

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

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

A1 Basis Of Preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2008.

A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008 except for the adoption of the following revised FRS effective for the Company's financial year beginning 1 January 2009:

FRS 4	Insurance Contracts
FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

Except for FRS 8 which is effective for annual periods beginning on or after July 1, 2009, the other FRSs and IC Interpretations are effective for annual periods beginning on or after January 1, 2010.

The effective date in respect of FRS 139 Financial Instruments: Recognition and Measurement will be January 1, 2010. This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Company will apply this standard when it becomes effective.

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

A3 Audit Report For Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 December 2008 was not subject to any qualifications.

A4 Seasonal Or Cyclical Factors

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

A5 Unusual Items

There were no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review.

A6 Changes in Estimates

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

The key assumptions and other key sources of estimation uncertainty mentioned above that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are in respect of those made during the review of impairment of goodwill. The Group determines whether goodwill is impaired on an annual basis. Estimating the value in use requires the Group to make an estimate of the expected future cashflows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cashflows. The carrying amount of goodwill as at 31 March 2009 was RM464.834 million.

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

A7 Debt And Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and debt equity securities during the financial quarter under review.

A8 Dividend Paid

	2009 RM'000	2008 RM'000
<i>Interim dividend:</i>		
Tax exempt dividend of 1.40% per share declared and paid in respect of the financial year ended 31 December 2008, paid on 9 January 2009	-	10,262
<i>Final dividend:</i>		
Tax exempt dividend of 1.25% per share declared and paid in respect of the financial year ended 31 December 2007, paid on 11 September 2008	-	9,163
	=====	=====

A9 Segment Reporting**Segment information for the financial year as presented in respect of the Group's business segment**

	Investment holding RM'000	Marine Services RM'000	Intersegment elimination RM'000	Total RM'000
REVENUE AND RESULTS				
REVENUE				
External sales	-	110,407	-	110,407
RESULTS				
Profit/(Loss) from operations	(1,924)	12,137	-	10,213
Interest expense	(2)	(9,661)	-	(9,663)
Interest income	12	380	-	392
Share of profits in associated companies	-	12,335	-	12,335
Profit/(Loss) before taxation	(1,914)	15,191	-	13,277
Taxation				(1,796)
Profit after taxation				11,481
Minority interests				(366)
Profit attributable to shareholders of the Company				11,115
ASSETS AND LIABILITIES				
ASSETS				
Assets employed in the segment	859,665	1,529,712	(805,658)	1,583,719
Investment in associated companies	-	290,226	-	290,226
Unallocated assets	-	-	-	10
Total assets				1,873,955
LIABILITIES				
Liabilities in segment	3,741	1,578,729	(786,207)	796,263
Unallocated liabilities	-	-	-	4,317
Total liabilities				800,580
OTHER INFORMATION				
Capital expenditure	-	291	-	291
Depreciation of Property, plant and equipment	28	12,986	-	13,014
Other significant non-cash expenses:				
- share base payment expenses	305	-	-	305

A10 Valuation of Property, Plant and Equipment

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

A11 Material Subsequent Events

There were no material events subsequent to the end of the quarter under review that has not been reflected in these condensed financial statements for this quarter.

A12 Changes In Composition Of The Group

There were no other changes in the composition of the Group for the current quarter.

A13 Contingent Liabilities

Details of contingent liabilities of the Group as at 5 May 2009 is as follows:-

	RM'000
Bank guarantees issued for charter of marine contracts	40,086
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A14 Capital and Operating Lease Commitments

There are no capital commitments for the Group as at 5 May 2009 except for the following:

	RM'000
Approved and contracted for	28,132
	=====

The future minimum lease payments under non-cancellable operating leases as at March 31, 2009 are as follows:

In respect of:	Expiring within one year RM'000	Expiring between one to five years RM'000
Rental of office premises	272	69
Re-charter vessel contracts	49,298	89,292
	<u>49,570</u>	<u>89,361</u>

The currency exposure profile of the operating lease commitments is in United States Dollar.

A15 Related party transactions

	Current quarter 3 months ended 31 March 2009 RM'000	Cumulative quarter 3 months ended 31 March 2009 RM'000
<i>Transactions with associated companies</i>		
Agency and management fees paid	342	342
Agency fee income	12	12
<i>Transactions with substantial shareholders</i>		
Management fee charged	62	62
Office rental paid/payable	17	17
<i>Transactions with companies of which certain substantial shareholders have interests</i>		
Admin and support services paid	69	69
Secretarial fee paid	22	22
Rental charges	70	70
Chartering income receivable	3,938	3,938
Air ticket cost charged	40	40
Car rental expense	13	13
Computer software application fees	51	51
Commission income	114	114

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

B BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1 Review Of Performance

Revenue for the 1st quarter ended 31 March 2009 was lower at RM110.4 million compared to RM111.9 million recorded in the corresponding quarter in FY2008. The revenue has decreased by RM1.5 million due to lower tonnage carried for our coal division. Nevertheless, it was supported by the better performance in offshore support vessel business with revenue increasing by RM10.4 million.

The Gross Profit margin for the quarter was marginally lower at 18.8% compared to 19.2% in the corresponding quarter as the Group incurred higher docking costs with more vessels undergoing surveys compared to Q1 2008.

The Group's PATAMI for the current quarter increased by RM0.6 million or 6.1% compared to the corresponding quarter last year of RM10.5 million. The higher share of profits in associated companies contributed to the higher PATAMI for the Group. The improved performance in the associated company was due to the contributions from four new deep-water AHTS vessels which were delivered in stages throughout FY2008 beginning March 2008.

B2 Comparison Of The Current Quarter Results Against Preceding Quarter

The revenue of the Group for the current quarter decreased by RM6.0 million (5.1%) compared to RM116.4 million in the preceding quarter. The lower revenue was attributable to lower coal tonnage carried during the current quarter due to the monsoon season. The lower revenue has contributed to lower Gross Profit Margin, recorded at 18.8% for the current quarter compared to 21.9% in the preceding quarter.

The PATAMI for the current quarter of RM11.1 million was 43.4% lower compared to RM19.6 million recorded in the preceding quarter. In addition to the lower Gross Profit, the PATAMI was also affected by the lower share of profit in associates for this quarter.

B3 Current Year Prospects

The current global economic crisis will have an impact on our Marine business, with the expected reduction in Exploration and Production (E&P) activities for the offshore support vessel division and uncertainty of coal demand. The Group however will continue to leverage on its strengths and strong fundamentals to see through this difficult period.

The Marine Logistics division will still be our biggest revenue contributor by virtue of our long term contract with our customers. The reduction in bunker prices, coupled with the operational efficiency initiatives will ensure steady contribution from the coal barging business.

As we expect to take delivery of an Accommodation Barge and acquire vessels, we should see the offshore support vessel business contributing more in the second half of this year. We will also continue to leverage on the resilient Offshore Support market in South East Asia, by locking in long term contracts for our vessels during this uncertain period.

With the addition of 4 new deepwater vessels in 2008, our associated company, CH Offshore Ltd ("CHO") will continue to deliver strong performance for the future growth of the Group. The company is expected to take delivery of the final 2 deepwater vessels by 2010.

B4 Profit Forecast

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

B5 Taxation Charge

Taxation comprises the following:-

	Current quarter 3 months ended 31 March 2009 RM'000	Cumulative quarter 3 months ended 31 March 2009 RM'000
Malaysian Income taxation		
- Current year	5	5
Foreign Income taxation		
- Current year	1,791	1,791
Total	<u>1,796</u>	<u>1,796</u>
Effective tax rate	<u>13.5%</u>	<u>13.5%</u>

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

B6 Unquoted Investments And Properties

There was no sale of unquoted investments and properties for the quarter under review and financial year.

B7 Particulars Of Purchase Or Disposal Of Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter under review and financial year.

B8 Corporate Proposals

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

B9 Group Borrowings

The Group borrowings as at 31 March 2009 are as follows:-

	RM'000
Short term borrowings (secured)	130,308
Long term borrowings (secured)	563,474
	<u>693,782</u>

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

	RM'000
Malaysia Ringgit	132
United States Dollar	693,385
Singapore Dollar	265
	<u>693,782</u>

B10 Off Balance Sheet Financial Instruments

i) Foreign Exchange Contract

The Group utilizes currency derivatives to hedge significant future transactions and cash flows. The Group enters into foreign exchange contracts in the management of its foreign exchange rate exposure.

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

	2009
	RM'000
Buy – Indonesian Rupiah (Rp12,460,000,000)	3,628
Sell – United States Dollar (USD1,000,000)	<u>3,628</u>

ii) Interest rate swap

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt and the cash flow exposures on the issued variable rate debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial quarter.

B10 Off Balance Sheet Financial Instruments ("continued")

At 31 March 2009, the outstanding interest swap contracts to which the Group is committed are as follows:

	The Group	
	2009 RM'000	2008 RM'000
Notional value	504,769	485,738
Fixed interest rates	3.74% to 4.95%	3.74% to 4.95%
Floating interest rates	0.36% to 3.5%	2.19% to 3.01%

As at 31 March 2009, the Group uses interest swaps to manage its interest rate movements on its term loan by swapping a proportion of those term loans from floating rates to fixed rates. The outstanding interest rate swaps are as follow:

- (a) On 2 November 2006, the Group entered into an interest swap transaction agreement with a bank to fix its floating interest rate at 4.895% p.a. The effective date of the swap transaction is on 28 February 2007 with a notional amount of RM51.750 million (which is denominated in US Dollar, equivalent to USD 15 million). The termination date of the agreement is 31 August 2011.
- (b) On 2 November 2006, the Group entered into an interest swap transaction agreement with a bank to fix its floating interest rate at 4.95% p.a. The effective date of the swap transaction is on 28 February 2007 with a notional amount of RM51.75 million (which is dominated in US Dollar, equivalent to USD15 million). The termination date of the agreement is 31 August 2011.
- (c) On 10 September 2007 the Group entered into an interest rate swap transaction agreement with a bank to fix its floating interest rate at 4.59% p.a. The effective date of the swap transaction is on 9 October 2007 with a notional amount of RM338.6 million (which is denominated in US Dollar, equivalent to USD99.0 million). The termination date of the agreement is 6 September 2009.
- (d) On 1 October 2007, the Group entered into an interest rate swap transaction agreement with a bank to fix its floating interest rate at 4.56%p.a. The effective date of the swap transaction is on 2 October 2007 with a notional amount of RM44.05 million (which is denominated in US Dollar, equivalent to USD12.880 million). The termination date of the agreement is 27 November 2009.

B10 Off Balance Sheet Financial Instruments ("continued")

- (e) On 16 September 2008, the Group entered into an interest rate swap transaction agreement with a bank to fix its floating interest rate at 3.74%p.a. The effective date of the swap transaction is on 27 November 2009 with a notional amount of RM29.978 million (which is denominated in US Dollar, equivalent to USD8.740 million). The termination date of the agreement is 26 August 2014.

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

B11 Material Litigation

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

B12 Proposed Dividend

No dividend has been proposed in respect of the quarter under review.

B13 Earnings Per Share

	Current Quarter		Cumulative Quarter	
	3 months ended 31 March 2009	3 months ended 31 March 2008	3 months ended 31 March 2009	3 months ended 31 March 2008
Basic earnings per share				
Profit attributable to equity holders of the Company (RM'000)	11,115	10,472	11,115	10,472
Weighted average number of ordinary shares in issue ('000)	733,009	733,009	733,009	733,009
Basic earnings per share (sen) :-				
Profit for the year	1.52	1.43	1.52	1.43

B13 Earnings Per Share (continued)

	Current Quarter		Cumulative Quarter	
	3 months ended 31 March 2009	3 months ended 31 March 2008	3 months ended 31 March 2009	3 months ended 31 March 2008
Fully diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	11,115	10,472	11,115	10,472
Effect on dilution (RM'000)	-	-	-	-
Profit attributable to equity holders of the Company (RM'000)	<u>11,115</u>	<u>10,472</u>	<u>11,115</u>	<u>10,472</u>
Weighted average number of ordinary shares in issue ('000)	733,009	733,009	733,009	733,009
Assumed shares issued from the exercise of ESOS ('000)	-	-	-	-
Adjusted weighted average number of ordinary shares used in the calculation of diluted earnings per share ('000)	<u>733,009</u>	<u>733,009</u>	<u>733,009</u>	<u>733,009</u>
Diluted earnings per share (sen):-				
Profit for the year	n.a.	n.a.	n.a.	n.a.

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

B14 Authorised For Issue

The interim financial statements were authorized for issue on 12 May 2009 by the Board of Directors.