

## **PART A: EXPLANATORY NOTES AS PER FRS 134**

### **A1. Basis of preparation of interim financial reports**

The interim financial statements are prepared in accordance with the requirements of the Financial Reporting Standards ("FRS") 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 December 2008.

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

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

#### **FRSs, Amendments to FRSs and Interpretations**

FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101	Presentations of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statement of Cash Flows
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events after the Reporting Period
Amendments to FRS 116	Property, Plant & Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 128	Investments in Associates
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS 131	Interest in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

## **A1. Basis of preparation of interim financial reports (continued)**

All the new FRSs, amendments to FRSs, IC Interpretations and amendment to IC above are effective from 1 January 2010. The Group have adopted FRS 8 Operating Segments which is effective from 1 July 2009.

Subsequent to the end of the financial year, the following revised FRSs, Amendments to FRSs and Interpretations were issued:

### **FRSs, Amendments to FRSs and Interpretations**

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

The new requirements above take effect for annual periods beginning on or after 1 July 2010, except for the Amendments to FRS 139 which applies for annual periods beginning on or after 1 January 2010. The adoption of the FRSs, Amendments to FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the 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 7 and FRS 139.

## **A2. Qualification of financial statements**

The preceding year annual financial statements were not subject to any qualification.

## **A3. Seasonal and cyclical factors**

The group's results were not materially affected by any major seasonal or cyclical factors.

## **A4. Unusual and extraordinary items**

For the current quarter under review, the Group's financials were impacted by the accounting adjustment for goodwill impairment recorded by its associate company, Scomi Marine Bhd. Save as disclosed above, there were no other exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cashflows during the current quarter under review.

## **A5. Material changes in estimates**

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date including impairment of intangible assets, depreciation on property, plant and equipment, and deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances.

There were no material changes in estimates reported in the current quarter under review.

## **A6. Issuance and repayment of debt and equity securities**

Save as disclosed below, there were no issuances, cancellations, share buy-backs, resale of shares bought back or repayment of debt and equity securities:

### **(a) Share Capital**

During the twelve-month period ended 31 December 2009, the issued and paid-up share capital of the Company increased from 1,021,838,800 ordinary shares of RM0.10 each to 1,086,800,574 ordinary shares of RM0.10 each by way of issuance of:

- i. 3,188,600 new ordinary shares of RM0.10 each pursuant to the exercise of options granted under the ESOS at the option price of RM0.17 per ordinary share.
- ii. 61,773,174 new ordinary shares of RM0.10 each through the conversion of 247,092,700 ICCLS of RM0.10 each on the basis of RM0.40 per ordinary share.

### **(b) Treasury Shares**

For the twelve-month period ended 31 December 2009, the treasury shares of the Company increased from 14,426,200 to 14,427,200 with the purchase of 1,000 of its issued ordinary shares from the open market at an average price of RM0.71 per share. The total consideration paid for the purchase including transactions costs was RM711.21. This shares purchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

## **A7. Dividends Paid**

	<b>2009</b>	<b>2008</b>
	<b>RM'000</b>	<b>RM'000</b>
Final single-tier tax exempt dividend of 5% in respect of financial year 31 December 2008	5,051	-
Final dividend of 12.5% less income tax of 26% in respect of financial year ending 31 December 2007	-	9,317
Total dividend paid	<u>5,051</u>	<u>9,317</u>

## A8. Segmental Information

	Oilfield Services RM'000	Energy & Logistics Engineering RM'000	Production Enhancement RM'000	Energy Logistics RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
<b>2009</b>							
<u>Revenue</u>							
External sales	1,331,773	537,649	55,787	40,450	6,526	-	1,972,185
Inter-segment sales	-	-	-	-	70,220	(70,220)	-
Total revenue	<u>1,331,773</u>	<u>537,649</u>	<u>55,787</u>	<u>40,450</u>	<u>76,746</u>	<u>(70,220)</u>	<u>1,972,185</u>
<u>Results</u>							
Segment result	89,476	93,492	3,590	(2,250)	5,725	(49,028)	141,005
Finance income							1,436
Finance cost							(77,568)
Share of result of							
- associated companies	-	-	-	(9,898)	-	-	(9,898)
- jointly controlled entities	-	-	3,596	-	-	-	3,596
Profit before taxation							<u>58,571</u>
Taxation							<u>(32,650)</u>
Profit after taxation							<u>25,921</u>
Segment assets	1,470,855	811,142	61,816	-	215,664	6,764	2,566,241
Investment in associates	-	-	-	-	377,320	-	377,320
Investment in Jointly Controlled Entities	-	-	5,422	-	-	-	5,422
Unallocated assets							<u>117,776</u>
Total assets							<u>3,066,759</u>
<b>2008</b>							
<u>Revenue</u>							
External sales	1,534,753	434,091	84,596	51,027	1,673	-	2,106,140
Inter-segment sales	-	276	-	-	33,848	(34,124)	-
Total revenue	<u>1,534,753</u>	<u>434,367</u>	<u>84,596</u>	<u>51,027</u>	<u>35,521</u>	<u>(34,124)</u>	<u>2,106,140</u>
<u>Results</u>							
Segment result	101,092	20,768	2,460	5,947	55,322	-	185,589
Finance income							1,752
Finance cost							(75,168)
Share of result of							
associated companies	271	-	-	27,769	-	-	28,040
Profit before taxation							<u>140,213</u>
Taxation							<u>(3,928)</u>
Profit after taxation							<u>136,285</u>
Segment assets	1,651,370	640,302	90,689	45,777	136,139	(93,069)	2,471,208
Investment in associates	-	-	-	-	394,999	-	394,999
Investment in Jointly Controlled Entities	-	-	19	-	-	-	19
Unallocated assets							<u>77,716</u>
Total assets							<u>2,943,942</u>

## **A9. Valuation of property, plant and equipment**

There is no revaluation of property, plant and equipment, as the group does not adopt a revaluation policy on property, plant and equipment.

## **A10. Subsequent Events**

There were no materials events subsequent to the end of the quarter under review.

## **A11. Changes in composition of the group**

- (a) On 6 May 2009, Scomi Group Bhd ("SGB") and ITS Tubular Services (Holdings) Ltd ("ITS") entered into a joint venture agreement and subsequently formed a joint venture company named ITS Scomi Pte Limited ("JVCo") in Singapore. The issued and paid up share capital is USD100.00 comprising 100 ordinary shares of USD1.00 each of which SGB holds 25 ordinary shares of USD1.00 each, representing 25% of the issued and paid-up share capital of the JVCo. The balance of 75 ordinary shares of USD1.00 each in the JVCo is held by ITS, representing 75% of the issued and paid-up share capital of the JVCo.
- (b) On 16 July 2009, Scomi Chemicals Sdn Bhd ("Scomi Chemicals"), a wholly owned subsidiary of the Company, disposed 300,000 ordinary shares of RM1.00 each in Scomi Sosma Sdn Bhd ("Scomi Sosma") representing 60% of the issued and paid-up share capital of Scomi Sosma to Ombak Elegan Sdn Bhd for a total cash consideration of RM3,900,000 ("the Disposal").
- (c) On 7 August 2009, Scomi Oiltools (Africa) Limited ("SOAL"), an indirect subsidiary of SGB, had incorporated a company limited by shares known as Oiltools Africa Limited ("OAL") in the Federal Republic of Nigeria. The total issued share capital of OAL is Naira Ten Million (NGN 10,000,000) divided into Five Hundred Thousand (500,000) shares of Naira Twenty (NGN 20) each only of which SOAL holds 98% interest in OAL and Scomi Oiltools Bermuda Limited ("SOBL"), another indirect subsidiary of SGB, holds the remaining 2% interest in OAL. The total cost of investment by SOAL and SOBL in OAL is equivalent to approximately USD69,596 or RM246,154.
- (d) On 24 August 2009, SGB completed its disposal of 1,200,000 ordinary shares of RM1.00 each in its subsidiary, Scomi Oilserve Sdn Bhd ("Scomi Oilserve") representing 60% of the total issued and paid-up share capital of Scomi Oilserve at a total cash consideration of RM8.17 million.
- (e) On 16 September 2009, SGB incorporated a wholly-owned subsidiary, Scomi International Private Limited ("Scomi International") in Singapore. The initial issued share capital of Scomi International is S\$2.00 comprising of 2 ordinary shares.
- (f) On 30 November 2009, Scomi Oiltools (Europe) Limited ("SOEL"), an indirect subsidiary of SGB, had incorporated a company limited by shares known as Scomi Oiltools AS ("SOAS") in the Kingdom of Norway. The total issued share capital of SOAS is Norwegian Krone One Hundred Thousand (NOK 100,000.00) divided into One Hundred (100) shares of Norwegian Krone One Thousand (NOK 1,000.00) each of which SOEL holds One Hundred Percent (100%) share of SOAS. The total cost of investment payable by SOEL in respect of SOAS is NOK 115,000.00 which is equivalent to approximately RM68,510.00.

## A12. Contingent liabilities

Details of contingent liabilities of the Group at the end of the quarter are as follows:

	<b>RM ` 000</b>
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	90,302
Various legal claims of subsidiaries	927
Share of contingent liabilities in associate	15,166
	<u>106,395</u>

## A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements at the end of the quarter are as follows:

	<b>Approved and contracted for RM ` 000</b>	<b>Approved but not contracted for RM ` 000</b>	<b>Total RM ` 000</b>
Property, plant and equipment	4,647	15,144	19,791
Development expenditure	2,200	12,287	14,487
Others	95	15,047	15,142
Total	<u>6,942</u>	<u>42,478</u>	<u>49,420</u>

Operating lease commitments:

<b>Future minimum lease rental payable</b>	<b>Due within 1 year RM'000</b>	<b>Due within 1 &amp; 5 years RM'000</b>	<b>Due after 5 years RM'000</b>	<b>Total RM'000</b>
Property	9,019	17,641	4,946	31,606
Plant and Machinery	961	3,551	3,534	8,046
Others	1,005	1,133	-	2,138
Total	<u>10,985</u>	<u>22,325</u>	<u>8,480</u>	<u>41,790</u>

## A14. Related Party Transactions

The following are the significant related party transactions:

	<b>4<sup>th</sup> Quarter ended 31-Dec-09 RM'000</b>	<b>Year -to-date 31-Dec-09 RM'000</b>
<i>Transactions with companies with common Director(s)</i>		
- chartering of marine vessels	3,070	20,653
<i>Transactions with an associated company</i>		
- management fee charged	54	220
<i>Transactions with a company connected to a Director</i>		
- Purchase of airline ticketing services	1,182	3,732
<i>Transactions with a company connected to a subsidiary's former Director</i>		
- Trading arrangement	12,788	82,415

**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS**

**B1. Review of performance for the quarter ended 31<sup>st</sup> December 2009**

B1 should be read in conjunction with A8 above.

The Group recorded a turnover of RM484.3 million for the current quarter compared to RM597.9 million for the corresponding quarter in 2008. The revenue was mostly generated by the Oilfield Services Division and the Energy & Logistics Engineering Division.

The Oilfield Services Division generated revenue of RM321.2 million for the current quarter, representing a decrease of RM107.3 million (25%) over RM428.5 million recorded in the corresponding quarter in 2008. The decrease was mainly due to the decline in drilling activities especially in the Western Hemisphere as a result of low oil prices and the economic downturn.

Revenue from the Energy & Logistics Engineering Division was RM137.4 million. This was RM23.5 million (21%) higher than the revenue in the previous year's corresponding quarter of RM113.9 million. Higher revenue recognition was recorded in its Rail Unit from the on-going Mumbai project, partly set-off by lower connector sales from the Machine Shop unit.

Net loss for the current quarter was RM43.5 million compared to net profit of RM40.9 million in the corresponding quarter last year. The performance of the Energy Logistics division for the current quarter was impacted by the accounting adjustment for goodwill impairment. Excluding the goodwill impairment, this division performed better at RM27.5 million compared to corresponding quarter of RM19.6 million due to lower operating and finance cost.

**B2. Variation of results against preceding quarter**

The Group achieved a turnover of RM484.3 million for the current quarter compared to RM424.1 million in the preceding quarter, representing an increase of RM60.2 million (14%). Improvement in revenue was recorded in the Oilfield Services Division signalling signs of recovery in drilling activities from the Western Hemisphere notably USA and Russia. Energy & Logistics division also recorded higher revenue mainly from its Rail Unit.

Net loss for the current quarter was RM43.5 million against net profit of RM23.0 million in the preceding quarter. The decrease of RM66.5 million was mainly attributable to the share of loss contribution from an associate company involved in the marine and logistics business arising from the adjustment for goodwill impairment.

### **B3. Current year prospects**

The Group's performance in 2010 will largely be driven by the global economic conditions.

The **Oilfield Services Division's** performance for the last quarter of the reporting year was reflective of the global drilling activity experienced in FY 2009. The outlook for the first half of 2010 is expected to be flat but with greater stability. On average the 2010 global drilling activities are expected to increase as compared to 2009 with delivery of new rigs and commencement of new development projects, especially in the Eastern Hemisphere. The outlook in the US market is expected to improve due to a gradual recovery of rig count with an estimated average of 1,156 rigs to be in operation. Nonetheless, the equipment utilisation rates and yields are still expected to be relatively low due to the surplus of equipment in the region. The company continues to keep a positive outlook on the Asian and the Middle Eastern markets with the award and commencement of various new contracts.

The outlook for **Energy & Logistics Engineering Division** in 2010 is expected to be positive as its Machine Shop unit is well poised to benefit from the improvement in the oil and gas sector with the stabilisation of global oil prices and anticipated growth in drilling activities. This unit proposes to invest in research and development on new connectors in an effort to expand the market coverage for casings and connectors. Contribution from the Rail unit is anticipated to lead the performance of the Group in 2010 as the Group anticipates that the core business driver moving forward will be in the public transportation sector. The rapid income growth and urbanization in key emerging markets of China, India, the Gulf States, Brazil and the Republic of Indonesia are expected to increase demand and opportunities for global infrastructure development in these countries. The Group will continuously pursue opportunities in monorail projects to establish a global presence in this sector and capitalize on the increasing demand for public transportation solutions in these countries.

The **Energy Logistics Division** was impacted by the accounting adjustment for goodwill impairment. Operationally, the businesses continue to perform fairly in the current challenging environment. The long term fundamentals for both the coal and offshore Oil and Gas sectors remain strong. The Coal division will continue to consolidate its position as valued transportation providers for our partners in Indonesia. In line with the upward trend in crude oil prices, the bunker cost is expected to increase and the division will continue to pursue proactive management of its costs in order to maintain its contribution to the Group's earnings. With the charter rates expected to remain stable in this region, the Offshore division is planning to invest in new vessels, taking into account the reasonable prices of vessels. Fleet utilisation and operational efficiency will continue to be pursued as part of the strategic thrust to enhance the earnings of the division.

The **Production Enhancement Division** is expected to drive its business expansion by utilizing the global infrastructure of the Oilfields Services Division. It will continue to focus on research and development to create new patented technologies/applications and environmentally friendly products and services.

Overall, the focus of the Group for this year will be to strengthen the balance sheet with emphasis on reducing debt.

### **B4. Variance of actual and revenue or profit estimate**

The group has not provided any quarterly profit forecast for the period under review.



## B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-Dec-09 RM`000	Preceding Year Quarter 31-Dec-08 RM`000	Current Year Quarter 31-Dec-09 RM`000	Preceding Year Quarter 31-Dec-08 RM`000
Current tax:				
Malaysian income tax	(1,034)	(684)	1,284	2,855
Foreign tax	7,191	7,290	31,146	26,714
	<u>6,157</u>	<u>6,606</u>	<u>32,430</u>	<u>29,569</u>
Under/(Over)provision of income tax in prior years	(1,567)	2,287	(1,724)	1,018
	<u>4,590</u>	<u>8,893</u>	<u>30,706</u>	<u>30,587</u>
Deferred tax	(1,127)	(24,338)	1,944	(26,659)
Total income tax expense	<u>3,463</u>	<u>(15,445)</u>	<u>32,650</u>	<u>3,928</u>

Domestic current income tax is calculated at the statutory tax rate of 25% (2008: 26%) of the taxable profit for the year. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate of the Group for the current quarter was higher mainly due:-

- i. unrecognised deferred tax assets arising during the year
- ii. share of loss contribution from an associate company; and
- iii. non-deductibility of certain expenses for tax purposes.

## B6. Unquoted investments and/or properties

There were no disposals of unquoted investments or properties during the period under review except as disclosed under Note A11(b) and (d).

## B7. Quoted and marketable investments

(a) Details of purchases and disposals of quoted securities are as follows:

	Individual Quarter		Cumulative Quarter	
	31-Dec-09 RM'000	31-Dec-08 RM'000	31-Dec-09 RM'000	31-Dec-08 RM'000
Purchases (at cost)	-	-	-	800
Sale proceeds	-	-	(1,500)	-
Gain/(loss) on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Details of investments in quoted securities as at the reporting date are as follows:

	RM`000
Total investments at cost	<u>2,957</u>
Total investments at carrying value	<u>571</u>
Total investments at market value	<u>379</u>

## **B8. Status of corporate proposals**

### **Proposed Rights Issue**

On 13 August 2009, CIMB, on behalf of the Company announced a proposed renounceable rights issue of up to RM165,669,555 nominal value of three (3) year 4% Irredeemable Convertible Secured Loan Stock ("ICSLS") at 100% of its nominal value together with up to 220,892,740 free detachable Warrants on the basis of fifteen (15) RM0.10 nominal value ICSLS together with two (2) free Warrants for every ten (10) SGB ordinary shares held on an entitlement date to be determined and announced later ("Proposed Rights Issue"). The minimum amount to be raised from the Proposed Rights Issue is RM90 million.

The Company has obtained the necessary approvals from Bank Negara Malaysia, the Securities Commission and Bursa Securities Malaysia Berhad on 17 September, 23 September and 9 October 2009 respectively in relation to the Proposed Rights Issue.

The Proposed Rights Issue was approved by the shareholders of the Company on 30 October 2009.

The Proposed Rights Issue was completed on 16 December 2009, following the admission of RM151,579,679.10 nominal value of ICSLS and 202,106,238 Warrants to the Official List of Bursa Securities, and the listing and quotation of the aforesaid securities on the Main Board of Bursa Securities on 16 December 2009.

### **Proposed SEB Rights Issue**

On 27 August 2009, Maybank Investment Bank Berhad, announced on behalf of the Company that Scomi Engineering Bhd ("SEB") proposed to undertake a renounceable rights issue of up to RM68,312,059 nominal value of 3-year 4% irredeemable convertible unsecured loan stocks ("ICULS") at 100% of its nominal value on the basis of two (2) RM1.00 nominal value of ICULS for every nine (9) existing SEB Shares on an entitlement date to be determined.

SGB, as a major shareholder of SEB, will undertake to subscribe for its entitlements to the ICULS and any entitlements not taken up by other shareholders of SEB up to the amount of RM61,240,948.

The Company has obtained the necessary approvals from the Securities Commission and Bursa Malaysia Securities Berhad on 30 October 2009 and 6 January 2010, respectively in relation to the Proposed SEB Right Issue.

The Proposed SEB Rights Issue was approved by the shareholders of SEB on 26 January 2010.

The Abridged Prospectus in relation to the Proposed SEB Rights Issue, have been issued to the entitled SEB Shareholders on 17 February 2010. The closing date for acceptance and payment of SEB ICULS, including for excess application is 9 March 2010.

The Proposed SEB Rights Issue is expected to be completed by end of March 2010.

**B9. Group borrowings (Secured)**

The group borrowings as at the end of the reporting period are as follows:

<b><u>Group Borrowings</u></b>	<b>RM'000</b>
Short-term Borrowings	317,701
Long-term Borrowings	<u>981,387</u>
	<u><u>1,299,088</u></u>

The group borrowings are denominated in the following currencies:

	<b>RM`000</b>
Ringgit Malaysia	1,059,697
US Dollar	165,758
Sterling Pound	44,870
Indian Rupee	27,138
Singapore Dollar	871
Others	<u>754</u>
Total	<u><u>1,299,088</u></u>

## **B10. Off balance sheet financial instruments**

### **Financial Instruments**

The following are the Group's off balance sheet financial instruments for the quarter under review:

- (a) The Group has some Cross Currency Interest Rate Swaps (CCIRS) which qualifies for hedge accounting for the Group's exposure to foreign exchange on its RM630million Murabahah Notes. The face or contract amount of the CCIRS entered to date amounts to RM613.5million, with the respective maturity dates as follows:

<b>RM' million</b>	<b>Maturity Date</b>
<b>150.0</b>	31.12.2010
<b>150.0</b>	31.12.2011
<b>160.0</b>	31.12.2012
<b>153.5</b>	31.12.2013
<b>613.5</b>	

### **Credit and Market Risk**

The credit risk to the aforesaid financial instruments is the credit risk of the financial institution, being the counterparty of the financial instruments, although such risk is remote given that these financial instruments are executed with creditworthy financial institution.

The market risk of the CCIRS consists of interest rate risk and foreign currency exchange risk which are offset by the corresponding risks of the financial instrument itself.

### **Security**

The swap providers of the CCIRS will share the same security as that given to the bond holders.

There is no additional collateral requirement for the CCIRS, nor for the TRF.

### **Accounting Policy**

The accounting policy on recognition of derivative instruments is consistent with those adopted in the annual financial statements for the year ended 31<sup>st</sup> December 2008.

## **B11. Change in material litigation**

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material adverse effect on the financial position of the Company or any of its subsidiaries and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

**B12. Proposed Dividend**

No dividend has been declared for the current quarter under review.

**B13. Earnings per share**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>31-Dec-09</b>	<b>31-Dec-08</b>	<b>31-Dec-09</b>	<b>31-Dec-08</b>
<b>Basic earnings per share</b>				
Net profit attributable to shareholders (RM'000)	(43,463)	40,865	9,875	116,553
Weighted average number of shares in issue ('000)	1,025,795	1,007,371	1,025,795	1,006,342
Basic earnings per share (sen)	(4.24)	4.06	0.96	11.58
<b>Diluted earnings per share</b>				
Net profit attributable to shareholders (RM'000)	(43,463)	40,865	9,875	116,553
Weighted average number of shares in issue ('000)	1,025,795	1,007,371	1,025,795	1,006,342
Dilutive effect of unexercised share option and warrants (RM'000)	27,854	9,667	27,854	9,667
	1,053,648	1,017,038	1,053,648	1,016,009
Diluted earnings per share (sen)	(4.13)	4.02	0.94	11.47

**B14. Authorised for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 February 2010.