

**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 Significant Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2008.

At the date of authorization of these interim financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

<b>FRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>	
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments : Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 101	Presentation of Financial Statements	1 January 2010
FRS 123	Borrowing Costs	1 January 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendments to FRS 7	Financial Instruments: Disclosures	1 January 2010
Amendments to FRS 8	Operating Segments	1 January 2010
Amendments to FRS 107	Statement of Cash Flows	1 January 2010
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendments to FRS 110	Events after the Reporting Period	1 January 2010
Amendments to FRS 116	Property, Plant and Equipment	1 January 2010
Amendments to FRS 117	Leases	1 January 2010

**A2 Significant Accounting Policies (“continued”)**

<b>FRSs and Interpretations</b>		<b>Effective for financial periods beginning on or after</b>
Amendments to FRS 118	Revenue	1 January 2010
Amendments to FRS 119	Employee Benefits	1 January 2010
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010
Amendments to FRS 123	Borrowing Costs	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 128	Investments in Associates	1 January 2010
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendments to FRS 131	Interest in Joint Ventures	1 January 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 January 2010
Amendments to FRS 134	Interim Financial Reporting	1 January 2010
Amendments to FRS 136	Impairment of Assets	1 January 2010
Amendments to FRS 138	Intangible Assets	1 January 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 140	Investment Property	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010

The adoptions of the above FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the interim financial statements of the Group. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS 139.

**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 qualification.

**A4 Seasonal or Cyclical Factors**

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

**A5 Unusual Items**

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

**A6 Changes in Estimates**

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

The key assumptions and other key sources of estimation uncertainty mentioned above that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial period are in respect of those made during the review of impairment of goodwill. The Group determines whether goodwill is impaired on an annual basis. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 30 September 2009 was RM444.618 million.

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

**A7 Debt and Equity Securities**

During this financial period, the Company repurchased 2,000 of its issued ordinary shares from the open market at an average price of RM0.48 per share. The total consideration paid for the repurchase including transaction costs was RM957 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965.

Save as disclosed above, there were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and debt equity securities during the financial period under review.

**A8 Dividend Paid**

	<b>2009 RM'000</b>	<b>2008 RM'000</b>
<b><i>Interim dividend:</i></b>		
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	-
<b><i>Final dividend:</i></b>		
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	-	9,162
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**A9 Segment Reporting**

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

	<b>Investment holding RM'000</b>	<b>Marine Services RM'000</b>	<b>Intersegment elimination RM'000</b>	<b>Total RM'000</b>
<b>REVENUE AND RESULTS</b>				
<b>REVENUE</b>				
External sales	-	337,417	-	337,417
Inter-segment dividends	14,707	-	(14,707)	-
Total revenue	14,707	337,417	(14,707)	337,417
<b>RESULTS</b>				
Profit/(Loss) from operations	7,404	66,797	(14,707)	59,494
Interest expense	(6)	(25,559)	-	(25,565)
Interest income	15	875	-	890
Share of profits in associated companies	-	35,791	-	35,791
Profit before taxation	7,413	77,904	(14,707)	70,610
Taxation				(8,833)
Profit after taxation				61,777
Minority interests				(2,304)
Profit attributable to shareholders of the Company				59,473

## A9 Segment Reporting ("continue")

	Investment holding RM'000	Marine Services RM'000	Intersegment elimination RM'000	Total RM'000
<b>ASSETS AND LIABILITIES</b>				
<b>ASSETS</b>				
Assets employed in the segment	856,114	1,413,792	(811,702)	1,458,204
Investment in associated companies	-	301,357	-	301,357
Unallocated assets	-	-	-	10
Total assets				<u>1,759,571</u>
<b>LIABILITIES</b>				
Liabilities in segment	6,052	1,416,498	(747,262)	675,288
Unallocated liabilities	-	-	-	5,264
Total liabilities				<u>680,552</u>
<b>OTHER INFORMATION</b>				
Capital expenditure	-	25,044	-	25,044
Depreciation of Property, plant and equipment	-	36,592	-	36,592
Other significant non-cash expenses:				
- share base payment expenses	915	-	-	915

## 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

On 10 September 2009, Emerald Logistics Sdn Bhd ("ELSB") has ceased to be a subsidiary of Scomi Marine Bhd ("SMB") pursuant to the transfer of one ordinary share of RM1.00 each in ELSB to Balance Plus Sdn Bhd ("BPSB") and the allotment by ELSB of 50,999 shares for a cash consideration at par to BPSB and 48,999 shares at par to SMB.

The above has resulted in a change in classification of ELSB from a wholly owned subsidiary to a 49% owned associated company.

Save as disclosed in the above, 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 27 October 2009 is as follows:-

	<b>RM'000</b>
Bank guarantees issued for charter marine contracts	36,798
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### A14 Capital Commitments

There are no capital commitments for the Group as at 27 October 2009 except for the following:

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Approved and contracted for	52,271
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The future minimum lease payments under non-cancellable operating leases as at September 30, 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	278	-
Re-charter vessel contracts	28,652	17,464
	<hr/> 28,930	<hr/> 17,464

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

### A15 Related party transactions

	<b>Current quarter 3 months ended 30 September 2009 RM'000</b>	<b>Cumulative quarter 9 months ended 30 September 2009 RM'000</b>
<b><i>Transactions with associated companies</i></b>		
Agency and management fees paid	338	1,016
Agency fee income	12	36
<b><i>Transactions with substantial shareholders</i></b>		
Management fee charged	33	161
Office rental paid/payable	52	104

**A15 Related party transactions (“continued”)**

	<b>Current quarter 3 months ended 30 September 2009 RM'000</b>	<b>Cumulative quarter 9 months ended 30 September 2009 RM'000</b>
<b><i>Transactions with companies of which certain substantial shareholders have interests</i></b>		
Admin and support services paid	71	210
Secretarial fees paid	22	66
Rental charges	70	209
Chartering income receivable	2,436	10,334
Air ticket cost charged	26	116
Car rental expense	-	13
Computer software application fees	70	164
Commission income	116	338

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 3 months ended 30 September 2009 was lower at RM116.1 million compared to RM121.7 million recorded in the corresponding quarter of FY2008. The decrease in revenue of RM5.6 million was due to lower tonnage carried for our coal division.

The Gross Profit margin for the quarter was higher at 26.0% compared to 19.0% in the corresponding quarter through improved operations management and lower bunker expenses.

The Group's PATAMI for the current quarter increased by RM5.1 million or 25.1% compared to the corresponding quarter last year of RM20.4 million. The increase in PATAMI is attributable to improved Gross Profit margin as explained above.

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

The revenue of the Group for the current quarter improved by RM5.2 million or 4.7% compared to RM110.9 million in the preceding quarter with Gross Profit Margin maintained at 26.0% for both quarters. The higher revenue in the current quarter is mainly due to higher tonnage carried during the current quarter compared to the preceding quarter.

The Group recorded PATAMI of RM25.5 million for the current quarter, an improvement of 11.8% compared to RM22.8 million recorded in the preceding quarter. The improvement in revenue contributed to this favourable variance.

### **B3 Current Year Prospects**

The third quarter saw a 16% improvement in term of tonnage carried for our coal division and we expect the trend to continue for the rest of the year. With lower fuel price and lower operating expenses, the division is expected to improve its contribution to the Group's earnings.

Charter rates in the coming months are expected to remain stable in this region. For the offshore division, the Group will continue with its fleet renewal program in order to improve its operational efficiency as plans to add on new vessels are underway to capitalize on the current attractive vessel prices.

Our associate, CH Offshore Limited is expected to take delivery of the final two (2) 12,240bhp vessels in November 2009 and February 2010 which would bring its total deepwater fleet to seven (7).

### **B4 Profit Forecast**

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



## B5 Taxation Charge

Taxation comprises the following:-

	<b>Current quarter 3 months ended 30 September 2009 RM'000</b>	<b>Cumulative period 9 months ended 30 September 2009 RM'000</b>
Malaysian Income taxation		
- Current year	5	15
Foreign Income taxation		
- Current year	5,008	8,818
Total	<u>5,013</u>	<u>8,833</u>
Effective tax rate	<u>15.7%</u>	<u>12.5%</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 30 September 2009 are as follows:-

	<b>RM'000</b>
Short term borrowings (secured)	141,433
Long term borrowings (secured)	440,250
	<u>581,683</u>

## B9 Group Borrowings ("continued")

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

	<b>RM'000</b>
Malaysia Ringgit	121
United States Dollar	581,361
Singapore Dollar	201
	<hr/> <u>581,683</u> <hr/>

## B10 Off Balance Sheet Financial Instruments

### Interest rate swap

The Group uses interest rate swaps to manage its exposure to interest rate movements on its term loans by swapping a proportion of those term loans from floating rates to fixed rates.

At 30 September 2009, the outstanding interest swap contracts to which the Group is committed are as follows:

	<b>The Group</b>	
	<b>2009 RM'000</b>	<b>2008 RM'000</b>
Notional value	99,603	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 30 September 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 rate. The outstanding interest rate swaps are as follows:

- (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 RM51.75 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.

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

- (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.
- (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**

The Board of Directors has declared an interim tax-exempt dividend of 0.75% per share for the Financial Year Ending 31 December 2009. The payment and the book closure dates for entitlement to the dividends are to be determined.

## B13 Earnings Per Share

	Current Quarter		Cumulative Quarter	
	3 months ended 30 September 2009	3 months ended 30 September 2008	9 months ended 30 September 2009	9 months ended 30 September 2008
<b>Basic earnings per share</b>				
Profit attributable to equity holders of the Company	25,516	20,403	59,473	45,389
Weighted average number of ordinary shares in issue ('000)	733,004	733,006	733,004	733,006
Basic earnings per share (sen) :-				
Profit for the period	3.48	2.78	8.11	6.19
<b>Fully diluted earnings per share</b>				
Profit attributable to equity holders of the Company (RM'000)	25,516	20,403	59,473	45,389
Weighted average number of ordinary shares in issue ('000)	733,004	733,006	733,004	733,006
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)	733,009	733,009	733,009	733,009
Diluted earnings per share (sen):-				
Profit for the period	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 3 November 2009 by the Board of Directors.