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

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

A1 Basis of Preparation

The interim financial statements are unaudited and have 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 2010. 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 2010.

A2 Significant Accounting Policies

(a) Adoption of New and Revised FRSs, IC Interpretations and Amendments – FY2011

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 2010, except for 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 1	First-time Adoption of Financial Reporting Standards (revised)
FRS 3	Business Combinations (revised)
FRS 127	Consolidated and Separate Financial Statements (revised)
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
Amendments to FRS 1	Additional Exemptions for First-time Adopters
Amendments to FRS 2	Consequential amendments arising from FRS 3 Business Combinations
Amendments to FRS 2	Group Cash-settled Share-based Payments Transactions
Amendments to FRS 5	Consequential amendments arising from FRS 1 (revised), Amendments to FRS 127 and IC Interpretation 17
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Classification of Right Issues
Amendments to FRS 138	Consequential amendments arising from FRS 3 (revised)
Amendments to FRS 1, FRS 3, FRS 7, FRS 101, FRS 121, FRS 128, FRS 131, FRS 132, FRS 134, FRS 139 and Amendments to IC Interpretation 13	Improvements to FRSs (2010)

A2 Significant Accounting Policies ("continued")

(a) Adoption of New and Revised FRSs, IC Interpretations and Amendments – FY2011 ("continued")

FRSs and Interpretations ("continued")

IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distribution of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives

IC Interpretation 12 Service Concession Arrangements will be effective for annual periods beginning on or after 1 July 2010. This IC Interpretation is not applicable to the Group.

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not have any effect on the financial performance, position or presentation of financial of the Group, other than the disclosures under the Amendments to FRS 7 which will affect the disclosures of FY2011 annual financial statements.

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

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

FRSs, IC Interpretations and Amendments to IC Interpretations		**Effective for financial periods beginning on or after**
FRS 124 (revised)	Related Party Disclosures	1 January 2012
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011

IC Interpretation 15 Agreements for the Construction of Real Estate will be effective for annual periods beginning on or after 1 January 2012. This IC Interpretation is not applicable to the Group.

The adoptions of the above FRSs, IC Interpretations and Amendments to IC Interpretation 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 2010 was not subject to any qualification.

A4 Seasonal or Cyclical Factors

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

A5 Unusual Items

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

A6 Changes in Estimates

(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 March 2011 was RM38.2 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 by end FY2011. As at 31 March 2011, the disposal group comprises assets of RM743.1 million less liabilities of RM116.8 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 RM0.54 per share. The total consideration paid for the repurchase including transaction costs was RM581 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

No dividend was paid during the current period.

A9 Segment Reporting

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

Three months ended 31 March 2011

	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE AND RESULTS FOR THE YEAR ENDED 31 MARCH 2011				
REVENUE				
External sales	24,441	3,345	-	27,786
Total revenue	24,441	3,345	-	27,786
RESULTS				
Profit from operations	1,280	928	-	2,208
Finance costs	-	(232)	(46)	(278)
Interest income	2	-	9	11
Share of loss in associated companies	-	(722)	-	(722)
Segment results	1,282	(26)	(37)	1,219
Unallocated costs				(2,072)
Loss before taxation				(853)
Taxation				(55)
Loss from continuing operation				(908)
Profit from discontinuing operation				6,859
Profit for the period				5,951
Non-controlling interests				(70)
Profit attributable to shareholders of the Company				5,881

A9 Segment Reporting ("continued")

REVENUE AND RESULTS FOR THE YEAR ENDED 31 MARCH 2010	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE				
External sales	-	3,705	-	3,705
Total revenue	-	3,705	-	3,705
RESULTS				
Profit from operations	-	1,315	-	1,315
Finance costs	-	(324)	(2)	(326)
Interest income	-	-	18	18
Share of profit/(loss) in associated companies	572	(1,372)	-	(800)
Segment results	572	(381)	16	207
Unallocated costs				(1,657)
Loss before taxation				(1,450)
Taxation				(5)
Loss from continuing operation				(1,455)
Profit from discontinuing operations				25,750
Profit for the period				24,295
Non-controlling interests				(2,410)
Profit attributable to shareholders of the Company				21,885

ASSETS AND LIABILITIES AS AT 31 MARCH 2011	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
ASSETS				
Assets employed in the segment	21,878	65,156	248	87,282
Investment in associated companies	-	2,503	-	2,503
Segment assets	21,878	67,659	248	89,785
Unallocated assets				-
Assets classified as held for sale	679,108	63,998	-	743,106
Total assets				832,891
LIABILITIES				
Liabilities in segment	6,783	37,784	3,927	48,494
Unallocated liabilities				-
Liabilities classified as held for sale	24,813	91,981	-	116,794
Total liabilities				165,288

A9 Segment Reporting ("continued")

	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
YEAR ENDED 31 MARCH 2011				
OTHER INFORMATION				
Capital expenditure	6,484	1,013	-	7,497
Depreciation of property, plant and equipment	7,314	2,470	44	9,828
Other significant non-cash expenses:				
- share based payment expenses	-	-	254	254

	Marine Logistic 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	25,739	68,517	10,733	104,989
Investment in associated companies	-	3,225	-	3,225
Segment assets	25,739	71,742	10,733	108,214
Unallocated assets				-
Assets classified as held for sale	686,540	69,128	-	755,668
Total assets				863,882
LIABILITIES				
Liabilities in segment	20,735	39,123	5,596	65,454
Unallocated liabilities				82
Liabilities classified as held for sale	25,602	97,617	-	123,219
Total liabilities				188,755
YEAR ENDED 31 MARCH 2010				
OTHER INFORMATION				
Capital expenditure	-	2,403	-	2,403
Depreciation of property, plant and equipment	9,227	1,696	38	10,961
Other significant non-cash expenses:				
- share based payment expenses	-	-	305	305

A10 Valuation of Property, Plant and Equipment

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

A11 Material Subsequent Events

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

A12 Changes in Composition of the Group

There were no other changes in the composition of the Group for the current 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 by end FY2011. As at 31 March 2011, the disposal group comprises assets of RM743.1 million less liabilities of RM116.8 million.

Details of the assets and liabilities in the disposal group classified as held for sale at the end of the period are as follows:

	RM'000
Assets classified as held for sale	
Property, plant and equipment	488,305
Trade and other receivables	125,152
Cash and cash equivalents	42,279
Goodwill	38,211
Other assets	29,281
Investment in joint venture	18,296
Restricted cash	1,570
Deferred tax assets	12
	743,106

	RM'000
Liabilities classified as held for sale	
Borrowings	59,729
Trade and other payables	50,891
Tax liabilities	3,626
Provision for retirement benefits	1,888
Derivative financial instruments	623
Finance leases	37
	116,794

A14 Discontinuing Operations

Pursuant to note B9 below, the 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 March		Cumulative 3 months ended 31 March	
	2011 RM'000	**2010 RM'000**	**2011 RM'000**	**2010 RM'000**
Revenues	76,982	99,133	76,982	99,133
Cost of sales	(64,003)	(67,122)	(64,003)	(67,122)
Gross profits	12,979	32,011	12,979	32,011
Other operating income	2,054	633	2,054	633
Administrative expenses	(6,455)	(6,521)	(6,455)	(6,521)
Profit from operations	8,578	26,123	8,578	26,123
Finance costs	(848)	(5,317)	(848)	(5,317)
Interest income	117	76	117	76
Share of profits of jointly controlled entities	519	-	519	-
Share of profits of associate	-	7,593	-	7,593
Profit before taxation	8,366	28,475	8,366	28,475
Taxation	(1,507)	(2,725)	(1,507)	(2,725)
Profit for the period from discontinuing operation	**6,859**	**25,750**	**6,859**	**25,750**
Profit attributable to:				
Shareholders of the Company	7,128	23,823	7,128	23,823
Non-controlling interest	(269)	1,927	(269)	1,927
Profit for the period from discontinuing operation	**6,859**	**25,750**	**6,859**	**25,750**

A15 Contingent Liabilities

Details of contingent liabilities of the Group as at 31 March 2011 is as follows:-

	RM'000
Bank guarantees issued for charter marine contracts	33,656
	=======

A16 Capital Commitments

Authorised capital commitments as at 31 March 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	2,724	-	2,724
Vessels – docking costs	-	27,779	27,779
	2,724	27,779	30,503

The future minimum lease payments under non-cancellable operating leases as at 31 Macrh 2011 are as follows:

	Expiring within one year	Expiring between one to five years
In respect of:		
Rental of office premises	348	498
Re-charter vessel contracts	27,162	5,295
	27,510	5,793

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

A17 Related party transactions

	Current quarter 3 months ended 31 March 2011 RM'000	Cumulative quarter 3 months ended 31 March 2011 RM'000
Transactions with substantial shareholders		
Management fee charged	82	82
Transactions with companies of which certain substantial shareholders have interests		
Admin and support services paid	47	47
Secretarial fees paid	11	11
Air ticket cost charged	66	66
Computer software application fees	17	17
Agency and management fees paid	214	214
Commission income	30	30
Office rental paid/payable	137	137

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 March 2011 was significantly higher at RM27.8 million, compared to RM3.7 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.

The increase in revenue had directly increased the gross profit of the continuing operations at RM2.3 million compared to the corresponding quarter of RM1.3 million.

Discontinuing operations

The profit after tax from discontinuing operations was RM6.9 million, which is RM18.9 million lower as compared to corresponding quarter of RM25.7 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.

For the current quarter, the Group's net profit after tax and Non-controlling interest recorded at RM5.9 million, as compared to the corresponding quarter net profit of RM21.9 million. The lower position is due principally to poor performance of the discontinuing operations resulting in lower tonnage carried and lower utilization rates.

B2 Comparison of The Current Quarter Results Against Preceding Quarter

The revenue for the current quarter was RM27.8 million, which is RM11.0 million higher as compared to the preceding quarter revenue of RM16.8 million. The increase was due to higher coal shipments made for during the current quarter.

Correspondingly, the gross profit was also higher at RM2.3 million, as compared to RM1.1 million recorded in the preceding quarter.

For the current quarter, the Group registered net profit after tax and Non-controlling interest of RM5.9 million, as compared to a net profit of RM3.4 million for the preceding quarter. The higher position is due principally to slightly better performance of the Marine Logistic division during the current quarter resulting from higher tonnage carried as compared to preceding quarter.

B3 Current Year Prospects

Although 2011 is expected to be another challenging year with supply overhang and flat charter rates, the Group is optimistic that we will be able to benefit from increasing regional demand for its services.

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

As our contracts are substantially denominated in USD, there is a potential impact to the performance of the Group if the USD continues to weaken against the Malaysia Ringgit and Indonesian Rupiah.

B4 Profit Forecast

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

B5 Taxation Charge

Taxation comprises the following:-

	Current quarter 3 months ended 31 March 2011 RM'000	**Cumulative period 3 months ended 31 March 2011 RM'000**
Malaysian Income taxation		
- Current year	55	55
Total	55	55
Effective tax rate	5.4%	5.4%

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 March 2011 RM'000	As at 31 December 2010 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(120,533)	(130,099)
- Unrealised	(21,270)	(20,060)
Total share of retained earnings from associated companies:	(141,803)	(150,159)
- Realised	44,674	45,899
- Unrealised	1,788	1,829
Total share of retained earnings from jointly controlled entities:		
- Realised	1,599	1,154
- Unrealised		-
	(93,742)	(101,277)
Less: Consol adjustments	(4,100)	(2,446)
Total accumulated losses	(97,842)	(103,723)

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 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 Revessel 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 March 2011 are as follows:-

	RM'000
Short term borrowings (secured)	5,599
Long term borrowings (secured)	13,968
	19,567

B10 Group Borrowings ("continued")

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

	RM'000
Malaysia Ringgit	78
United States Dollar	19,489
	19,567

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 March 2011 RM'000	**31 December 2010 RM'000**
Notional value	19,489	21,359
Fixed interest rates	3.74%	3.74% to 4.95%
Floating interest rates	0.29% to 0.31%	0.39% to 0.78%

The above contract outstanding as at 31 March 2011 is analysed below:

Term	Notional value	Fair value (loss)
	RM'000	RM'000
Less than 1 year	5,569	(272)
1 year to 3 years	13,920	(679)
More than 3 years	-	-
	19,489	(951)

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 2010.

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 2010: nil).

B14 Earnings Per Share

	Current Quarter		Cumulative Quarter	
	3 months ended 31 March 2011	**3 months ended 31 March 2010**	**3 months ended 31 March 2011**	**3 months ended 31 March 2010**
Basic earnings/(loss) per share				
Loss from continuing operations (RM'000)	(1,248)	(1,938)	(1,248)	(1,938)
Profit from discontinuing operation (RM'000)	7,129	23,823	7,129	23,823
	5,881	21,885	5,881	21,885
Weighted average number of ordinary shares in issue ('000)	733,002	733,004	733,002	733,004
Basic earnings/(loss) per share (sen) :-				
- For loss from continuing operations	(0.17)	(0.26)	(0.17)	(0.26)
- For profit from discontinuing operations	0.97	3.25	0.97	3.25
	0.80	**2.99**	**0.80**	**2.99**
Fully diluted (loss)/earnings per share				
Loss from continuing operations (RM'000)	(1,248)	(1,938)	(1,248)	(1,938)
Profit from discontinuing operation (RM'000)	7,129	23,823	7,129	23,823
	5,881	21,885	5,881	21,885
Weighted average number of ordinary shares in issue ('000)	733,002	733,004	733,002	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)	733,002	733,004	733,002	733,004
Diluted (loss)/earnings per share (sen):-				
- For loss from continuing operations	(0.17)	(0.26)	(0.17)	(0.26)
- For profit from discontinuing operations	0.97	3.25	0.97	3.25
	0.80	**2.99**	**0.80**	**2.99**

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 26 May 2011 by the Board of Directors.