. no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

   ii. no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

## Significant Events

The significant events during the financial year are disclosed in Note 12 and Note 33 to the financial statements.

## Subsequent Events

The subsequent events are disclosed in Note 37 to the financial statements.

## Auditors

The auditors, Messrs Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2007.

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid

Azmi bin Ahmad

Kuala Lumpur, Malaysia

# Statement by Directors

## Statement by Directors Pursuant to Section 169 (15) of the Companies Act, 1965

We, Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid and Azmi bin Ahmad, being two of the Directors of Alam Maritim Resources Berhad, do hereby state that, in our opinion, the accompanying financial statements set out on pages 50 to 98 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Sign on behalf of the Board in accordance with a resolution of the Directors dated 23 April 2007.

Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid

Azmi bin Ahmad

Kuala Lumpur, Malaysia

## Statutory Declaration Pursuant to Section 169 (16) of the Companies Act, 1965

I, Md Nasir bin Noh, being the Officer primarily responsible for the financial management of Alam Maritim Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 50 to 98 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed,
Md Nasir bin Noh
at Kuala Lumpur in the
Federal Territory on 23 April 2007

Md Nasir bin Noh

Before me,

PESURUHJAYA SUMPAH
No. W 315
Nama: SOH AH KAU
MALAYSIA

SOH AH KAU, AMK
PESURUHJAYA SUMPAH
26, Jalan Berami
50200 Kuala Lumpur W. P.
Tel: 03-2141 [illegible]

## 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 50 to 98. 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 for Entities Other Than Private Entities 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 2006 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.

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
AF: 0039
Chartered Accountants

Ahmad Zahirudin bin Abdul Rahim
No. 2607/12/08(J)
Partner

Kuala Lumpur, Malaysia
23 April 2007

## Income Statement
## For the Year Ended 31 December 2006

| | Note | Group 2006 RM | Company 1.1.2006 to 31.12.2006 RM | Company 23.6.2005 to 31.12.2005 RM |
|---|---|---|---|---|
| Revenue | 3 | 151,161,092 | 5,000,000 | - |
| Cost of sales | | (95,295,426) | - | - |
| Gross profit | | 55,865,666 | 5,000,000 | - |
| Other income | | 32,844,304 | 292,228 | - |
| Employee benefits expense | 4 | (8,425,336) | (374,406) | - |
| Other expenses | | (7,541,277) | (24,084) | (20,590) |
| Operating profit/(loss) | | 72,743,357 | 4,893,738 | (20,590) |
| Finance costs | 6 | (12,188,307) | (4,511) | - |
| Share of profit of an associate | | 298,224 | - | - |
| Profit/(loss) before tax | 7 | 60,853,274 | 4,889,227 | (20,590) |
| Income tax expense | 8 | (10,832,428) | (1,456,751) | - |
| Profit/(loss) for the year/period | | 50,020,846 | 3,432,476 | (20,590) |
| Attributable to: | | | | |
| Equity holders of the Company | | 49,487,202 | 3,432,476 | (20,590) |
| Minority interests | | 533,644 | - | - |
| | | 50,020,846 | 3,432,476 | (20,590) |
| Earnings per share attributable to equity holders of the Company: | | | | |
| Basic (Sen) | 9 | 32.6 | | |
| Diluted (Sen) | 9 | 30.5 | | |

The accompanying notes form an integral part of the financial statements.

## Balance Sheets as at 31 December 2006

| | Note | Group 2006 RM | Company 2006 RM | Company 2005 RM |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Property, vessels and equipment | 11 | 452,371,767 | 259,398 | - |
| Investments in subsidiaries | 12 | - | 100,302,070 | - |
| Investment in an associate | 13 | 648,503 | - | - |
| | | 453,020,270 | 100,561,468 | - |
| **Current assets** | | | | |
| Amount due from subsidiaries | 14 | - | 15,104,296 | - |
| Trade receivables | 15 | 89,119,621 | - | - |
| Other receivables | 17 | 3,427,643 | - | 711,521 |
| Tax recoverable | | 14,779 | - | - |
| Cash and bank balances | 18 | 19,120,533 | 3,641,911 | 1 |
| | | 111,682,576 | 18,746,207 | 711,522 |
| **TOTAL ASSETS** | | 564,702,846 | 119,307,675 | 711,522 |
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to equity holders of the Company** | | | | |
| Share capital | 20 | 81,269,241 | 81,269,241 | 1 |
| Share premium | 20 | 30,748,238 | 30,748,238 | - |
| Other reserves | 21 | 3,504,883 | 3,504,883 | - |
| Retained earnings | 22 | 49,466,612 | 3,411,886 | (20,590) |
| | | 164,988,974 | 118,934,248 | (20,589) |
| Minority interests | | 9,183,720 | - | - |
| Total equity | | 174,172,694 | 118,934,248 | (20,589) |

The accompanying notes form an integral part of the financial statements.

## Balance Sheets as at 31 December 2006 (Continued)

| | | Group | Company | |
|---|---|---|---|---|
| | Note | 2006 | 2006 | 2005 |
| | | RM | RM | RM |
| **Non-current liabilities** | | | | |
| Borrowings | 23 | 242,972,197 | 220,755 | - |
| Deferred tax liabilities | 26 | 33,536,045 | 1,251 | - |
| | | 276,508,242 | 222,006 | - |
| **Current liabilities** | | | | |
| Borrowings | 23 | 53,603,091 | 22,188 | - |
| Trade payables | 27 | 41,354,241 | - | - |
| Other payables | 28 | 12,622,524 | 73,733 | 732,111 |
| Tax payable | | 6,442,054 | 55,500 | - |
| | | 114,021,910 | 151,421 | 732,111 |
| Total liabilities | | 390,530,152 | 373,427 | 732,111 |
| **TOTAL EQUITY AND LIABILITIES** | | 564,702,846 | 119,307,675 | 711,522 |

The accompanying notes form an integral part of the financial statements.

## Statements of Changes in Equity
## For the Year Ended 31 December 2006

| | Attributable to Equity Holders of the Company | | | | | Minority Interests | Total Equity |
|---|---|---|---|---|---|---|---|
| | Non-Distributable | | | Distributable | | | |
| | Share Capital (Note 20) | Share Premium (Note 20) | Other Reserves (Note 21) | (Accumulated / Loss) Retained Earnings | Total | | |
| | RM | RM | RM | RM | RM | RM | RM |
| **GROUP** | | | | | | | |
| **At 1 January 2006** | 1 | - | - | (20,590) | (20,589) | - | (20,589) |
| Profit for the year, representing total recognised income and expense for the year | - | - | - | 49,487,202 | 49,487,202 | 533,644 | 50,020,846 |
| Issue of ordinary shares: | | | | | | | |
| Acquisition of subsidiaries (Note 12 (a)) | 66,558,440 | - | - | - | 66,558,440 | 2,167,676 | 68,726,116 |
| Issued for cash | 14,609,600 | 33,602,080 | - | - | 48,211,680 | - | 48,211,680 |
| Pursuant to ESOS | 101,200 | 232,760 | - | - | 333,960 | - | 333,960 |
| Share issue costs | - | (3,086,602) | - | - | (3,086,602) | - | (3,086,602) |
| Disposal of equity interest in subsidiaries (Note 12(c )) | - | - | - | - | - | 6,482,400 | 6,482,400 |
| Share options granted under ESOS (Note 4) | - | - | 3,504,883 | - | 3,504,883 | - | 3,504,883 |
| **At 31 December 2006** | 81,269,241 | 30,748,238 | 3,504,883 | 49,466,612 | 164,988,974 | 9,183,720 | 174,172,694 |

The accompanying notes form an integral part of the financial statements.

## Statements of Changes in Equity
## For the Year Ended 31 December 2006 (Continued)

| | Non-Distributable | | | Distributable | |
|---|---|---|---|---|---|
| | Share Capital (Note 20) RM | Share Premium (Note 20) RM | Other Reserves (Note 21) RM | (Accumulated / Loss) Retained Earnings RM | Total Equity RM |
| **COMPANY** | | | | | |
| At 23 June 2005 (date of incorporation) | 1 | - | - | - | 1 |
| Loss for the period representing, total recognised income and expense for the period | - | - | - | (20,590) | (20,590) |
| **At 31 December 2005** | 1 | - | - | (20,590) | (20,589) |
| At 1 January 2006 | 1 | - | - | (20,590) | (20,589) |
| Profit for the year representing, total recognised income and expense for the year | - | - | - | 3,432,476 | 3,432,476 |
| Issue of ordinary shares: Acquisition of subsidiaries (Note 12 (a)) | 66,558,440 | - | - | - | 66,558,440 |
| Issued for cash | 14,609,600 | 33,602,080 | - | - | 48,211,680 |
| Pursuant to ESOS | 101,200 | 232,760 | - | - | 333,960 |
| Share issue costs | - | (3,086,602) | - | - | (3,086,602) |
| Share options granted under ESOS (Note 4) | - | - | 3,504,883 | - | 3,504,883 |
| **At 31 December 2006** | 81,269,241 | 30,748,238 | 3,504,883 | 3,411,886 | 118,934,248 |

The accompanying notes form an integral part of the financial statements.

## Cash Flow Statements
## For the Year Ended 31 December 2006

| | Group | Company | |
|---|---|---|---|
| | | 1.1.2006 | 23.6.2005 |
| | | to | to |
| | 2006 | 31.12.2006 | 31.12.2005 |
| | RM | RM | RM |
| **Cash Flows from Operating Activities** | | | |
| Profit/(loss) before tax | 60,853,274 | 4,889,227 | (20,590) |
| Adjustments for: | | | |
| Interest income | (178,207) | (91,303) | - |
| Dividend income | - | (5,000,000) | - |
| Depreciation of property, vessels and equipment (Note 11) | 14,332,030 | 18,528 | - |
| Interest expense | 12,188,307 | 4,511 | - |
| Share options granted under ESOS (Note 4) | 3,504,883 | 292,565 | - |
| Provision for doubtful debts | 358,804 | - | - |
| Unrealised gain on foreign exchange | (6,910,819) | - | - |
| Negative goodwill arising on acquisition of subsidiaries (Note 12(a)) | (23,935,855) | - | - |
| Share of profits of an associate | (298,224) | - | - |
| Operating profit/(loss) before working capital changes | 59,914,193 | 113,528 | (20,590) |
| Changes in working capital: | | | |
| (Increase)/decrease in receivables | (14,598,174) | 711,521 | (711,521) |
| Increase/(decrease) in payables | 6,291,614 | (950,943) | 732,111 |
| Cash generated from/(used in) operations | 51,607,633 | (125,894) | - |
| Taxes paid | (1,690,541) | (1,400,000) | - |
| Interest paid | (12,188,307) | (4,511) | - |
| Net cash generated from/(used in) operating activities | 37,728,785 | (1,530,405) | - |

## Cash Flow Statements
## For the Year 31 December 2006 (Continued)

| | Group | Company | |
|---|---|---|---|
| | | 1.1.2006 | 23.6.2005 |
| | Group | to | to |
| | 2006 | 31.12.2006 | 31.12.2005 |
| | RM | RM | RM |
| **Cash Flows from Investing Activities** | | | |
| Purchase of property, vessels and equipment (Note 11) | (129,623,457) | - | - |
| Acquisition of subsidiaries (Note 12 (a)) | 6,081,115 | - | - |
| Transfer of equity interest in a subsidiary (Note 12(b)) | - | (27,018,380) | - |
| Additional equity investment in a subsidiary (Note 12(c )) | - | (6,725,250) | - |
| Proceeds from disposal of equity interest in subsidiaries Note 12(c)) | 6,482,400 | - | - |
| Increase in amount due from subsidiaries | - | (11,599,413) | - |
| Interest received | 178,207 | 91,303 | - |
| Dividend received | - | 5,000,000 | - |
| Net cash used in investing activities | (116,881,735) | (40,251,740) | - |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from issuance of ordinary shares (Note 20) | 45,459,038 | 45,459,038 | - |
| Proceeds from issuance of Redeemable Convertible Secured Loan Stocks (Note 24) | 28,381,275 | - | - |
| Proceeds from drawdown of term loans | 28,967,852 | - | - |
| Proceeds from drawdown of revolving credits | 33,644,737 | - | - |
| Repayment of term loans | (11,175,101) | - | - |
| Repayment of revolving credits | (31,500,000) | | |
| Repayment of hire purchase and lease financing | (184,472) | (34,983) | - |
| Net cash set aside for collateral and sinking fund | (11,069,733) | - | - |
| Net cash generated from financing activities | 82,523,596 | 45,424,055 | - |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 3,370,646 | 3,641,910 | - |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 1 | 1 | 1 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR (NOTE 18)** | 3,370,647 | 3,641,911 | 1 |

The accompanying notes form an integral part of the financial statements.

## Notes to the Financial Statements - 31 December 2006

1. Corporate Information

The Company is a public limited liability Company, incorporated and domiciled in Malaysia, and is listed on the Main Board of Bursa Malaysia Securities. The registered office is located at 38F, Level 2, Jalan Radin Anum, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.

The immediate and ultimate holding company of the Company is SAR Venture Holdings (M) Sdn Bhd, a private limited liability company, incorporated and domiciled in Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are as disclosed in Note 12 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and of its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 April 2007.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

2.2 Summary of Significant Accounting Policies

a. Subsidiaries and Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

ii) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisitions of subsidiaries are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

b. Associates

An associate is an entity in which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

The investment in an associate is accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The most recent available audited financial statements of the associate is used by the Group in applying the equity method. The financial statements of the associate is coterminous with those of the Group. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, the investment in an associate is stated at cost less impairment losses.

On disposal of such investment, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

c. Property, Vessels and Equipment, and Depreciation

All items of property, vessels and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, vessels and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.
Leasehold building is depreciated over the period of the lease of 76 years.

Vessels are depreciated in equal annual instalments calculated to reduce to residual value, the cost of vessels over their estimated useful lives of between 8 to 25 years.

Drydocking costs are capitalised and amortised over the period of the vessel's next drydocking cycle which is approximately over 2.5 years.

Work-in-progress is not depreciated as the asset is not available for use.

Depreciation of other equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|---|---|
| Diving equipment | 10% |
| Equipment on vessel | 10% |
| Computers | 33.3% |
| Official equipments | 10% |
| Furniture and fittings | 10% |
| Motor vehicles | 20% |

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, vessels and equipment.

An item of property, vessels and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

d. Construction Contracts

Where the outcome of a construction contract can be reliably estimated, contract revenue and contract costs are recognised as revenue and expenses respectively by using the stage of completion method. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

Where the outcome of a construction contract cant be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the total of costs incurred on construction contracts plus, recognised profits (less recognised losses), exceeds progress billings, the balance is classified as amount due from customers on contracts. When progress billings exceed costs incurred plus, recognised profits (less recognised losses), the balance is classified as amount due to customers on contracts.

e. Impairment of Non-financial Assets

The carrying amounts of assets, other than construction contract assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

f. 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 in 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. 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 investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

ii. Trade and Other Receivables

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

iii. Trade and Other Payables

Trade and other payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

iv. Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

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

v Redeemable Cumulative Convertible Secured Loan Stocks ("RCCSLS")

The RCCSLS are recorded at the amount of proceeds received, net of transaction costs. The RCCSLS are classified as liabilities in the balance sheet and borrowing costs of the RCCSLS are recognised in profit and loss in the period in which they are incurred.

vi. Equity instruments

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

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

g. Leases

i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. All other leases that do not transfer substantially all the risks and rewards are classified as operating leases.

ii. Finance Leases - the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair 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 borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

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 in the profit or loss 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.

The depreciation policy for leased assets is consistent with that for depreciable property, vessel and equipment as described in Note 2.2(c).

iii. Operating Leases - the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

iv. Operating Leases - the Group as Lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease as describe in Note 2.2 (l)(i). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

h. 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. 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 not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

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 as income or an expense and included in the profit or loss for the period, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest is the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

i. Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

j. 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. 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 Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

iii. Share-based Compensation

The Alam Maritim's Employee Share Options Scheme ("ESOS"), an equity-settled, share-based compensation plan, allows the Group's employees to acquire ordinary shares of the Company. The total fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity over the vesting period and taking into account the probability that the options will vest. The fair value of share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable on vesting date.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period. The equity amount is recognised in the share option reserve until the option is exercised, upon which it will be transferred to share premium, or until the option expires, upon which it will be transferred directly to retained earnings

The proceeds received net of any directly attributable transaction costs are credited to equity when the options are exercised.

k. Foreign Currencies

i. Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

ii. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period.

Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

iii. Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

l. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

i. Charter Hire of Vessels

Charter hire of vessels are recognised when the services are rendered 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 rendered at the balance sheet date.

ii. Revenue from Offshore Installation and Construction

Revenue relating to the offshore installation and construction are recognised by reference to stage of completion at the balance sheet date. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs. Where the outcome of a construction diving contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

iii. Diving, underwater services and other shipping related income

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

iv. Management fees

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

v. Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

vi. Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

2.3 Changes in Accounting Policies Arising from Adoption of New and Revised Financial Reporting Standards ("FRS")

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial periods beginning on or after 1 January 2006:

| | |
|---|---|
| FRS 2 | Share-based Payment |
| FRS 3 | Business Combinations |
| FRS 5 | Non-current Assets held for Sales and Discontinued Operations |
| FRS 101 | Presentation of Financial Statements |
| FRS 102 | Inventories |
| 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 Effect of Changes in Foreign Exchange Rates |
| FRS 127 | Consolidated and Separate Financial Statements |
| FRS 128 | Investments in Associates |
| FRS 131 | Interests in Joint Ventures |
| FRS 132 | Financial Instruments : Disclosure and Presentation |
| FRS 133 | Earnings Per Share |
| FRS 136 | Impairment of Assets |
| FRS 138 | Intangible Assets |
| FRS 140 | Investment Property |

The Group has not early adopted the following new and revised FRSs that are:

Effective for financial periods beginning on or after 1 October 2006:

| | |
|---|---|
| FRS 117 | Leases |
| FRS 124 | Related Party Disclosures |

Effective for financial periods beginning on or after 1 January 2007:

| | |
|---|---|
| FRS 6 | Exploration for and Evaluation of Mineral Resources |
| FRS $119_{2004}$ | Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures |

| | |
|---|---|
| IC Interpretation 1 : | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IC Interpretation 2 : | Members' Shares in Co-operative Entities and Similar Instruments |
| IC Interpretation 5 : | Rights to Interest arising from Decommissioning, Restoration and Enviromental Rehabilitation Funds |

| | |
|---|---|
| IC Interpretation 6 : | Liabilities arising from Participation in a Specific Market - Waste Electrical and Electronic Equipment |
| IC Interpretation 7 : | Applying the Restatement Approach under FRS 129 2004 - Financial Reporting in Hyperinflationary Economies |
| IC Interpretation 8 : | Scope of FRS 2 |

Effective date deferred indefinitely :
FRS 139 Financial Instruments : Recognition and Measurement

The adoption of FRS 119 $_{2004}$, FRS 6 and the above IC Interpretations are not expected to have any significant effects on the financial statements of the Group and of the Company for the year ending 31 December 2007. The effects on the adoption of FRS 117, 124 and 139 have been exempted from disclosure.

The adoption of FRS 5, 102, 108, 110, 116, 127, 128, 131, 132, 133, 136, 138 and 140 do not result in significant changes in accounting policies of the Group. The principal changes in accounting policies and their financial impact on the Group, resulting from the adoption of the other new and revised FRSs are as discussed below:

a. 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.

During the year, the Company implemented a new equity-settled, share-based compensation plan for the employees of the Group, known as the Alam Maritim's ESOS. With the adoption of FRS 2, the compensation expense ("ESOS expense") relating to share options is recognized in profit or loss over the vesting periods of the grant with a corresponding increase in the equity (Share Option Reserve). Prior to 1 January 2006, no compensation expense was recognized in the income statement for share option granted.

The total amount to be recognized as ESOS expense is determined by reference to the fair value of the share options at the date of the grant and the number of share options expected to vest on the vesting dates. The fair value of the share option is computed by using the Black Scholes Option Valuation Model. The adoption of FRS 2 during the year has the effect of reducing the Group's profit before tax by RM3,504,883.

b. FRS 101 : Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of consolidated balance sheet, consolidated income statement as well as the consolidated statement of changes in equity. Among other things, minority interests are now presented within total equity in the consolidated balance sheet and are presented as an allocation of the total profit or loss for the period in the consolidated income statement. In addition, the Group's share of profit of the associated company is stated net of tax and minority interests in the consolidated income statement.

FRS 101 also requires disclosure on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent, minority interests and potential shareholders.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101.

c FRS 121 : The Effects of Changes in Foreign Exchange Rates

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

Under the revised FRS 121, exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are to be recognised in the consolidated income statement.

The change did not materially affect the financial statements of the Group and of the Company.

2.4 Significant Accounting Estimates and Judgements

a. Critical Judgements Made in Applying Accounting Policies

The following are the judgments made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

i. Treatment of Contract Variation

During the financial year, the Group had recognised in the financial statements uncertified variation orders arising from a construction diving contract. The Directors had sought legal consultation on the probability of the customer approving these uncertified variation orders. The Directors are of the opinion that the amount of uncertified variation orders recognised in the financial statements represents the best estimate based on legal consultation and the favourable progress of discussions with the customer. The Directors are of the opinion that these uncertified variation orders recognised are recoverable. It is therefore appropriate to recognise these uncertified variation orders as part of amount due from customer as at the balance sheet date. The Group will suffer an estimated loss of RM14,000,000 if all variation orders claimed from this particular customer is eventually disapproved.

b. Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Depreciation of Vessels and Equipment on Vessels

The cost of vessels and equipment on vessels are depreciated on a straight-line basis over the assets' useful life. Management estimates the useful life of the Group's vessels to be between 8 to 25 years and equipment on vessel to be 10 years. These are common life expectancies applied in the shipping industry. Changes in the expected level of usage could impact the economic useful life and residual values of these assets, therefore future depreciation charges could be revised.

## 3. Revenue

| | Group 2006 RM | Company 1.1.2006 to 31.12.2006 RM | Company 23.6.2005 to 31.12.2005 RM |
|---|---|---|---|
| Charter hire | 118,736,840 | - | - |
| Offshore installation and construction | 21,458,721 | - | - |
| Ship catering | 5,422,246 | - | - |
| Rental of equipment | 1,766,040 | - | - |
| Diving and underwater services | 732,925 | - | - |
| Dividend income | - | 5,000,000 | - |
| Other shipping related income | 3,044,320 | - | - |
| | 151,161,092 | 5,000,000 | - |

## 4. Employee Benefits Expense

| | Group 2006 RM | Company 1.1.2006 to 31.12.2006 RM | Company 23.6.2005 to 31.12.2005 RM |
|---|---|---|---|
| Salaries, bonuses and allowances | 3,466,986 | 81,841 | - |
| Contributions to defined contribution plan - EPF | 399,832 | - | - |
| Social security contributions | 16,860 | - | - |
| Share options granted under ESOS (Note 19) | 3,504,883 | 292,565 | - |
| Other staff related expenses | 1,036,775 | - | - |
| | 8,425,336 | 374,406 | - |

Included in employee benefits expense of the Group are Executive Directors' remuneration amounting to RM3,391,749 as further disclosed in Note 5.

5. Directors' Remuneration

| | Group | Company | |
|---|---|---|---|
| | | 1.1.2006 to 31.12.2006 | 23.6.2005 to 31.12.2005 |
| | 2006 | | |
| | RM | RM | RM |
| Executive Directors' remuneration (Note 4) : | | | |
| Fees | 15,000 | - | - |
| Other emoluments | 3,376,748 | - | - |
| | 3,391,748 | - | - |
| Non-Executive Directors remuneration (Note 7): | | | - |
| Fees | 65,773 | 55,773 | |
| Other emoluments | 597,204 | 218,706 | - |
| | 662,977 | 274,479 | - |
| Total Directors remuneration | 4,094,725 | 274,479 | - |
| Estimated money value of benefits-in-kind | 113,800 | 9,000 | - |
| Total Directors remuneration including benefits-in-kind | 4,168,525 | 283,479 | - |

The details of remuneration receivable by Directors of the Company during the year are as follows:

| | Group | Company | |
|---|---|---|---|
| | | 1.1.2006 to 31.12.2006 | 23.6.2005 to 31.12.2005 |
| | 2006 | | |
| | RM | RM | RM |
| Executive : | | | |
| Salaries and other emoluments | 982,284 | - | - |
| Fees | 15,000 | - | - |
| Bonus: current year's provisions | 230,687 | - | - |
| Defined contribution plan - EPF | 146,604 | - | - |
| Share option granted under ESOS | 1,440,438 | - | - |
| Estimated money value of benefits-in-kind | 95,800 | - | - |
| Total Executive Directors' remuneration | 2,910,813 | - | - |

| | Group 2006 RM | Company 1.1.2006 to 31.12.2006 RM | Company 23.6.2005 to 31.12.2005 RM |
|---|---|---|---|
| Non-Executive: | | | |
| Fees and other emoluments | 260,273 | 70,273 | - |
| Share option granted under ESOS | 392,704 | 204,206 | - |
| Estimated money value of benefits-in-kind | 18,000 | 9,000 | - |
| Total Non-Executive Directors' remuneration | 670,977 | 283,479 | - |
| Total Directors' remuneration | 3,581,790 | 283,479 | - |

The number of Directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below :

| | Number of Directors |
|---|---|
| Executive Directors : | |
| RM300,000 - RM400,000 | 4 |
| | |
| Non-Executive Directors : | |
| RM20,000 - RM30,000 | 2 |
| RM30,001 - RM40,000 | 1 |
| RM100,000 - RM200,000 | 1 |

Employee benefits expense of the Company's Executive Directors are borne by a subsidiary.

## 6. Finance Costs

| | | Company | |
|---|---|---|---|
| | Group | 1.1.2006 to 31.12.2006 | 23.6.2005 to 31.12.2005 |
| | 2006 | | |
| | RM | RM | RM |
| Interest expense on : | | | |
| Term loans | 11,088,846 | - | - |
| Other borrowings | 754,394 | - | - |
| Hire purchase and finance lease liabilities | 192,663 | 4,511 | - |
| Redeemable Cumulative Convertible Secured Loan Stocks | 152,404 | - | - |
| | 12,188,307 | 4,511 | - |

## 7. Profit Before Tax

| | | Company | |
|---|---|---|---|
| | Group | 1.1.2006 to 31.12.2006 | 23.6.2005 to 31.12.2005 |
| | 2006 | | |
| | RM | RM | RM |
| Profit before tax is stated after charging/(crediting): | | | |
| Employee benefits expense (Note 4) | 8,425,336 | 374,406 | - |
| Non-Executive Directors' remuneration (Note 5) | 662,977 | 662,977 | - |
| Auditors' remuneration: | | | |
| - statutory audits | 100,625 | 1,500 | 1,500 |
| - other services | 299,250 | 266,250 | - |
| Operating leases: | | | |
| - lease payments for premises | 80,492 | - | - |
| - lease payments for survey equipment | 10,922,000 | - | - |
| - lease payments for tugs/barges | 82,977 | - | - |
| Depreciation of property, vessels and equipment (Note 11) | 14,332,030 | 18,528 | - |
| Interest income | (178,207) | (91,303) | - |
| Provision for doubtful debts | 358,804 | - | - |
| Unrealised gain on foreign exchange | (6,910,819) | - | - |
| Realised gain on foreign exchange | (865,311) | - | - |
| Negative goodwill arising on acquisition of subsidiaries (Note 12(a)) | (23,935,855) | - | - |

8. Income Tax Expense

| | Group 2006 RM | Company 1.1.2006 to 31.12.2006 RM | Company 23.6.2005 to 31.12.2005 RM |
|---|---|---|---|
| Current income tax : | | | |
| Malaysian income tax | 4,633,155 | 1,455,500 | - |
| Underprovision in prior year | 381,915 | - | - |
| | 5,015,070 | 1,455,500 | - |
| Deferred tax (Note 26): | | | |
| Relating to origination and reversal of temporary differences | 6,896,246 | 1,251 | |
| Relating to change in tax rates | (1,078,888) | - | - |
| | 5,817,358 | 1,251 | |
| | 10,832,428 | 1,456,751 | - |

Domestic current income tax is calculated at the statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28%, effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

| | Group 2006 RM | Company 1.1.2006 to 31.12.2006 RM | Company 23.6.2005 to 31.12.2005 RM |
|---|---|---|---|
| Profit/(loss) before tax | 60,853,274 | 4,889,227 | (20,590) |
| Taxation at Malaysian statutory tax rate of 28% (2005: 28%) | 16,952,803 | 1,368,984 | (5,765) |
| Effect of income subject to tax rate of 20% | (94,926) | - | - |
| Effect of income not subject to tax | (8,550,955) | - | - |
| Effect of expenses not deductible for tax purposes | 3,222,479 | 87,767 | 5,765 |
| Effect of change in tax rates on opening balance of deferred tax | (1,078,888) | - | - |
| Underprovision of income tax in prior year | 381,915 | - | - |
| Income tax expense for the year | 10,832,428 | 1,456,751 | - |

9. Earnings Per Share

a) Basic

Basic earning per share amount is calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

| | **2006** |
|---|---|
| Profit attributable to ordinary equity holders of the Company | 49,487,202 |
| Weighted average number of ordinary shares in issue | 151,934,109 |
| Basic Earnings Per Share (Sen) | 32.6 |

b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to ordinary equity holders of the company and the weighted average number or ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares, i.e. share options granted to employees.

| | **2006** |
|---|---|
| Profit attributable to ordinary equity holders of the Company | 49,487,202 |
| Weighted average number of ordinary shares in issue | 151,934,109 |
| Effects of dilution from share options granted to employees | 10,569,246 |
| Adjusted weighted average number of ordinary shares in issue and issuable | 162,503,355 |
| Diluted Earnings Per Share (Sen) | 30.5 |

10. Dividends

No dividend has been paid or declared by the Company since the end of the previous financial year.

At the forthcoming Annual General Meeting, final dividend in respect of the financial year ended 31 December 2006, of 1.50 sen per ordinary share less 27% taxation on 162,538,482 ordinary shares, amounting to a dividend payable of RM1,779,796 (1.10 sen net per ordinary share) will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2007.

## 11. Property, Vessel and Equipment

| | Leasehold Building | Vessels | Drydocking | Diving Equipment, Equipment on Vessel | Motor Vehicles | Computers, Office Equipment, Furniture and Fittings | Renovations | Work-in Progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| **Group** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| At 1.1.2006 | - | - | - | - | - | - | - | - | - |
| Acquisition of Subsidiaries (Note 12 (a)) | 1,490,000 | 348,891,167 | 2,733,648 | 10,666,861 | 2,048,823 | 777,258 | 748,476 | - | 367,356,233 |
| Additions | 920,000 | 31,964,625 | 1,845,776 | 3,517,085 | 277,926 | 142,159 | - | 90,955,886 | 129,623,457 |
| Reclassification | - | 2,611,375 | 5,965,416 | - | - | - | - | (8,576,791) | - |
| At 31.12.2006 | 2,410,000 | 383,467,167 | 10,544,840 | 14,183,946 | 2,326,749 | 919,417 | 748,476 | 82,379,095 | 496,979,690 |
| **Accumulated Depreciation** | | | | | | | | | |
| At 1.1.2006 | - | - | - | - | - | - | - | - | - |
| Acquisition of Subsidiaries (Note 12 (a)) | 65,350 | 25,223,026 | 1,933,506 | 1,802,435 | 839,006 | 280,169 | 132,401 | - | 30,275,893 |
| Charge of the year | 13,070 | 9,578,172 | 3,370,094 | 887,298 | 280,625 | 152,875 | 49,896 | - | 14,332,030 |
| At 31.12.2006 | 78,420 | 34,801,198 | 5,303,600 | 2,689,733 | 1,119,631 | 433,044 | 182,297 | - | 44,607,923 |
| **Net Carrying Amount** | | | | | | | | | |
| At 31.12.2006 | 2,331,580 | 348,665,969 | 5,241,240 | 11,494,213 | 1,207,118 | 486,373 | 566,179 | 82,379,095 | 452,371,767 |

11. Property, Vessel and Equipment (Continued)

| | Vehicles RM | Total RM |
|---|---|---|
| Company | | |
| Cost | | |
| At 1.1.2006 | - | - |
| Additions | 277,926 | 277,926 |
| At 31.12.2006 | 277,926 | 277,926 |
| Accumulated Depreciation | | |
| At 1.1.2006 | - | - |
| Charge for the year | 18,528 | 18,528 |
| At 31.12.2006 | 18,528 | 18,528 |
| Net Carrying Amount | | |
| At 31.12.2006 | 259,398 | 259,398 |

a. During the financial year, the Group and the Company acquired property, vessels and equipment at aggregate cost of RM129,623,457 and RM277,926 (2005: RMNil) respectively of which RMNil and RM277,926 (2005: RMNil) respectively were acquired by means of hire purchase and finance lease arrangements. Net carrying amounts of property, vessels and equipment held under hire purchase and finance lease arrangements are as follows:

| | Group | Company | |
|---|---|---|---|
| | 2006 RM | 2006 RM | 2005 RM |
| Motor Vehicles | 1,207,118 | 259,398 | - |

Details of the terms and conditions of the hire purchase and finance lease arrangements are disclosed in Note 25.

b. The net carrying amounts of property, vessel and equipment of the Group which are pledged as securities for borrowings as disclosed in Note 23 are as follows:

| | Group 2006 RM |
|---|---|
| Leasehold buildings | 2,331,580 |
| Vessels | 339,165,141 |
| | 341,496,721 |

c. The strata titles for the leasehold buildings with a net carrying amount of RM2,331,580 have not been issued by the relevant authorities.

12. Investments in Subsidiaries

| | Company 2006 RM | Company 2005 RM |
|---|---|---|
| Unquoted shares, at cost | 100,302,070 | - |

Details of subsidiaries, all of which are incorporated in Malaysia, are as follows:

| | Name of Subsidiaries | Proportion of Ownership Interest 2006 % | Proportion of Ownership Interest 2005 % | Principal Activities |
|---|---|---|---|---|
| i. | Held by the Company: | | | |
| | Alam Maritim (M) Sdn. Bhd. (“AMSB”) | 100 | - | Ship owning, catering, chartering and managing and other shipping related activities |
| | Alam Maritim (L) Inc. (“AMLI”) | 100 | - | Investment holding and ship owning |
| ii | Held through Alam Maritim (M) Sdn. Bhd. (“AMSB”) | | | |
| | Alam Maritim (L) Inc. (“AMLI”) | - | 100 | Investment holding and ship owning |
| | Alam Eksplorasi (M) Sdn. Bhd. (“AESB”) | 60 | - | Ship owning, ship operating and chartering |
| | Alam Hidro (M) Sdn. Bhd. (“AHSB”) | 70 | - | Offshore facilities construction installation and underwater services |
| | Najdah Gemilang Sdn. Bhd. (“NAJDAH”) | 100 | - | Transportation, ship forwarding and agent, ship chandeling and other related activities |
| | Alam Synergy I (L) Inc. (“AS I”) | 60 | - | Ship owning, ship operating and chartering |
| | Alam Synergy II (L) Inc. (“AS II”) | 60 | - | Ship owning, ship operating and chartering |
| | Alam Synergy III (L) Inc. (“AS III”) | 60 | - | Ship owning, ship operating and chartering |

a) Acquisition of Subsidiaries

On 21 April 2006, in conjunction with and as an integral part of the plan to list the operations of the Group on the Main Board of the Bursa Malaysia Securities Berhad, the Company had acquired the entire issued and paid-up share capital of AMSB comprising 20,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM66,558,440 satisfied by the issuance of 133,116,880 new ordinary shares in the Company at par value of RM0.50 per ordinary share, credited as fully paid-up.

The acquired subsidiary had contributed the following results to the Group:

| | **2006** |
|---|---|
| | **RM** |
| Revenue | 151,161,092 |
| Profit for the year | 49,810,130 |

If the acquisition had occurred on 1 January 2006, the Group's revenue and profit for the year would have been RM214,151,333 and RM54,798,601 respectively.

The assets and liabilities arising from the acquisition are as follows:

| | **Fair Value Recognised on Acquisition** | **Acquiree's Carrying Amount** |
|---|---|---|
| | **RM** | **RM** |
| Property, vessel and equipment (Note 11) | 337,080,340 | 320,663,265 |
| Investment in an associate | 350,279 | 350,279 |
| Goodwill | - | 875,490 |
| Trade and other receivables | 78,328,168 | 78,328,168 |
| Cash and bank balances | 6,081,115 | 6,081,115 |
| | 421,839,902 | 406,298,317 |
| Trade and other payables | (50,787,582) | (50,787,582) |
| Borrowings | (250,671,662) | (250,671,662) |
| Deferred tax liabilities (Note 26) | (27,718,687) | (27,718,687) |
| | (329,177,931) | (329,177,931) |
| Fair value of net assets | 92,661,971 | |
| Less: Minority interest | (2,167,676) | |
| Group's share of net assets | 90,494,295 | |
| Negative goodwill arising on acquisition (Note 7) | (23,935,855) | |
| Purchase consideration satisfied by issuance of new ordinary shares of the Company | 66,558,440 | |

There were no other cash flow implications on the acquisition except for the cash and cash equivalents of AMSB and its subsidiaries acquired totalling to RM6,081,115.

There were no acquisitions in the financial year ended 31 December 2005.

b. Transfer of Shares and Additional Equity Interest in AMLI

On 24 May 2006, AMSB transferred the entire issued and paid-up share capital of AMLI to the Company comprising 7,110,100 ordinary shares of USD1.00 each for a total transfer consideration of USD7,110,100 or RM27,018,380.

The transfer was completed at no gain no loss.

Subsequent to the transfer, on 25 August 2006, the Company further increased its investment in AMLI by subscribing to 1,830,000 ordinary shares of USD1.00 each in AMLI for USD1,830,000 or RM6,725,250 in cash.

c. Incorporation and Transfer of Shares in Alam Synergy I (L) Inc. ("AS I"), Alam Synergy II (L) Inc. ("AS II") and Alam Synergy III (L) Inc. ("AS III")

On 18 September 2006, the Group via its subsidiary AMSB, had incorporated AS I, AS II and AS III with authorised and issued and paid-up share capital of 10,000,000 and 100 ordinary shares of USD1.00 each respectively.

On 6 October 2006, the Group increased the issue and paid-up share capital of AS I, AS II and AS III by 949,900, 949,900 and 2,179,900 ordinary shares of USD1.00 each respectively to 950,000, 950,000 and 2,180,000 ordinary shares of USD1.00 each respectively.

On 6 November 2006, the Group transferred 40% of its shareholdings in AS I, AS II and AS III to Synergy Sparkle Sdn. Bhd. ("SSSB"), comprising 380,000, 380,000 and 872,000 ordinary shares of USD1.00 each for a total transfer consideration of USD380,000, USD380,000 and USD872,000 respectively. The transfer was completed at no gain no loss.

Subsequent to the transfer, on 23 November 2006, the Group had further increased the issued and paid-up share capital of AS I, AS II and AS III by 480,000, 480,000 and 972,000 ordinary shares of USD1.00 each respectively to 1,050,000, 1,050,000 and 2,280,000 ordinary shares of USD 1.00 each respectively.

On the same date, the Group transferred 40% of its respective shareholdings in AS I, AS II and AS III to Synergy Sparkle Sdn. Bhd. ("SSSB"), comprising 420,000, 420,000 and 912,000 ordinary shares of USD1.00 each, for a total transfer consideration of USD420,000, USD420,000 and USD912,000 respectively. The transfer was completed at no gain no loss.

Upon the completion of the transfer and as at 31 December 2006, the Group's investments in AS I, AS II and AS III represents 60% equity interest respectively, comprising of 630,000, 630,000 and 1,368,000 ordinary shares of USD1.00 each respectively.

Proceeds from the transfer of shares in AS I, AS II and AS III to SSSB at no gain no loss amounts to RM6,482,400.

13. Investment in an Associate

| | Group 2006 RM |
|---|---|
| Unquoted shares outside Malaysia, at cost | 208,310 |
| Share of post-acquisition reserves | 440,193 |
| | 648,503 |

Details of the associate are as follows:

| Name of Associate | Country of Incorporation | Proportion of Ownership Interest | | Proportion of Voting Power | | Principal Activities |
|---|---|---|---|---|---|---|
| | | 2006 | 2005 | 2005 | 2006 | |
| | | % | % | % | % | |
| (i) Held through Alam Maritim (L) Inc. ("AMLI") | | | | | | |
| Workboat International FZCO ("Workboat") | United Arab Emirates | 33.33 | - | 33.33 | - | Ship management and operation, ship owning, ship maintenance and marine consultancy |

The financial statements of the associate is coterminous with those of the Group.

The summarised financial information of the associate are as follows:

| | 2006 RM |
|---|---|
| Assets and liabilities | |
| Current assets | 8,304,210 |
| Non-current assets | 126,268 |
| Total assets | 8,430,478 |
| | |
| Current liabilities | 6,339,049 |
| Non-current liabilities | 91,105 |
| Total liabilities | 6,430,154 |
| | |
| Results | |
| Revenue | 24,593,816 |
| Profit for the year | 903,711 |

14. Amount Due From Subsidiaries

Amount due from subsidiaries are non-trade in nature, non-interest bearing and are repayable on demand. The amount is unsecured and are to be settled in cash.

Further details on related party transactions are disclosed in Note 32.

15. Trade Receivables

| | **Group 2006** |
|---|---|
| Third parties | 52,722,975 |
| Accrued charter hire income | 20,095,704 |
| Accrued catering and messing income | 1,631,968 |
| Construction contracts:<br>Due from a customer on contract (Note 16) | 14,808,198 |
| | 89,258,845 |
| Less: Provision for doubtful debts | (139,224) |
| | 89,119,621 |

The Group's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposure to a single debtor or to group of debtors; except for amount due from a customer on contract amounting to RM14,808,198.

Included in trade receivables of the Group is RM1,439,159 due from an associate.

Other information on financial risks of trade receivables are disclosed in Note 35.

16. Due From a Customer on Contract

| | **Group 2006 RM** |
|---|---|
| Construction contract costs incurred to date | 26,685,028 |
| Attributable profits | - |
| | 26,685,028 |
| Less: Progress billings | (11,876,830) |
| | 14,808,198 |

The costs incurred to date on construction contracts include the following expenditure incurred during the financial year:

| | **Group 2006 RM** |
|---|---|
| Charter hire of vessels | 20,095,704 |

## 17. Other Receivables

| | Group | Company | |
|---|---|---|---|
| | 2006 | 2006 | 2005 |
| | RM | RM | RM |
| Deposits | 214,353 | - | - |
| Prepayments | 1,951,399 | - | - |
| Listing expenses | - | - | 711,521 |
| Sundry receivables | 1,493,258 | - | - |
| Less : Provision for doutful debts | (231,367) | | |
| | 3,427,643 | - | 711,521 |

Other details on financial risks of other receivables are disclosed in Note 35.

## 18. Cash And Cash Equivalents

| | Group | Company | |
|---|---|---|---|
| | 2006 | 2006 | 2005 |
| | RM | RM | RM |
| Cash on hand and at banks | 8,050,800 | 3,641,911 | 1 |
| Deposits with licensed banks | 11,069,733 | - | - |
| Cash and bank balances | 19,120,533 | 3,641,911 | 1 |
| Bank overdrafts (Note 23) | (4,680,153) | - | - |
| Amounts set aside as sinking fund | (7,880,000) | - | - |
| Amounts set aside as margin deposits for bank guarantee facilities | (3,189,733) | - | - |
| Total cash and cash equivalents | 3,370,647 | 3,641,911 | 1 |

The weighted average effective interest rate per annum and the remaining maturity of deposits of the Group as at 31 December 2006 are 3.80% and 8,640 days respectively.

Other information on financial risks of cash and cash equivalents are disclosed in Note 35.

19. Employee Benefits

Employee Share Options Scheme ("ESOS")

The AMRB Employee Share Options Scheme ("ESOS") is governed by the bye-laws approved by the shareholders at an Extraordinary General Meeting held on 5 June 2006. The ESOS was implemented on 20 July 2006 and is to be in force for a period of 5 years from the date of implementation.

a. The number of shares comprised in the options to be offered under the ESOS shall not exceed 15% of the issued and paid-up share capital of the Company at any point of time. Upon completion of the Initial Public Offering ("IPO") on 20 July 2006, the total number of new shares to be issued pursuant to the ESOS is 24,350,412.

b. When options are granted before the Company is listed on Bursa Malaysia Securities ("Initial Grant"), the exercise price shall be on a step-up basis starting with a price equivalent to the IPO price of RM1.65 and shall increase on the third year and fifth year commencing from the date of acceptance of the options as follows:

| | Exercise Period | | | | |
|---|---|---|---|---|---|
| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| Exercise Price | RM1.65 | RM1.65 | RM1.82 | RM1.82 | RM2.00 |

c. Where the options are granted on or after the Company is listed on Bursa Malaysia Securities ("Subsequent Grant"), the exercise price shall be at the higher of the followings:

   i. the weighted average market price of the shares for the five market days immediately preceding the date at which options are granted subject to a discount of up to 10%; or

   ii. the par value of the shares.

d. All eligible Directors and employees will only be allowed to exercise the options subject to the following limits:

| | Exercise Period | | | | |
|---|---|---|---|---|---|
| | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| Maximum percentage of options exercisable | 5% | 10% | 20% | 30% | 35% |

e. The new shares to be allotted upon any exercise of any option granted shall rank pari passu in all respects with the existing shares provided always that the new shares so allotted will not be entitled to any dividends, rights, allotments and/or any distributions declared, made or paid to shareholders which record date thereof precedes the date of allotment of the new shares and shall be subject to all provisions of the Articles of the Company.

   The following table illustrates the number and exercise price of, and movements in, share options during the financial year:

| | Number of Share Options | | | | |
|---|---|---|---|---|---|
| | **Outstanding** | **Movements during the year** | | **Outstanding** | **Exercisable** |
| | **at 1.1.2006** | **Granted** | **Exercised** | **at 31.12.2006** | **at 31.12.2006** |
| 2006 Options | - | 22,312,500 | 202,400 | 22,110,100 | 913,225 |

i. Details of share options outstanding as at 31 December 2006:

| Tranche | Exercise Price RM | Exercise Period |
|---|---|---|
| Year 1 | 1.65 | 20.07.2006 - 19.07.2011 |
| Year 2 | 1.65 | 20.07.2007 - 19.07.2011 |
| Year 3 | 1.82 | 20.07.2008 - 19.07.2011 |
| Year 4 | 1.82 | 20.07.2009 - 19.07.2011 |
| Year 5 | 2.00 | 20.07.2010 - 19.07.2011 |

ii. Share options exercised during the financial year

As disclosed in Note 20, options exercised during the financial year resulted in the issuance of 202,400 ordinary shares at the exercise price of RM1.65 each. The related weighted average share price at the date of exercise was RM2.43.

iii. Fair value of share options granted during the financial year

The fair value of share options granted during the financial year was estimated internally using a Black Scholes Option Valuation model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions are as follows:

| | 2006 |
|---|---|
| Fair value of share options at the grant date, 20 July 2006 (RM) | 0.37 |
| Weighted average share price (RM) | 2.43 |
| Exercise price (RM) | 1.65 |
| Expected volatility (%) | 30.39 |
| Expected life (years) | 4.50 |
| Risk free rate (%) | 3.83 |
| Expected dividend yield (%) | 3.75 |

The expected life of the options is based on historical data and not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of the fair value.

## 20. Share Capital and Share Premium

| | Number of Ordinary Shares of RM0.50 Each | Amount | | |
|---|---|---|---|---|
| | Share Capital (Issued and Fully Paid) | Share Capital (Issued and Fully Paid) | Share Premium | Total |
| | | | RM | RM |
| At 1 January/ 31 December 2005 | 2 | 1 | - | 1 |
| At 1 January 2006 | 2 | 1 | - | 1 |
| Ordinary shares issued during the year : | | | | |
| Issued for cash | 29,219,200 | 14,609,600 | 33,602,080 | 48,211,680 |
| Pursuant to ESOS (Note 19) | 202,400 | 101,200 | 232,760 | 333,960 |
| Acquisition of a subsidiary (Note 12(a)) | 133,116,880 | 66,558,440 | - | 66,558,440 |
| Transaction costs | - | - | (3,086,602) | (3,086,602) |
| At 31 December 2006 | 162,538,482 | 81,269,241 | 30,748,238 | 112,017,479 |

| | 2006 Number of ordinary shares of RM 0.50 each | | Amount | |
|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 |
| | | | RM | RM |
| **Authorised share capital** | | | | |
| At 1 January/23 June | 2 | 2 | 1 | 1 |
| Created during the year | 499,999,998 | - | 249,999,999 | |
| At 31 December | 500,000,000 | 2 | 250,000,000 | 1 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

a. Ordinary Shares issued for Cash

During the financial year, the Company issued 29,219,200 new ordinary shares of RM0.50 each through a public issue at an issue price of RM1.65 per ordinary share for cash, for part payment for acquisition of new vessels, repayment of bank borrowings and for additional working capital purposes. The share premium of RM33,602,080 arising from the issuance of ordinary shares and the share issue costs of RM3,086,602 have been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

The public issue of 29,219,200 new ordinary shares of RM0.50 each is allocated in the following manner:

- issuance of 8,116,500 ordinary shares, representing 5% of the enlarged issued and paid up share capital of AMRB, to the Malaysian Public allotted via ballot of which at least 30% has been set aside strictly for Bumiputra investors for cash;

- issuance of 11,363,000 ordinary shares, representing 7% of the enlarged issued and paid-up share capital of AMRB, to selected Malaysian and/or foreign investors via Private Placement of which at least 30% has been set aside strictly for Bumiputra investors for cash; and

- issuance of up to 9,739,700 ordinary shares, representing up to 6% of the enlarged issued and paid-up share capital of AMRB, to the eligible directors, employees of AMRB Group and persons who have contributed to the success of the AMRB Group for cash.

The gross proceeds received by the Company from the public issue has been utilised as follows:

| | RM |
|---|---|
| Part payment for acquisition of new vessels | 28,181,650 |
| Repayment of bank borrowings | 14,500,000 |
| General working capital | 2,530,030 |
| Listing expenses | 3,000,000 |
| | 48,211,680 |

b. Ordinary shares issued for acquisition of a subsidiary

During the financial year, the Company issued 133,116,880 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share amounting to RM66,558,440 as full discharge of purchase consideration for the acquisition of Alam Maritim (M) Sdn. Bhd. (Note 12(a)). The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

## 21. Other Reserves

| | Share Option Reserve RM | Total RM |
|---|---|---|
| Group and Company | | |
| At 1 January 2005 | - | - |
| Share options granted under ESOS (Note 4) | 3,504,883 | 3,504,883 |
| At 31 December 2006 | 3,504,883 | 3,504,883 |

## 22. Retained Earnings

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained earnings as at 31 December 2006.

## 23. Borrowings

| | Group 2006 RM | Company 2006 RM | Company 2005 RM |
|---|---|---|---|
| Short Term Borrowings | | | |
| Secured: | | | |
| Bank overdrafts | 1,947,956 | - | - |
| Term loans | 26,926,907 | - | - |
| Redeemable Cumulative Convertible Secured Loan Stocks (Note 24) | 658,754 | - | - |
| Hire purchase and finance lease liabilities (Note 25) | 262,387 | 22,188 | - |
| | 29,796,004 | 22,188 | - |
| Unsecured: | | | |
| Revolving Credits | 21,074,890 | - | - |
| Bank Overdrafts | 2,732,197 | - | - |
| | 23,807,087 | - | - |
| | 53,603,091 | 22,188 | - |

23. Borrowings (Continued)

| | Group | Company | |
|---|---|---|---|
| | 2006 | 2006 | 2005 |
| | RM | RM | RM |
| Long Term Borrowings | | | |
| Secured: | | | |
| Term Loans | 213,944,449 | - | - |
| Redeemable Cumulative Convertible Secured Loan Stocks (Note 24) | 27,722,521 | | - |
| Hire purchase and finance lease liabilities (Note 25) | 1,305,227 | 220,755 | - |
| | 242,972,197 | 220,755 | - |
| Total Borrowings: | | | |
| Bank overdrafts (Note 18) | 4,680,153 | - | - |
| Revolving Credits | 21,074,890 | - | - |
| Term loans | 240,871,356 | - | |
| Redeemable Cumulative Convertible Secured Loan Stocks (Note 24) | 28,381,275 | - | - |
| Hire purchase and finance lease liabilities (Note 25) | 1,567,614 | 242,943 | - |
| | 296,575,288 | 242,943 | - |

Maturity of borrowings (excluding hire purchase and finance lease liabilities):

| | Group |
|---|---|
| | 2006 |
| | RM |
| Not later than 1 year | 53,340,704 |
| Later than 1 year not later than 2 years | 22,193,250 |
| Later than 2 years not later than 5 years | 29,467,657 |
| Later than 5 years | 190,006,063 |
| | 295,007,674 |

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase and finance lease liabilities of the Group, is as follows:

| | Group |
|---|---|
| | 2006 |
| | % |
| Bank overdrafts | 4.50 |
| Revolving credits | 8.35 |
| Term loans | 6.98 |
| Redeemable Cumulative Convertible Secured Loan Stocks | 6.63 |

The secured bank overdrafts of the Group are secured by deposits with licenced banks of the Group as disclosed in Note 18.

The term loans of the Group are secured by the followings:

a. First legal charge over the vessels and leasehold building of certain subsidiaries as disclosed in Note 11;
b. Legal assignments of charter proceeds of certain subsidiaries;
c. Debentures incorporating fixed and floating asset of certain subsidiaries; and
d. Corporate Guarantees by the Company.

Other information on financial risks of borrowings are disclosed in Note 35.

24. Redeemable Cumulative Convertible Secured Loan Stocks

On 24 November 2006, certain subsidiaries issued a total of RM28,381,275 10-year Redeemable Cumulative Convertible Secured Loan Stocks ("RCCSLS") to part finance the acquisition of the respective subsidiary companies' vessels.

The terms of the RCCSLS are as follows:

a. Conversion rights - the registered holders of the RCCSLS will have the option at any time during the conversion period to convert the RCCSLS at the conversion rate into new ordinary shares of USD1.00 each in the respective subsidiary companies.

b. Conversion rate - on the basis of 1 RCCSLS for 1 new ordinary share of USD1.00 each in the respective subsidiaries.

c. Conversion period - period commencing from and including the date of issue of the RCCSLS and ending 2 months prior to the tenth anniversary of the issue date.

d. All outstanding RCCSLS will be mandatory to be redeemed in full by the respective subsidiary companies by 31 March 2018.

e. The RCCSLS bear interest at 7% per annum payable quarterly in arrears.

f. The new ordinary shares to be allotted and issued upon conversion of the RCCSLS will rank pari passu in all respects with the existing ordinary shares of the respective subsidiary companies other than that may be specified in a resolution approving the distribution of dividends prior to their conversion.

The RCCSLS are secured by:

a. Corporate Guarantees by the Company; and
b. statutory mortgage over the respective subsidiary companies' vessels.

The proceeds received from the issue of the RCCSLS have been split between the liability component and the equity component, representing the fair value of the conversion option. The RCCSLS are accounted for in the balance sheet of the Group as follows:

| | **2006**<br>**RM** |
|---|---|
| Amount due within 12 months (Note 23) | 658,754 |
| Amount due after 12 months (Note 23) | 27,722,521 |
| | 28,381,275 |

The Sole subscriber of the RCCSLS is Synergy Sparkle Sdn. Bhd., the shareholder with 40% shareholding each in Alam Eksplorasi (M) Sdn. Bhd., Alam Synergy I (L) Inc, Alam Synergy II (L) Inc and Alam Synergy III (L) Inc.

25. Hire Purchase And Finance Lease Liabilities

| | Group | Company | |
|---|---|---|---|
| | **2006** | **2006** | 2005 |
| | **RM** | **RM** | RM |
| Future minimum lease payments: | | | |
| Not later than 1 year | 345,335 | 34,704 | - |
| Later than 1 year and not later than 2 years | 332,523 | 34,704 | - |
| Later than 2 years and not later than 5 years | 509,142 | 104,112 | - |
| Later than 5 years | 658,860 | 127,249 | - |
| Total future minimum lease payments | 1,845,860 | 300,769 | - |
| Less: Future finance charges | (278,246) | (57,826) | - |
| Present value of finance lease liabilities (Note 23) | 1,567,614 | 242,943 | - |
| Analysis of present value of finance lease liabilities: | | | |
| Not later than 1 year | 262,387 | 22,188 | - |
| Later than 1 year and not later than 2 years | 268,094 | 23,713 | - |
| Later than 2 years and not later than 5 years | 414,666 | 80,287 | - |
| Later than 5 years | 622,467 | 116,755 | - |
| | 1,567,614 | 242,943 | - |
| Less: Amount due within 12 months (Note 23) | (262,387) | (22,188) | - |
| Amount due after 12 months (Note 23) | 1,305,227 | 220,755 | - |

The Group's and the Company's hire purchase and finance lease liabilities bears weighted average effective interest rates of 7.10% per annum and 5.23% respectively.

Other information on financial risks of hire purchase and finance lease liabilities are disclosed in Note 35.

## 26. Deferred Taxation

| | Group | Company | |
|---|---|---|---|
| | 2006 | 2006 | 2005 |
| | RM | RM | RM |
| At 1 January | - | - | - |
| Acquisition of a subsidiary (Note 12 (a)) | 27,718,687 | - | - |
| Recognised in income statement (Note 8) | 5,817,358 | 1,251 | - |
| At 31 December | 33,536,045 | 1,251 | - |
| Presented after appropriate offsetting as follows: | | | |
| Deferred tax liability | 33,536,045 | 1,251 | - |

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

Deferred tax liability of the Group and of the Company:

| | Group | Company | |
|---|---|---|---|
| | 2006 | 2006 | 2005 |
| | RM | RM | RM |
| Accelerated capital allowances | | | |
| At 1 January | - | - | - |
| Acquisition of a subsidiary | 27,721,987 | - | - |
| Recognised in income statement | 6,275,827 | 1,251 | - |
| At 31 December | 33,997,814 | 1,251 | - |

Deferred tax assets of the Group and of the Company:

| | Group | Company | |
|---|---|---|---|
| | 2006 | 2006 | 2005 |
| | RM | RM | RM |
| Provision for doubtful debts | | | |
| At 1 January | | | |
| Acquisition of a subsidiary | (3,300) | - | - |
| Recognised in income statement | (458,469) | - | - |
| At 31 December | (461,769) | - | - |

27. Trade Payables

Trade payables of the Group are non-interest bearing and the normal trade credit terms granted to the Group ranges from 30 to 60 days.

28. Other Payables

| | Group | Company | |
|---|---|---|---|
| | 2006 | 2006 | 2005 |
| | RM | RM | RM |
| Due to vendors of vessels | 9,536,850 | - | - |
| Accrued expenses | 2,386,869 | - | - |
| Sundry payables | 698,805 | 73,733 | 732,111 |
| | 12,622,524 | 73,733 | 732,111 |

Other information on financial risks of other payables are disclosed in Note 35.

29. Operating Lease Arrangements

a. The Group as lessee

The Group has entered into non-cancellable operating lease agreements for the use of office premise. Leases of the premise have an average life of between 1 and 5 years. These leases have renewal but no purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

The future aggregate lease payments under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as liabilities are as follows:

| | 2006 |
|---|---|
| | RM |
| Future rental payments: | |
| Not later than 1 year | 39,827 |
| Later than 1 year and not later than 5 years | 33,527 |
| | 73,354 |

The lease payments recognised in profit or loss during the financial period are disclosed in Note 7.

b The Group as lessor

The Group has entered into non-cancellable operating lease agreements on its vessels. These leases have remaining non-cancellable lease terms of between 0.5 to 16 years. All leases include a clause to enable upward revision of the charter hire charge on an annual basis based on prevailing market conditions.

The future lease payments receivable under non-cancellable operating leases contracted for as at the balance sheet date but not recognised as receivables, are as follows:

| | 2006 |
|---|---|
| | RM |
| Not later than 1 year | 92,948,608 |
| Later than 1 year and not later than 5 years | 38,477,514 |
| Later than 5 years | 48,979,614 |
| | 180,405,736 |

Charter hire revenue earned from chartering the Group's vessels are recognised as revenue during the financial period is disclosed in Note 3.

## 30. Capital Commitments

| | Group 2006 RM | Company 2006 RM | Company 2005 RM |
|---|---|---|---|
| Purchase of vessels: - | | | |
| Approved and contracted for | 260,680,000 | - | - |

## 31. Contingent Liabilities

| | Group 2006 RM | Company 2006 RM | Company 2005 RM |
|---|---|---|---|
| Unsecured: | | | |
| Corporate guarantees given to banks for credit facilities granted to subsidiaries | - | 286,329,913 | - |
| Performance bond guarantee extended to third parties | 6,208,034 | - | - |
| Bank guarantees extended to third parties | 560,800 | - | - |

32. Significant Related Party Transactions

In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year.

| | Note | 2006<br>RM |
|---|---|---|
| **GROUP** | | |
| Holding company: | | |
| Acquisition of subsidiaries | | 66,558,440 |
| An associate: | | |
| Charter hire income of vessels | (i) | 14,652,525 |
| Ship agency fees incurred | (ii) | (1,597,030) |

| | 23.6.2006<br>to<br>31.12.2006<br>RM |
|---|---|
| **COMPANY** | |
| Holding company : | |
| Acquisition of subsidiaries | 66,558,440 |
| Subsidiaries : | |
| Dividend income from a subsidiary | 3,600,000 |
| ESOS cost charged to subsidiaries | (3,212,318) |
| Advances to subsidiaries for working capital purposes | 14,716,614 |

i. The rendering of charter hire services to related companies and to the associated company were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period of up to six months is normally granted.

ii. The charter hire expense, ship agency fees and management fees paid to related companies and to the associated company were made according to the published prices and conditions offered by these related parties to their major customers, except that a longer credit period of up to six months is normally granted.

The Directors are of the opinion that the transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

33. Significant Event

On 20 July 2006, the Company was listed on the Main Board of Bursa Malaysia Securities Berhad.

34. Comparatives

There are no comparative figures for the consolidated income statement, balance sheet, cash flow statement, statement of changes in equity and the related notes to the financial statements as this is the first year that the Group financial statements are prepared.

The Company was incorporated on 23 June 2005 and the Company's comparative financial statements was for the period from 23 June 2005 to 31 December 2005. Accordingly, comparative amounts for the income statement, statement of changes in equity, cash flow statement and the related notes to the financial statements are not in respect of comparable periods.

35. Financial Instruments

a. Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate risks (both fair value and cash flow), foreign currency risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

b. Interest Rate Risk

The Group finances its operations through operating cash flow which are principally denominated in Malaysian Ringgit. The Group's exposure to market risk for changes in the interest rate environment principally relates to its debt obligations. The debt obligations pertaining to the Group's borrowings are disclosed in Note 23. The Group does not hedge interest rate risk but ensures that it had obtained borrowings at competitive interest rates under the most favourable terms and conditions.

c. Foreign Currency Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the Group. The currencies giving rise to risk are primarily United States Dollars (USD) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the Group are kept to an acceptable level. Approximately 42.4% of the Group's sales are denominated in currencies other than the Group's functional currency, whilst almost 30.3% of costs are denominated in the Group's functional currency.

The Group maintains a natural hedge, whenever possible. This natural hedge reduces significantly the financial impact of movements in the foreign exchange rates.

The net unhedged financial assets and financial liabilities of the Group companies that are not denominated in their functional currencies are as follows:

| | **Group 2006 RM** |
|---|---|
| Trade receivables | |
| - United States Dollars | 21,634,039 |
| - Singapore Dollars | 405,670 |
| Trade payables | |
| - United States Dollars | 25,585,015 |
| - Singapore Dollars | 1,463,998 |
| Borrowings | |
| - United States Dollars | 130,425,294 |

d. Liquidity Risk

The Group manages its debt maturity profile, operating cash flow and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities of a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

e. Credit Risk

The Group credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is not significant. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Group's other financial assets, which comprise of cash and cash equivalents and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets, except for amount due from a customer on contract amounting to RM14,808,198 as disclosed in Note 16.

f. Fair Value

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the followings:

| | Note | 2006 | |
|---|---|---|---|
| | | Carrying amount | Fair value |
| | | RM | RM |
| **Group** | | | |
| Financial Liabilities | | | |
| Fixed rate term loans | 23 | 98,432,259 | 95,658,838 |
| Redeemable Cumulative Convertible Secured Loan Stocks | 24 | 27,722,521 | 26,044,925 |
| Hire purchase and finance lease liabilities | 25 | 1,305,227 | 955,840 |
| **Company** | | | |
| **Financial Liability** | | | |
| Hire purchase and finance lease liabilities | 25 | 220,755 | 202,135 |

It is not practical to estimate the fair values of the investments in subsidiaries and an associated company due principally to the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs. It is also not practical to estimate the fair value of amounts due from subsidiaries due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs. However, the Group and the Company does not anticipate the carrying amounts recorded at the balance sheet date to be significantly different from the values that would eventually be received or settled.

The carrying amounts of receivables, cash and bank balances and payables for the Group and the Company approximate their fair values due to their short term maturity.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair value are as follows:

i. Borrowings and finance lease payable

The fair value of borrowings is determined by discounting the expected future cash flow based on current rates for similar types of borrowing and leasing arrangements.

35. Segmental Information

**a. Reporting Format**

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

**b. Business Segments**

The Group comprises the following two main business segments:

- Offshore supply vessels and services

  Provision of vessels for charter hire, assisting seismic operators in seismic survey related activities, transportation of crew and supplies, towing and mooring of rigs offshore, anchor-handling services and other support, repair and maintenance services for the oil and gas industry.

- Underwater services

  Provision of offshore facilities construction and installation services such as marine construction related services, sub-sea engineering services and offshore pipeline construction related services.

Other business segments include investment holding and provision of transportation, ship forwarding and agent and ship chandelling to the subsidiaries, none of which are of a sufficient size to be reported separately.

The Directors are of the opinion that all inter-segment transactions have been entered into the normal course of businesses and have established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**c. Geographical Segments**

Segmental reporting by geographical segments has not been prepared as the Group's operations are carried out predominantly in Malaysia.

**d. Allocation Basis and Transfer Pricing**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

| | Offshore Support Vessel and Services | Underwater Services | Others | Eliminations | Total |
|---|---|---|---|---|---|
| | RM | RM | RM | RM | RM |
| **31 December 2006** | | | | | |
| **Revenue** | | | | | |
| Sales to external customers | 129,182,590 | 21,823,745 | 154,757 | - | 151,161,092 |
| Inter segment sales | 4,251,867 | 1,883,626 | 1,436,902 | (7,572,395) | - |
| **Total revenue** | 133,434,457 | 23,707,371 | 1,591,659 | (7,572,395) | 151,161,092 |
| **Results** | | | | | |
| Segment results | 46,701,999 | 2,507,757 | 5,050,115 | 18,483,486 | 72,743,357 |
| Finance costs | (12,081,362) | (106,571) | (374) | - | (12,188,307) |
| Share of results of an associate | - | - | - | 298,224 | 298,224 |
| Profit before tax | | | | | 60,853,274 |
| Income tax expense | | | | | (10,832,428) |
| **Profit for the year** | | | | | 50,020,846 |
| **31 December 2006** | | | | | |
| **Assets** | | | | | |
| Segment assets | 428,363,106 | 7,778,663 | 308,011 | 15,921,987 | 452,371,767 |
| Investment in an associate | 208,310 | - | - | 440,193 | 648,503 |
| Unallocated assets | 121,646,903 | 18,340,793 | 19,263,399 | (47,568,519) | 111,682,576 |
| **Total assets** | 550,218,319 | 26,119,456 | 19,571,410 | (31,206,339) | 564,702,846 |
| **Liabilities** | | | | | |
| Segment liabilities | 268,985,604 | 2,670,489 | 255,368 | 4,596,781 | 276,508,242 |
| Unallocated liabilities | 140,762,872 | 20,570,240 | 257,001 | (47,568,203) | 114,021,910 |
| **Total liabilities** | 409,748,476 | 23,240,729 | 512,369 | (42,971,422) | 390,530,152 |
| **Other segment information :** | | | | | |
| Capital expenditure | 458,019,575 | 8,343,354 | 340,868 | - | 466,703,797 |
| Depreciation | 13,734,481 | 564,691 | 32,858 | - | 14,332,030 |
| Other significant non-cash expenses: | | | | | |
| Provision for doubtful debts | 231,367 | 102,500 | 24,937 | - | 358,804 |
| Share options granted under ESOS | 2,887,552 | 324,766 | 292,565 | - | 3,504,883 |

36. Subsequent event

On 8 January 2007, the Group via Alam Maritim (L) Inc., a subsidiary of the Company had acquired a total of 30,001 ordinary shares of SGD1.00 each, representing 60% of the issued and paid-up share capital of Eastar Pte. Ltd. ("EASTAR") for a total cash consideration of RM1,237,005.

EASTAR has an authorised share capital of SGD1,000,000 divided into 1,000,000 ordinary shares of SGD1.00 each of which 50,002 ordinary shares are issued and fully paid up.

The principal activities of EASTAR are designing, manufacturing and operating of ROV.

The acquisition of EASTAR is expected to contribute positively to the earnings and net tangible assets of the Company and its ultimate holding company.

# Analysis of Shareholdings (as at 21 May 2007)

| | | | |
|---|---|---|---|
| A. | Authorised Share Capital | : | RM250,000,000.00 @ 500,000,000 units |
| | Issued and Fully Paid Up | : | RM81,492,166.00 @ 162,984,332 units |
| | Class of Shares | : | Ordinary Shares of RM0.50 each |

B. Distribution of Shareholdings as at 21 May 2007

| Size of Holdings | No. of Holders | % | No. of Shares | % |
|---|---|---|---|---|
| Less than 100 | 1 | 0.135 | 50 | 0.000 |
| 100 - 1,000 | 266 | 36.141 | 245,336 | 0.150 |
| 1,001 - 10,000 | 313 | 42.527 | 1,383,000 | 0.848 |
| 10,001 - 100,000 | 95 | 12.907 | 3,563,300 | 2.186 |
| 100,001 - 8,149,215 (less than 5% of issued shares) | 59 | 8.016 | 40,816,110 | 25.042 |
| 8,149,216 (5% of issued shares) and above | 2 | 0.271 | 116,977,272 | 71.772 |
| TOTAL | 736 | 100.000 | 162,984,332 | 100.000 |

C. Substantial Shareholders as at 21 May 2007

| No. | Name & Address | Holdings | % |
|---|---|---|---|
| 1 | SAR Venture Holdings (M) Sdn Bhd | 90,353,896 | 55.437 |
| 2 | Forum Vest Sdn. Bhd. | 26,623,376 | 16.334 |

D. Directors' Shareholdings as at 21 May 2007

| Name | Direct | | Indirect | |
|---|---|---|---|---|
| | No of shares | % | No of shares | % |
| Dato' Captain Ahmad Sufian @ Qurnain Bin Abdul Rashid | 175,000 | 0.107 | | |
| Azmi Bin Ahmad | 448,700 | 0.275 | 90,353,896* | 55.437 |
| Shaharuddin Bin Warno @ Rahmad | 1,052,500 | 0.645 | 90,353,896* | 55.437 |
| Mohd Abd Rahman Bin Mohd Hashim | 16,200 | 0.009 | 90,353,896* | 55.437 |
| Ab Razak bin Hashim | 114,600 | 0.070 | 90,353,896* | 55.437 |
| Dato' Mohamad Idris Bin Mansor | 70,000 | 0.043 | - | - |
| YB Haji Ab Wahab Bin Haji Ibrahim | 84,000 | 0.051 | - | - |
| Ahmad Hassanudin Bin Ahmad Kamaluddin | 325,000 | 0.198 | - | - |

Note: * Deemed interested by virtue of his direct interest in SAR Venture Holdings Sdn Bhd.

E. List of top 30 shareholders as at 21 May 2007
(Without aggregating securities from different securities accounts belonging to the same person)

| NO. | NAME & ADDRESS | HOLDINGS | % |
|---|---|---|---|
| 1 | SAR VENTURE HOLDINGS (M) SDN.BHD | 90,353,896 | 55.437 |
| 2 | FORUM VEST SDN. BHD. | 26,623,376 | 16.334 |
| 3 | CITIGROUP NOMINEES (ASING) SDN BHD<br>EXEMPT AN FOR AMERICAN INTERNATIONAL ASSURANCE COMPANY LIMITED | 6,226,000 | 3.819 |
| 4 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD<br>AMANAH SAHAM WAWASAN 2020 | 3,608,800 | 2.214 |
| 5 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB MEZZANNINE I SDN BHD | 3,283,064 | 2.014 |
| 6 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD<br>PUBLIC INDEX FUND | 2,127,700 | 1.305 |
| 7 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD [LGF] | 1,919,900 | 1.177 |
| 8 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD [DR] | 1,667,500 | 1.023 |
| 9 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD<br>PUBLIC ISLAMIC OPPORTUNITIES FUND | 1,574,400 | 0.965 |
| 10 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB MEZZANNINE FUND I, LTD.P. | 1,553,246 | 0.953 |
| 11 | MAYBAN NOMINEES (TEMPATAN) SDN BHD<br>MAYBAN TRUSTEES BERHAD FOR PUBLIC INDUSTRY FUND | 1,225,700 | 0.752 |
| 12 | MALAYSIA NOMINEES (TEMPATAN) SDN BHD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD (LPF) | 1,053,500 | 0.646 |
| 13 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MGF) | 996,700 | 0.611 |
| 14 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD<br>PB BALANCED FUND | 940,000 | 0.576 |
| 15 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB BANK FOR SHAHARUDDIN BIN WARNO @ RAHMAD | 937,900 | 0.575 |

| NO. | NAME & ADDRESS | HOLDINGS | % |
|---|---|---|---|
| 16 | CARTABAN NOMINEES (TEMPATAN) SDN BHD<br>EXEMPT AN FOR MIDF AMANAH ASSET NOMINEES (TEMPATAN) SDN BHD ( ACCOUNT 1) | 929,600 | 0.570 |
| 17 | AMMB NOMINEES (TEMPATAN) SDN BHD<br>MIDF AMANAH ASSET MANAGEMENT BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (AMAN-TNB) | 900,600 | 0.552 |
| 18 | UNIVERSAL TRUSTEE (MALAYSIA) BHD<br>SBB EMERGING COMPANIES GROWTH FUND | 854,500 | 0.524 |
| 19 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD<br>SEKIM AMANAH SAHAM NASIONAL | 800,000 | 0.490 |
| 20 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD<br>PB GROWTH FUND | 609,300 | 0.373 |
| 21 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD<br>PUBLIC ISLAMIC BALANCED FUND | 580,000 | 0.355 |
| 22 | AMANAH RAYA NOMINEES (TEMPATAN) SDN BHD<br>PUBLIC ASIA ITTIKAL FUND | 554,000 | 0.339 |
| 23 | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR TAHAN INSURANCE MALAYSIA BERHAD (4942-002GENERAL) | 450,000 | 0.276 |
| 24 | MAYBAN NOMINEES (TEMPATAN) SDN BHD<br>MAYBAN TRUSTEES BERHAD FOR MAAKL-CM FLEXI FUND (260651) | 450,000 | 0.276 |
| 25 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB BANK FOR AZMI BIN AHMAD | 448,700 | 0.275 |
| 26 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB-PRINCIPAL ASSET MANAGEMENT BERHAD FOR LEMBAGA TABUNG HAJI | 448,200 | 0.274 |
| 27 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD (MSF) | 366,600 | 0.224 |
| 28 | UNIVERSAL TRUSTEE (MALAYSIA) BERHAD<br>SBB DANA AL-IHSAN 2 | 350,200 | 0.214 |
| 29 | MALAYSIA NOMINEES (TEMPATAN) SENDIRIAN BERHAD<br>GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BHD (LSF) | 315,000 | 0.193 |
| 30 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>CMS DRESDNER ASSET MANAGEMENT SDN BHD FOR PERTUBUHAN KESELAMATAN SOSIAL | 300,000 | 0.184 |
| | | 152,448,382 | 93.520 |

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# Proxy Form

ALAM MARITIM RESOURCES BERHAD (Co. No. 700849-K)

I/We*,.........................................................................................,NRIC/Co.No..........................................................................................
of ....................................................................................................... being a member of the abovenamed Company, hereby appoint
...................................................................................................... of ..................................................................................................... or
failing whom, .............................................................................. of ............................................................................ or failing whom,
the Chairman of the meeting as my/our* proxy to vote for me/us and on my/our behalf at the Second Annual General Meeting of the Company, to be held at the Banquet Hall, Kuala Lumpur Golf & Country Club (KLGCC), No. 10, Jalan 1/70D, Off Jalan Bukit Kiara, 60000 Kuala Lumpur on the 27 June 2007 at 10.00 a.m. and, at every adjournment thereof.

**My/Our* proxy is to vote as indicated hereunder.**

| | As Ordinary Business (Ordinary Resolutions) | For | Against |
|---|---|---|---|
| 1 | To table and receive the Financial Statements of the Company for the financial year ended 31 December 2006 and the Directors' and Auditors' Reports thereon. | | |
| 2 | To declare a First and Final Dividend of 3% or 1.50 sen per share (less 27% income tax) in respect of the financial year ended 31 December 2006. | | |
| 3 | To approve payment of Directors' Fees amounting to RM55,773.00 for the financial year ended 31 December 2006. | | |
| | To re-elect the following Directors who shall retire pursuant to Article 101 of the Company's Articles of Association: | | |
| 4 | (i) Dato' Captain Ahmad Sufian @ Qurnain bin Abdul Rashid | | |
| 5 | (ii) Azmi bin Ahmad | | |
| 6 | (iii) Shaharuddin bin Warno @ Rahmad | | |
| 7 | (iv) Mohd Abd Rahman bin Mohd Hashim | | |
| 8 | (v) Ab Razak bin Hashim | | |
| 9 | (vi) Dato' Mohamad Idris bin Mansor | | |
| 10 | (vii) YB Haji Ab Wahab bin Haji Ibrahim | | |
| 11 | (viii) Ahmad Hassanudin bin Ahmad Kamaluddin | | |
| 12 | To re-appoint Messrs Ernst & Young as Auditors of the Company for the ensuing year and to authorize the Directors to fix their remuneration. | | |
| | **Special Business (Ordinary & Special Resolutions)** | | |
| 13 | To approve the Ordinary Resolution pursuant to Section 132D of the Companies Act, 1965. | | |
| 14 | To approve the Special Resolution on the Proposed Amendments to the Memorandum and Articles of Association of the Company. | | |

***Strike out whichever is not applicable. (Unless otherwise instructed, the proxy may vote as he thinks fit.***

| No. of shares held | |
|---|---|

Signed this ........................................... day of ........................................., 2007.

Signature of Member(s)/Common Seal :

*Notes:*
1. *A proxy must be a member of the Company.*
2. *To be valid, this form duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting.*
3. *A member shall be entitled to appoint more than one proxy to attend and vote at the same meetings subject always to a maximum of two (2) proxies at each meeting.*
4. *Where a member appoints more than one (1) proxy (subject always to a maximum of two (2) proxies at each meeting) the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
5. *If the appointer is a corporation, this form must be executed under its Seal or under the hand of its attorney.*

fold here

STAMP

The Company Secretary
Alam Maritim Resources Berhad (700849-K)
38F, Level 2, Jalan Radin Anum
Bandar Baru Sri Petaling
57000 Kuala Lumpur
MALAYSIA

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