

**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 31 December, 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 31 December 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. 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. As the result of the review, the carrying amount of goodwill as at 31 December 2010 was written down to RM39.1 million in respect of goodwill which was attached to assets classified as held for sale.

- (II) As reported in note B9, 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 31 December 2010, the disposal group comprises assets of RM755.1 million less liabilities of RM122.8 million.

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 | 2009 |
|--|---------------|---------------|
| | RM'000 | 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 |
| | ===== | ===== |

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 31 December 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 31 December 2010.

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

Twelve months ended 31 December 2010

| | Marine Logistics RM'000 | Offshore support RM'000 | Others RM'000 | Total RM'000 |
|--|--|--|--------------------------|-------------------------|
| REVENUE AND RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010 | | | | |
| REVENUE | | | | |
| External sales | 65,474 | 13,385 | - | 78,859 |
| Total revenue | <u>65,474</u> | <u>13,385</u> | <u>-</u> | <u>78,859</u> |
| RESULTS | | | | |
| Profit from operations | 2,588 | 3,530 | - | 6,118 |
| Finance costs | - | (1,157) | (14,690) | (15,847) |
| Interest income | - | - | 96 | 96 |
| Share of (loss)/ profits in associated companies | 611 | (6,051) | - | (5,440) |
| Segment results | <u>3,199</u> | <u>(3,678)</u> | <u>(14,594)</u> | <u>(15,073)</u> |
| Gain on disposal of an associate | | | | 59,130 |
| Impairment loss on goodwill | | | | (260,040) |
| Unallocated costs | | | | (33,723) |
| Loss before taxation | | | | <u>(249,706)</u> |
| Taxation | | | | <u>(567)</u> |
| Loss from continuing operation | | | | <u>(250,273)</u> |
| Profit from discontinuing operation | | | | <u>48,577</u> |
| Loss for the period | | | | <u>(201,696)</u> |
| Minority interests | | | | <u>(2,338)</u> |
| Loss attributable to shareholders of the Company | | | | <u>(204,034)</u> |

A9 Segment Reporting ("continued")

| | Marine Logistics RM'000 | Offshore support RM'000 | Others RM'000 | Total RM'000 |
|--|--|--|--------------------------|-------------------------|
| REVENUE AND RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009 | | | | |
| REVENUE | | | | |
| External sales | - | 14,610 | - | 14,610 |
| Total revenue | - | 14,610 | - | 14,610 |
| RESULTS | | | | |
| Profit from operations | - | 4,323 | - | 4,323 |
| Finance costs | - | (1,823) | (21,416) | (23,239) |
| Interest income | - | - | 86 | 86 |
| Share of profits in associated companies | 1,790 | (5,317) | - | (3,527) |
| Segment results | 1,790 | (2,817) | (21,330) | (22,357) |
| Impairment loss on goodwill | | | | (148,649) |
| Unallocated costs | | | | (18,950) |
| Loss before taxation | | | | (189,956) |
| Taxation | | | | (894) |
| Loss from continuing operation | | | | (190,850) |
| Profit from discontinuing operations | | | | 122,944 |
| Loss for the period | | | | (67,906) |
| Minority interests | | | | (3,759) |
| Loss attributable to shareholders of the Company | | | | (71,665) |

| | Marine Logistics RM'000 | Offshore Support RM'000 | Others RM'000 | Total RM'000 |
|--|--|--|--------------------------|-------------------------|
| ASSETS AND LIABILITIES AS AT 31 DECEMBER 2010 | | | | |
| ASSETS | | | | |
| Assets employed in the segment | 25,943 | 56,155 | 22,948 | 105,046 |
| Investment in associated companies | - | 3,000 | - | 3,000 |
| Segment assets | 25,943 | 59,155 | 22,948 | 108,046 |
| Unallocated assets | | | | - |
| Assets classified as held for sale | | | | 755,062 |
| Total assets | | | | 863,108 |
| LIABILITIES | | | | |
| Liabilities in segment | 11,368 | 40,142 | 13,855 | 65,365 |
| Unallocated liabilities | | | | - |
| Liabilities classified as held for sale | | | | 122,838 |
| Total liabilities | | | | 188,203 |

A9 Segment Reporting ("continued")

| | Marine Logistics RM'000 | Offshore Support RM'000 | Others RM'000 | Total RM'000 |
|---|--|--|--------------------------|-------------------------|
| YEAR ENDED 31 DECEMBER 2010 | | | | |
| OTHER INFORMATION | | | | |
| Capital expenditure | - | 27,638 | - | 27,638 |
| Depreciation of property, plant and equipment | 26,080 | 7,727 | 201 | 34,008 |
| Other significant non-cash expenses: | | | | |
| - share based payment expenses | - | - | 164 | 164 |

| | 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> |

**YEAR ENDED 31
DECEMBER 2009**

OTHER INFORMATION

| | | | | |
|---|--------|--------|-------|--------|
| Capital expenditure | - | 45,920 | - | 45,290 |
| Depreciation of property, plant and equipment | 46,029 | 10,981 | 203 | 57,213 |
| Other significant non-cash expenses: | | | | |
| - share based payment expenses | - | - | 1,787 | 1,787 |

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 Mirapro Sdn Bhd ("Mirapro") to acquire 600,000 ordinary shares of RM1.00 each in Trans Advantage Sdn Bhd ("TASB") from ANZ Capital and Mirapro, 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 B9, 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 31 December 2010, the disposal group comprises assets of RM755.1 million less liabilities of RM122.8 million.

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

| | RM'000 |
|--|----------------|
| <i>Assets classified as held for sale</i> | |
| Property, plant and equipment | 505,906 |
| Trade and other receivables | 136,853 |
| Cash and bank balances | 54,241 |
| Goodwill | 39,082 |
| Investment in associated companies | 18,980 |
| | <u>755,062</u> |
| | |
| | RM'000 |
| <i>Liabilities classified as held for sale</i> | |
| Borrowings | 72,702 |
| Provision for retirement benefits | 1,881 |
| Trade and other payables | 43,744 |
| Derivative financial instruments | 1,506 |
| Tax liabilities | 3,005 |
| | <u>122,838</u> |

A14 Discontinuing Operations

Pursuant to note A12 (b) above and note B9 below, the share of profits from CHO and results after tax from the disposal group classified as held for sale have been classified under the discontinuing operations.

Analysis of the results of discontinuing operations is as follows:

| | Current quarter 3 months ended 31 December | | Cumulative 12 months ended 31 December | |
|---|---|------------------------|---|------------------------|
| | 2010 RM'000 | 2009 RM'000 | 2010 RM'000 | 2009 RM'000 |
| Revenues | 74,284 | 108,135 | 330,170 | 433,722 |
| Cost of sales | (54,559) | (63,995) | (262,050) | (312,502) |
| Gross profits | 19,725 | 44,140 | 68,120 | 121,220 |
| Administrative and other operating expenses | (6,184) | (23,906) | (21,295) | (41,485) |
| Other operating income | - | 162 | 216 | 7,734 |
| Profit from operations | 13,541 | 20,396 | 47,041 | 87,469 |
| Finance costs | (1,300) | (1,178) | (5,136) | (7,076) |
| Interest income | 174 | 90 | 433 | 897 |
| Share of profits/(losses) in associated companies | 2,722 | 9,734 | 12,544 | 47,102 |
| Profit before taxation | 15,137 | 29,042 | 54,882 | 128,392 |
| Taxation | (742) | 2,857 | (6,305) | (5,448) |
| Profit for the period from discontinuing operation | 14,395 | 31,899 | 48,577 | 122,944 |

A15 Contingent Liabilities

Details of contingent liabilities of the Group as at 16 February 2011 is as follows:-

| | RM'000 |
|---|-----------------|
| Bank guarantees issued for charter marine contracts | 35,254 ===== |

A16 Capital Commitments

Authorised capital commitments as at 16 February 2011 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 |
|------------------------------------|--|--|-----------------|
| Office equipment and renovation | 2,786 | 232 | 3,018 |
| Vessels – docking costs | - | 21,437 | 21,437 |
| Others | - | 36 | 36 |
| | <u>2,786</u> | <u>21,705</u> | <u>24,491</u> |

The future minimum lease payments under non-cancellable operating leases as at 31 December 2010 are as follows:

| | Expiring within one year | Expiring between one to five years |
|-----------------------------|-----------------------------|--|
| In respect of: | | |
| Rental of office premises | 137 | - |
| Re-charter vessel contracts | 25,564 | - |
| | <u>25,701</u> | <u>-</u> |

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

A17 Related party transactions

| | Current quarter 3 months ended 31 December 2010 RM'000 | Cumulative quarter 12 months ended 31 December 2010 RM'000 |
|--|---|---|
| <i>Transactions with associated companies</i> | | |
| Agency and management fees paid | - | 421 |
| Agency fee income | - | 75 |
| Commission income | 24 | 211 |
| <i>Transactions with substantial shareholders</i> | | |
| Management fee charged | 76 | 302 |
| Office rental paid/payable | 23 | 232 |
| <i>Transactions with companies of which certain substantial shareholders have interests</i> | | |
| Admin and support services paid | 57 | 255 |
| Secretarial fees paid | 22 | 85 |
| Rental charges | 55 | 253 |
| Air ticket cost charged | 35 | 185 |
| Computer software application fees | 68 | 130 |
| Agency and management fees paid | 222 | 751 |
| Commission income | 105 | 280 |

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

Continuing operations

Revenue for the 3 months ended 31 December 2010 was significantly higher at RM16.8 million, compared to RM2.8 million recorded in the corresponding quarter. The increase was due to the consolidation of Trans Advantage Sdn Bhd ("TASB") accounts which became a wholly-owned subsidiary in June 2010.

Despite the increase in revenue, the gross profit was lower at RM1.1 million compared to the corresponding quarter of RM1.5 million. The lower gross profit is attributable to a change of accounting policy on the drydocking expenses in the corresponding quarter which resulted in a credit adjustment to operating costs.

Discontinuing operations

The profit after tax from discontinuing operations was RM14.4 million, which is RM17.5 million lower as compared to corresponding quarter of RM31.9 million. The decrease was due primarily to the cessation of equity accounting on the share of profits in CH Offshore Ltd, which was disposed in May 2010 and poorer operating performances from the Marine Logistic and Offshore Support divisions, as a result of lower tonnage carried and utilization rates, and higher bunker costs.

For the current quarter, the Group's net profit after tax and minority interest recorded at RM3.4 million, as compared to the corresponding quarter net loss of RM131.1 million. The better position is due principally to lower impairment charges.

Current period vs Corresponding period

Continuing operations

The Group posted revenue of RM78.9 million for the year ended 31 December 2010, which is significantly higher compared to the revenue for the same period in the corresponding year of RM14.6 million. The significant increase was due to consolidation of the revenue from Trans Advantage Sdn Bhd ("TASB"), which became a wholly-owned subsidiary in June 2010.

The Group's gross profit was correspondingly higher at RM7.4 million, as compared to RM4.4 million for the year ended 31 December 2009. However, the gross profit margin was lower at 9.4% compared to 30.2% in the previous year due to lower margins from the TASB business operations.

Discontinuing operations

The profit after tax were RM48.6 million, which is RM74.3 million lower as compared to corresponding quarter of RM122.9 million. The decrease was due primarily to lower share of profits in CH Offshore Ltd, which was disposed in May 2010 and poorer operating performances from the Marine Logistic and Offshore Support divisions, as a result of lower tonnage carried and utilization rates, and higher bunker costs.

B1 Review of Performance (“continued”)

For the current quarter, the Group reported a higher net loss after tax and minority interest of RM204.0 million, as compared to a net loss RM71.7 million in the previous year. The higher net loss is due principally to higher impairment charges, offset by the net gain from the disposal of CHO.

B2 Comparison of The Current Quarter Results Against Preceding Quarter

The revenue for the current quarter was RM16.8 million, which is RM22.9 million lower as compared to the preceding quarter revenue of RM39.7 million. The decrease was due to lower coal shipments made for during the current quarter.

Correspondingly, the gross profit was also lower at RM1.1 million, as compared to RM2.9 million recorded in the preceding quarter.

For the current quarter, the Group registered net profit after tax and minority interest of RM3.4 million, as compared to a net loss of RM284.7 million for preceding quarter. The better position is due principally to lower impairment charges.

B3 Current Year Prospects

The Group remains cautiously optimistic that the outlook on the energy industry will remain positive in the next 12 months. Increasing energy demand will translate into the need for exploration, development and production activities and seaborne transportation of coal. This will augur well for the demand for offshore supply vessels (“OSV”) and seaborne coal logistics solutions.

Deepwater development and shallow water fields’ development are expected to support the demand for OSV within this region.

The ongoing exercise to dispose the Indonesian operations announced by the Group this year is targeted to be completed by Quarter 2 FY2011. Upon completion of the disposal, Scomi Marine will have a substantial net cash position.

As our contracts are substantially in US Dollar (“USD”) currency, there is a potential impact to the performance of the Group if the USD continues to weaken against the Malaysia Ringgit (“RM”) and Indonesian Rupiah (“Rp”).

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 December 2010 RM'000 | Cumulative period 12 months ended 31 December 2010 RM'000 |
|---------------------------|---|--|
| Malaysian Income taxation | | |
| - Current year | 400 | 567 |
| Total | <u>400</u> | <u>567</u> |
| Effective tax rate | <u>(3.4%)</u> | <u>(0.2%)</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.

B6 Retained Earnings

| | As at 31 December 2010 RM'000 | As at 30 September 2010 RM'000 |
|--|--|---|
| Total retained earnings/(accumulated losses of the Company and its subsidiaries: | | |
| - Realised | (80,049) | (71,656) |
| - Unrealised | <u>(8,283)</u> | <u>(3,455)</u> |
| Total retained earnings/(accumulated losses from associated companies: | (88,332) | (75,111) |
| - Realised | (964) | 930 |
| - Unrealised | <u>(3,162)</u> | <u>(2,176)</u> |
| | (92,458) | (76,357) |
| Less: Consol adjustments | <u>(11,265)</u> | <u>(30,737)</u> |
| Total Group retained earnings/(accumulated losses) as per consolidated accounts | <u>(103,723)</u> | <u>(107,094)</u> |

B7 Unquoted Investments and Properties

Save as disclosed in note B9 below, there is no other sale of unquoted investments and properties for the financial period under review.

B8 Particulars of Purchase Or Disposal Of Quoted Securities

Save as disclosed in note A12 (b) and note B9 below, there is no other purchase or disposal of quoted securities for the current quarter under review and financial period.

B9 Corporate Proposals

On 12 July 2010, 9 September 2010, 17 September 2010, 29 September 2010, 30 September, 17 December 2010 and 14 January 2011, 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

- (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

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

B10 Group Borrowings

The Group borrowings as at 31 December 2010 are as follows:-

| | RM'000 |
|---------------------------------|---------------|
| Short term borrowings (secured) | 15,789 |
| Long term borrowings (secured) | 15,663 |
| | <hr/> |
| | <u>31,452</u> |

B10 Group Borrowings ("continued")

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

| | RM'000 |
|----------------------|---------------|
| Malaysia Ringgit | 10,085 |
| United States Dollar | 21,359 |
| Singapore Dollar | 8 |
| | 31,452 |

B11 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 | |
|-------------------------|-------------------------|-------------------------|
| | 31 December 2010 | 31 December 2009 |
| | RM'000 | RM'000 |
| Notional value | 21,359 | 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 31 December 2010 is analysed below:

| Term | Notional value | Fair value (loss) |
|-------------------|----------------|-------------------|
| | RM'000 | RM'000 |
| Less than 1 year | 5,696 | (304) |
| 1 year to 3 years | 15,663 | (835) |
| More than 3 years | - | - |
| | 21,359 | (1,139) |

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.

B12 Material Litigation

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

B13 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).

B14 Earnings Per Share

| | Current Quarter | | Cumulative Quarter | |
|--|---------------------------------------|---------------------------------------|---|---|
| | 3 months ended 31 December 2010 | 3 months ended 31 December 2009 | 12 months ended 31 December 2010 | 12 months ended 31 December 2009 |
| Basic earnings/(loss) per share | | | | |
| Loss from continuing operations (RM'000) | (11,023) | (163,036) | (252,611) | (194,609) |
| Profit from discontinuing operation (RM'000) | 14,395 | 31,899 | 48,577 | 122,944 |
| | <u>3,372</u> | <u>(131,137)</u> | <u>(204,034)</u> | <u>(71,665)</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>733,003</u> | <u>733,004</u> | <u>733,003</u> | <u>733,004</u> |
| Basic earnings/(loss) per share (sen) :- | | | | |
| - For loss from continuing operations | (1.50) | (22.24) | (34.46) | (26.55) |
| - For profit from discontinuing operations | 1.96 | 4.35 | 6.62 | 16.77 |
| Loss for the period | 0.46 | (17.89) | (27.84) | (9.78) |
| Fully diluted (loss)/earnings per share | | | | |
| Loss from continuing operations (RM'000) | (11,023) | (163,036) | (252,611) | (194,609) |
| Profit from discontinuing operation (RM'000) | 14,395 | 31,899 | 48,577 | 122,944 |
| | <u>3,372</u> | <u>(131,137)</u> | <u>(204,034)</u> | <u>(71,665)</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>733,003</u> | <u>733,004</u> | <u>733,003</u> | <u>733,004</u> |
| 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>733,003</u> | <u>733,004</u> | <u>733,003</u> | <u>733,004</u> |
| Diluted (loss)/earnings per share (sen):- | | | | |
| - For loss from continuing operations | (1.50) | (22.24) | (34.47) | (26.55) |
| - For profit from discontinuing operations | 1.96 | 4.35 | 6.63 | 16.77 |
| Loss for the period | 0.46 | (17.89) | (27.84) | (9.78) |

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.

B15 Authorised For Issue

The interim financial statements were authorized for issue on 25 February 2011 by the Board of Directors.