

**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 paragraph 9.22 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 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

A2 Significant Accounting Policies

(a) Adoption of New and Revised FRSs, IC Interpretations and Amendments – FY2010

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements for the year ended 31 December 2009, except for in the current period ended 30 September, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements and are relevant to its operations:

FRSs and Interpretations

FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segment
FRS 101	Presentation of Financial Statements (Revised 2009)
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 5	Non-current Assets Held for Sale and Discontinued Operations
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 and Equipment
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 123	Borrowing Costs

A2 Significant Accounting Policies (“continued”)

(a) Adoption of New and Revised FRSs, IC Interpretations and Amendments – FY2010 (“continued”)

FRSs and Interpretations (“continued”)

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 132	Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
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 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Except for FRS 7, FRS 8, FRS 101 and FRS 139, the adoption of other FRSs, Amendments to FRSs and Interpretations, did not result in any significant financial impact to the Group.

The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the above new revised FRSs, Amendments to FRSs and IC Interpretations are set out below:

FRS 101 (revised), Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income. Comparative information, with exception of the requirements under FRS 139, had been re-presented so that it is also conformity with the revised standard. This standard does not have any impact on the financial position and results of the Group.

A2 Significant Accounting Policies ("continued")

FRS 139, Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognized. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments.

With the adoption of FRS 139, financial assets and financial liabilities recognised and unrecognised in the prior financial year are classed into the following categories:

Pre-FRS 139	Post-FRS 139
Long-term equity investments	Available-for-sale investments
Long-term quoted debt instruments	Held-to-maturity investments
Private-debt instruments	Loans and receivables
Current investments	Financial assets at fair value through profit or loss
Unrecognised derivatives assets	Financial assets at fair value through profit or loss
Long-term borrowings and bonds	Financial liabilities at amortised cost
Unrecognised derivative liabilities	Financial liabilities at fair value through profit or loss

The measurement bases applied to the financial assets and financial liabilities in the prior financial year are changed to conform to the measurement standards of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus transaction costs directly attributable to the acquisition or issuance of the instruments except for in the case of financial instruments at fair value through profit or loss, is measured at fair value.

Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

Category	Measurement basis
Financial instruments at fair value through profit loss	At fair value through profit or loss
Held-to-maturity investments	At amortised cost using the effective interest method
Loans and receivables	At amortised cost using the effective interest method
Available-for-sale investments	At fair value through other comprehensive income, unless fair value cannot be reliably measured, in which case, they are measured at cost
Loans and other financial liabilities	At amortised cost using the effective interest method

A2 Significant Accounting Policies (“continued”)

FRS 139, Financial Instruments: Recognition and Measurement (“continued”)

Financial assets and financial liabilities designated as hedged items and hedging financial derivatives are accounted for using the specified hedge accounting requirements of FRS 139.

All financial assets other than those classified as at fair value through profit or loss are subject to impairment test of FRS 139.

In accordance with FRS 139, the recognition, derecognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. The effects of the measurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits and other opening reserves as disclosed in the statement of changes in equity.

FRS 7, Financial Instruments: Disclosures

Prior to the adoption of FRS 7, the disclosures for financial instruments were based on the requirements of the original FRS 132, *Financial Instruments: Disclosure and Presentation*. With the adoption of FRS 7, financial assets and financial liabilities are disclosed in the statement of financial position based on their respective classifications. An additional disclosure for the sensitivity analysis for each type of market risk to which the Group is exposed at the reporting date to show how profit or loss and equity would be effected by changes in the risk variables that were reasonably possible at the date.

FRS 8, Operation Segments

Prior to the adoption of FRS 8, the Group’s segment reporting was based on a primary reporting format of business segments and a secondary reporting format of geographical segments. With the adoption of FRS 8, the Group’s segment reporting has been changed to operating segments based on the segments information provided to the Chief Executive Officer and the Board of Directors. This change has resulted in two new operating segments being reported separately. They are marine logistics and offshore support business. The comparatives of the preceding year corresponding period are re-presented to conform to the current period presentation, as disclosed in Note A9.

IC Interpretation 10, Impairment and Interim Financial Reporting

Prior to the adoption of the IC Interpretation 10, impairment losses for equity in investments recognized in an earlier interim period were reversed in a later interim period when test revealed that the losses have reversed. With the adoption of IC Interpretation 10 and FRS 139 on 1 January 2010, the policy has been changed to conform to the impairment requirements of FRS 139. Impairment recognized for available-for-sale equity investments in an interim period are not reversed in subsequent interim period. This change in basis has no effect to the profit or loss of the period ended 30 September 2010.

A2 Significant Accounting Policies (“continued”)

(b) Adoption of New and Revised FRSs, IC Interpretations and Amendments – after FY2009

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:

FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 1 (revised)	First Adoption of Financial Reporting Standards	1 July 2010
FRS 3 (revised)	Business Combination	1 July 2010
FRS 127 (revised)	Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 7	Improving Disclosures about Financial Instruments	1 Jan 2011
Amendments to FRS 138	Intangible Assets	1 July 2011
IC Interpretation 4	Determining Whether An Arrangement contains a Lease	1 July 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreement for the Construction of Real Estate	1 July 2010
IC Interpretation 16	Hedges of Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18	Transfer of Assets from Customers	1 Jan 2011
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 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.

A3 Audit Report for Preceding Annual Financial Statements

The audit report for the Group’s annual financial statements for the year ended 31 December 2009 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

Save as disclosed in note A13 below, there are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review.

A6 Changes in Estimates

- (I) 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. The carrying amount of goodwill as at 30 September 2010 was RM4.7 million.

- (II) As reported in note B8, the Group announced and committed to sell part of the Marine Logistic and Offshore Support division in Indonesia. Pursuant to the announcements, the Marine Logistic and Offshore Support division in Indonesia is presented as disposal group classified as held for sale. The sale is expected to complete in Quarter 2 FY2011. As at 30 September 2010, the disposal group comprises assets of RM750.4 million less liabilities of RM121.5 million.

An impairment loss of RM256.6 million on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less cost to sell has been recognized in the condensed consolidated income statement.

A7 Debt and Equity Securities

During this financial period, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM0.49 per share. The total consideration paid for the repurchase including transaction costs was RM531 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

	2010 RM'000	2009 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
Tax exempt dividend of 0.75% per share declared and paid in respect of the financial year ended 31 December 2009, paid on 23 December 2009	-	5,497
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A9 Segment Reporting

In the prior year's audited consolidated financial statements, the basis of segmentation was on a primary format of business segments and a secondary format of geographical segment. In the current period ended 30 September 2010 and for the current financial year ending 31 December 2010, the basis of segmentations have been changed to operating segments based on information reported internally to the Chief Executive Officer and the Board of Directors. In prior year financial years, the Group has two reportable segments: investment holding and marine services. With the adoption of FRS 8, Operating Segments, the marine services has been disaggregated into two separate reportable segments of marine logistics and offshore support division for the current financial period ended 30 September 2010.

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

Nine months ended 30 September 2010

	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE AND RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010				
REVENUE				
External sales	261,724	56,217	-	317,941
Total revenue	<u>261,724</u>	<u>56,217</u>	<u>-</u>	<u>317,941</u>
RESULTS				
Profit from operations	17,199	19,091	-	36,290
Finance costs	(17,872)	(1,115)	(82)	(19,069)
Interest income	230	31	90	351
Share of (loss)/ profits in associated companies	618	(3,008)	-	(2,390)
Segment results	<u>175</u>	<u>14,999</u>	<u>8</u>	<u>15,182</u>
Gain on disposal of an associate				59,130
Impairment loss on assets classified as held for sale				(256,558)
Unallocated costs				(27,187)
Profit before taxation				<u>(209,433)</u>
Taxation				(5,730)
Profit from continuing operation				<u>(215,163)</u>
Profit from discontinued operation				11,391
Profit for the period				<u>(203,772)</u>
Minority interests				(3,633)
Profit attributable to shareholders of the Company				<u><u>(207,405)</u></u>

A9

Segment Reporting ("continued")

	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE AND RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009				
REVENUE				
External sales	267,916	69,494	-	337,410
Total revenue	<u>267,916</u>	<u>69,494</u>	<u>-</u>	<u>337,410</u>
RESULTS				
Profit from operations	62,521	5,595	-	68,116
Finance costs	(22,844)	(4,034)	(6)	(26,884)
Interest income	713	162	15	890
Share of profits in associated companies	1,034	(2,611)	-	(1,577)
Segment results	<u>41,424</u>	<u>(888)</u>	<u>9</u>	<u>40,545</u>
Unallocated costs				(7,304)
Profit before taxation				<u>33,241</u>
Taxation				(8,832)
Profit from continuing operation				<u>24,409</u>
Profit from discontinued operations				<u>37,368</u>
Profit for the period				<u>61,777</u>
Minority interests				(2,304)
Profit attributable to shareholders of the Company				<u><u>59,473</u></u>

	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2010				
ASSETS				
Assets employed in the segment	22,849	67,164	4,905	94,918
Investment in associated companies	-	6,486	-	6,486
Segment assets	<u>22,849</u>	<u>73,650</u>	<u>4,905</u>	<u>101,404</u>
Unallocated assets				-
Assets classified as held for sale				750,433
Total assets				<u><u>851,837</u></u>
LIABILITIES				
Liabilities in segment	28,278	39,490	2,844	70,612
Unallocated liabilities				-
Liabilities classified as held for sale				121,531
Total liabilities				<u><u>192,143</u></u>

A9 Segment Reporting (“continued”)

	Marine Logistics RM’000	Offshore Support RM’000	Others RM’000	Total RM’000
PERIOD ENDED 30 SEPTEMBER 2010				

OTHER INFORMATION

Capital expenditure	-	19,571	-	19,571
Depreciation of property, plant and equipment	27,667	5,741	113	33,521
Other significant non-cash expenses:				
- share based payment expenses	-	-	914	914

	Marine Logistic RM’000	Offshore Support RM’000	Others RM’000	Total RM’000
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2009				

ASSETS

Assets employed in the segment	952,971	249,495	51,045	1,253,511
Investment in associated companies	2,335	293,720	-	296,055
Segment assets	955,306	543,215	51,045	1,549,566
Unallocated assets				19,586
Non-current assets held for sale				12,686
Total assets				<u>1,581,838</u>

LIABILITIES

Liabilities in segment	513,860	115,251	12,300	641,411
Unallocated liabilities				4,172
Total liabilities				<u>645,583</u>

**PERIOD ENDED 30
SEPTEMBER 2009**

OTHER INFORMATION

Capital expenditure	-	25,044	-	25,044
Depreciation of property, plant and equipment	27,958	8,517	117	36,592
Other significant non-cash expenses:				
- share based 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

(a) On 28 January 2010, the Group via its subsidiary, PT Rig Tenders Indonesia Tbk ("PTRT") established two subsidiaries, namely Rig Tenders Marine Pte Ltd ("RTM") and Rig Tenders Offshore Pte Ltd ("RTO"), for the purpose of owning and chartering of vessels.

RTM and RTO are wholly owned and 70% owned subsidiary of PTRT respectively.

(b) On 28 April 2010, the Group has completed the disposal of 205,000,000 ordinary shares in CH Offshore Ltd ("CHO") representing 29.07% of the entire issued ordinary shares of CHO by Scomi Marine Services Pte Ltd, a wholly-owned subsidiary of the Company for a total cash consideration of SGD143,500,000.00.

(c) On 5 May 2010, Scomi Marine Bhd entered into a Sale of Shares Agreement with ANZ Capital Sdn Bhd ("ANZ Capital") and Mirapo Sdn Bhd ("Mirapo") to acquire 600,000 ordinary shares of RM1.00 each in Trans Advantage Sdn Bhd ("TASB") from ANZ Capital and Mirapo, representing 60% of the total issued and paid up capital in TASB, for a total cash consideration of RM9,000,000 ("the Acquisition").

The Proposed Divestment has been completed on 14 June 2010.

Following the completion of the Acquisition, TASB became a wholly owned subsidiary of the Company.

Save as disclosed in above, there were no other changes in the composition of the Group for the current period.

A13 Assets and Liabilities Classified as Held for Sale

As reported in note B8, the Group announced and committed to sell part of the Marine Logistic and Offshore Support division in Indonesia. Pursuant to the announcements, the Marine Logistic and Offshore Support division in Indonesia is presented as disposal group classified as held for sale. The sale is expected to complete in Quarter 2 FY2011. As at 30 September 2010, the disposal group comprises assets of RM750.4 million less liabilities of RM121.5 million.

An impairment loss of RM256.6 million on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less cost to sell has been recognized in the condensed consolidated income statement.

A13 Assets and Liabilities Classified as Held for Sale ("continued")

	RM'000
<i>Assets classified as held for sale</i>	
Property, plant and equipment	502,096
Trade and other receivables	146,704
Cash and bank balances	54,186
Goodwill	30,209
Investment in associated companies	17,238
	<u>750,433</u>

	RM'000
<i>Liabilities classified as held for sale</i>	
Borrowings	75,639
Provision for retirement benefits	1,610
Trade and other payables	39,619
Derivative financial instruments	1,494
Tax liabilities	3,169
	<u>121,531</u>

A14 Discontinued Operations

Pursuant to Note A12 (b) above, the share of profits from CHO has been classified under the discontinued operations.

A15 Contingent Liabilities

Details of contingent liabilities of the Group as at 18 November 2010 is as follows:-

	RM'000
Bank guarantees issued for charter marine contracts	32,425
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A16 Capital Commitments

Authorised capital commitments as at 18 November 2010 not provided for in the financial statements of the Group are as follows:

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Renovation	-	232	232
Vessels – docking costs	5,250	12,418	17,668
Others	-	37	37
	<u>5,250</u>	<u>12,687</u>	<u>17,937</u>

A16 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 30 September 2010 are as follows:

	Expiring within one year	Expiring between one to five years
In respect of:		
Rental of office premises	198	-
Re-charter vessel contracts	39,512	14,046
	39,710	14,046
	39,710	14,046

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

A17 Related party transactions

	Current quarter 3 months ended 30 September 2010 RM'000	Cumulative quarter 9 months ended 30 September 2010 RM'000
<i>Transactions with associated companies</i>		
Agency and management fees paid	-	425
Agency fee income	-	75
Commission income	24	189
<i>Transactions with substantial shareholders</i>		
Management fee charged	76	227
Office rental paid/payable	69	208
<i>Transactions with companies of which certain substantial shareholders have interests</i>		
Admin and support services paid	68	200
Secretarial fees paid	21	63
Rental charges	67	200
Air ticket cost charged	84	150
Computer software application fees	6	62
Agency and management fees paid	323	536
Commission income	107	177

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

Current quarter vs Corresponding quarter

Revenue for the 3 months ended 30 September 2010 was marginally lower at RM114.1 million, compared to RM116.1 million recorded in the corresponding quarter of FY2009. The decrease was due to lower revenue contributions from the Marine Logistics and Offshore Support divisions, due to lower tonnage carried and the weakening of USD against RM, offset by the consolidation of Trans Advantage Sdn Bhd ("TASB") accounts which became a wholly-owned subsidiary in June 2010.

The gross profit was at RM5.4 million, lower by RM24.8 million compared to the corresponding quarter of RM30.2 million. The decrease is due to the lower tonnage from the Marine Logistic division and higher bunker costs.

The Group reported net loss after tax and minority interest of RM284.7 million, which is RM310.2 million lower compared to the corresponding quarter of RM25.5 million. This is directly attributable to the impairment loss on assets classified as held for sale on the remeasurement of the disposal group to the lower of its carrying amount and its fair value less cost to sell pursuant to the corporate proposals (under note B8) amounting to RM256.6 million, lower gross profit as mentioned above and the absence of share of profits in CH Offshore Ltd ("CHO") which was disposed in May 2010. The decrease has been partly offset by savings in overheads and finance costs.

Current period vs Corresponding period

The Group posted revenue of RM317.9 million for the period ended 30 September 2010, which is 5.8% below compared to the revenue for the same period in the corresponding year of RM337.4 million. Operationally, the effect of lower tonnage carried by our Indonesian Marine Logistic division has been mitigated by revenue from Trans Advantage Sdn Bhd ("TASB"), following the completion of acquisition of TASB in June 2010. Furthermore, the Group's revenue was also impacted by the weakening of USD against RM.

The Group's gross profit reported at RM54.7 million, which is lower compared to RM80.0 million for the period ended 30 September 2009. The gross profits margin lowered at 17.2% compared to 23.7% in the corresponding period in line with lower revenue contribution from Marine Logistic division and higher bunker costs.

The Group reported net loss after tax and minority interest of RM207.4 million, which is significantly lower than RM59.5 million reported in the corresponding period. The variance was mainly due to recognition of impairment loss on assets classified as held for sale as mentioned above. The losses were partly offset with gain from the disposal of CHO recognized during the current period, and savings in overheads and finance costs.

B2 Comparison of The Current Quarter Results Against Preceding Quarter

The revenue for the current quarter was RM114.1 million, which is marginally higher compared to the preceding quarter of RM101.0 million. The increase was due to higher contribution from TASB offset by lower contributions from the Marine Logistics and Offshore Support businesses.

The gross profit was RM5.4 million. This is 66.0% lower compared to RM15.9 million in the preceding period, due to lower tonnage carried and lower offshore vessel utilization.

The Group registered net loss after tax and minority interest of RM284.7 million, significantly lower as compared to RM55.4 million for preceding quarter. This is directly attributable to recognition of impairment loss on assets classified as held for sale as mentioned above, lower gross profit mentioned above and the absence of the one off gain from the disposal of CHO recorded in the preceding quarter.

B3 Current Year Prospects

In the Oil and Gas sector, drilling activities remain buoyant and will continue into FY2011 with oil prices and demand holding steady which will push requirement for offshore support vessels. Coal demand continues to also rise driven by the needs of China and India. However, the industry faces an overhang as vessel availability far outnumber demand. This is reflected in the current number of vessels laid up or currently unemployed and will impact vessel operators in the near term. Coupled with the introduction and implementation of maritime laws in the region, it has become a challenge for owners like Scomi Marine to comply and operate in these markets.

As mentioned in this announcement, the Group has entered into an agreement to dispose its Indonesian operations that is targeted to be completed by Quarter 2 FY2011. On completion of the disposal, Scomi Marine will have approximately RM550 million in cash. The Group is considering options of utilizing the proceeds.

B4 Profit Forecast

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

B5 Taxation Charge

Taxation comprises the following:-

	Current quarter 3 months ended 30 September 2010 RM'000	Cumulative period 9 months ended 30 September 2010 RM'000
Malaysian Income taxation		
- Current year	69	167
Foreign Income taxation		
- Current year	1,578	5,562
Total	<u>1,647</u>	<u>5,729</u>
Effective tax rate	<u>(0.6%)</u>	<u>(3.0%)</u>

The Malaysian income tax noted above is in relation to profits recorded by the operating subsidiaries, for which there is no Group Relief on losses incurred.

In respect of the foreign income tax, it is calculated at 1.2% of the gross revenue in accordance with the Decree of the Minister of Finance of the Republic of Indonesia No. 416/KMK.04/1996 dated 14 June 1996.

B6 Unquoted Investments and Properties

Save as disclosed in note B8 below, there is no other sale of unquoted investments and properties for the financial period under review.

B7 Particulars of Purchase Or Disposal Of Quoted Securities

Save as disclosed in note A12 (b) and note B8 below, there is no other purchase or disposal of quoted securities for the current quarter under review and financial period.

B8 Corporate Proposals

On 12 July 2010, 9 September 2010, 17 September 2010, 29 September 2010 and 30 September the Group had announced the following:

- (I) Proposed Disposal by Scomi Marine Services Pte Ltd ("SMS"), a wholly-owned subsidiary of SMB, of its entire equity interest in the following:
 - a) CH Logistics Pte Ltd and its wholly-owned subsidiary, Sea Master Pte Ltd
 - b) CH Ship Management Pte Ltd
 - c) Grundtvig Marine Pte Ltd ("GMPL") and its 95% owned subsidiary, PT Batuah Abadi Lines; and
 - d) Goldship Private Limited

To PT. Rig Tenders Indonesia TBK ("PTRT"), a 80.54% owned subsidiary of SMS.

And

B8 Corporate Proposals ("continued")

(II) Proposed renunciation by SMS of its entitlement to the ordinary shares to be issued by PTRT under the Proposed Right Issue ("Proposed Right Issue")..

SMS currently has an equity interest of 80.54% in PTRT. SMS shall undertake to renounce all of its entitlement under the Proposed Right Issue to Portside Offshore Inc. ("Portside") and PT Revesel Indonesia ("PTRI"), Portside and PTRI are special purpose vehicles backed by a privately managed fund (with interests in a wide ranging assets and businesses for a wide array of clients), for nil consideration.

PTRT shall fund the Proposed Disposal above through bank borrowings and a right issue of new ordinary shares in PTRT

(Collectively referred to as "Proposals")

SMS and GMPL, had on 12 July 2010 entered into a heads of agreement ("HOA") with PTRT and Portside in relation to the Proposals.

On 29 September 2010, SMS had entered into a master framework agreement with Portside Offshore Inc. and PT Revesel Indonesia in relation to the Proposals.

Other than the above, there were no other corporate proposals announced but not completed at the reporting date.

B9 Group Borrowings

The Group borrowings as at 30 September 2010 are as follows:-

	RM'000
Short term borrowings (secured)	14,929
Long term borrowings (secured)	22,830
	<u>37,759</u>

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

	RM'000
Malaysia Ringgit	93
United States Dollar	37,649
Singapore Dollar	17
	<u>37,759</u>

B10 Outstanding Derivatives

The Group had not entered into any new type of derivatives in the current interim quarter that was not disclosed in the preceding year's audited financial statements.

The Group's outstanding interest swaps are as follows:

	The Group	
	30 September 2010	31 December 2009
	RM'000	RM'000
Notional value	22,750	505,830
Fixed interest rates	3.74% to 4.95%	2.02% to 4.95%
Floating interest rates	0.39% to 0.78%	0.23% to 5.1%

The above contract outstanding as at 30 September 2010 is analysed below:

Term	Notional value	Fair value (loss)
	RM'000	RM'000
Less than 1 year	5,687	(361)
1 year to 3 years	17,063	(1,080)
More than 3 years	-	-
	22,750	(1,441)

The credit, market and price risk associated with the swap transaction agreement and the policies in place for mitigating such risks were disclosed in the audited financial statements for the year ended 31 December 2009.

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.

Total tax-exempt dividend per share that has been declared and paid for the current financial period was nil per share (FY 2009: 1.4 sen per share – tax exempt).

B13 Earnings Per Share

	Current Quarter		Cumulative Quarter	
	3 months ended 30 September 2010	3 months ended 30 September 2009	9 months ended 31 September 2010	9 months ended 30 September 2009
Basic earnings/(loss) per share				
Profit/(loss) from continuing operations (RM'000)	(284,657)	15,104	(218,796)	22,105
Profit/(loss) from discontinued operation (RM'000)	-	10,412	11,391	37,368
	(284,657)	25,516	(207,405)	59,473
Weighted average number of ordinary shares in issue ('000)	733,003	733,004	733,003	733,004
Basic earnings/(loss) per share (sen) :-				
- For profit/(loss) from continuing operations	(38.83)	2.06	(29.86)	3.02
- For profit from discontinued operations	-	1.42	1.56	5.09
Profit for the period	(38.83)	3.48	(28.30)	8.11
Fully diluted (loss)/earnings per share				
Profit/(loss) from continuing operations (RM'000)	(284,657)	15,104	(218,796)	22,105
Profit/(loss) from discontinued operation (RM'000)	-	10,412	11,391	37,368
	(284,657)	25,516	(207,405)	59,473
Weighted average number of ordinary shares in issue ('000)	733,003	733,004	733,003	733,004
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)	733,003	733,004	733,003	733,004
Diluted (loss)/earnings per share (sen):-				
- For profit/(loss) from continuing operations	(38.83)	2.06	(29.86)	3.02
- For profit from discontinued operations	-	1.42	1.56	5.09
Profit for the period	(38.83)	3.48	(28.30)	8.11

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 26 November 2010 by the Board of Directors.