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

A1 Basis of Preparation of interim financial reports

The interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 December 2011.

During the period, the Company acquired the entire share capital of Scomi Oilfield Limited ("SOL"), the issued and paid-up ordinary share capital of Scomi Sosma Sdn. Bhd. ("SSSB") and 48% of the issued and paid-up ordinary shares of Scomi KMC Sdn. Bhd. (SKMC) (collectively referred to as the "Merged Entities").

The Merged Entities are under common control and are consolidated using the predecessor method of merger accounting. Although the merger was completed on 11th March 2013 (for acquisition of SOL) and 12th March 2013 (for acquisition of SSSB and SKMC), under the predecessor method of merger accounting, the results of the Merged Entities are presented as if the merger had been effected since the date when common control was determined. Accordingly, the pre-merger results and comparatives in this interim financial report have been presented as if the merger has been effected from the earliest date presented.

Purchase consideration is eliminated against the carrying amounts of the Merged Entities from the controlling shareholders' perspective, and the differences are taken to Merger Reserve. Expenditure incurred in connection with the merger is recognized as an expense in the income statement.

A2 Significant Accounting Policies

For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS") in Malaysia, restated by the early adoption of Financial Reporting Standard 10: Consolidated Financial Statements ("FRS 10") as described below.

The early adoption of FRS10 was made together with FRS 11: Joint Arrangements, FRS 12: Disclosure of Interests in Other Entities, FRS 127: Separate Financial Statements (Revised) and FRS 128: Investments in Associates and Joint Ventures (Revised). The early adoption of FRS11, FRS 12, FRS127 and FRS 128 did not have any impact on the interim financial statements of the Group.

This Condensed Report is the Group's first MFRS compliant Condensed Report and hence MFRS 1: First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied.

A2 Significant Accounting Policies ("continued")

The following MFRSs and IC Interpretations have been issued by the MASB and are not yet effective:

Effective for annual periods commencing on or after 1 July 2012
Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)

Effective for annual periods commencing on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associate and Joint Ventures
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to MFRS 7	Disclosures- Offsetting Financial Assets and Financial Liabilities

Effective for annual periods commencing on or after 1 January 2014
Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities

Effective for annual periods commencing on or after 1 January 2015
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)

IC Interpretation 20 will not have any financial impact to the Group as it is not relevant to the Group's operations.

Early adoption of FRS 10
The Group has opted to early adopt FRS 10 and consequently, determined that the investment in MarineCo Limited and Gemini Sprint Sdn Bhd shall be classified under joint venture instead of subsidiaries

Accordingly, the Group now consolidates the results of SMB as a joint venture for the period ended 31 March 2013. The comparative information in this interim financial statement has retrospectively been restated to take into account the effects of the consolidation of MarineCo Limited and Gemini Sprint Sdn Bhd from the date when control was first established. The difference between the amount of assets, liabilities and non-controlling interests recognised at the date of acquisition and the purchase consideration has been taken to retained earnings.

Previously, financial statement of MarineCo Limited and Gemini Sprint Sdn Bhd was consolidated into the Group's results and the result was accounted under FRS 3 Business Combination.

A3 Audit Report for Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 December 2011 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 are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review.

A6 Significant Estimates and Changes in Estimates

Impairment on goodwill

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.

Determining whether goodwill is impaired requires an estimation of the value in use and fair value less costs to sell of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Fair value less costs to sell is determined based on indicative values on a willing buyer willing seller basis. The recoverable amounts of goodwill have been determined based on higher of fair value less costs to sell and value-in-use calculations. On a merger basis, there has been no change in the carrying amount of goodwill since the last quarter.

A7 Debt and Equity Securities

There has been no further repurchase of shares since the last quarter.

A8 Dividends Paid /Payable

There were no dividends paid during the quarter and financial periods ended 31 March 2013.

A9 Segmental Reporting

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

I) Revenue and results for fifteen months ended 31 March 2013

	Marine Services RM'000	Oilfield Services RM'000	Total RM'000
REVENUE			
External sales	318,299	1,162,581	1,480,880
Total revenue	318,299	1,162,581	1,480,880
RESULTS			
Profits from operations	32,219	134,463	166,682
Finance costs	(3,388)	(34,793)	(38,181)
Interest income	930	1,024	1,954
share of results in associated companies	133	-	133
Share of results in joint venture	6,568	-	6,568
Segmental results	36,462	100,694	137,156
Taxation			(40,005)
Profit for the period			97,151
Profit attributable to the Owners of the Company			
Owners of the Company			97,636
Non-controlling interests			(485)
Profit for the period			97,151

A9 Segmental Reporting ("continued")

	Marine Services RM'000	Oilfield Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 31 MARCH 2013			
ASSETS			
Assets employed in the segment	769,033	988,091	1,757,124
Investment in associated companies	412	-	412
Investment in joint venture	51,701	-	51,701
Segment asset	821,146	988,091	1,809,237
LIABILITIES			
Liabilities in segment	642,988	487,527	1,130,515

	Marine Services RM'000	Oilfield Services RM'000	Total RM'000
PERIOD ENDED 31 MARCH 2013			
OTHER INFORMATION			
Capital expenditure	36,476	56,942	93,418
Depreciation of property, plant and equipment	46,538	42,389	88,927
Other significant non-cash expenses:			
- share based payment expenses	886	978	1,864

A9 Segmental Reporting ("continued")

	Marine Services RM'000	Oilfield Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 31 DECEMBER 2011			
ASSETS			
Assets employed in the segment	613,127	1,193,184	1,806,311
Investment in associated companies	281	-	281
Investment in joint venture	35,417	-	35,417
Segment asset	648,825	1,193,184	1,842,009
LIABILITIES			
Liabilities in segment	87,198	1,038,173	1,125,371

	Marine Services RM'000	Oilfield Services RM'000	Total RM'000
PERIOD ENDED 31 DECEMBER 2011			
OTHER INFORMATION			
Capital expenditure	27,049	54,171	81,220
Depreciation of property, plant and equipment	67,055	30,038	97,093
Other significant non-cash expenses:			
- share based payment expenses	12	864	876

A10 Valuation of Property, Plant and Equipment

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

A11 Material Subsequent Events

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

A12 Changes in Composition of the Group

The group was formed through the acquisitions by the Company of SOL, SSSB and SKMC. The considerations were satisfied as follows:-

(a) SOL – total purchase consideration of RM1,021.04 million by the issuance of 1,608,765,957 new ordinary shares of RM0.45 each in SMB ("SMB Shares") at an issue price of RM0.47 per SMB share.

(b) SSSB – total purchase consideration of RM6.71 million satisfied in cash.

(c) SKMC – total purchase consideration of RM769,911 satisfied in cash.

A13 Contingent Liabilities

Detail of contingent liabilities of the Group is as follows:-

	RM'000
Contingent liabilities arising from tax matters	6,800
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A14 Capital Commitments

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

	Approved and contracted RM'000	Approved but not contracted for RM'000	Total RM'000
Property	4,195	12,858	17,053
Plant & Machinery	29,478	90,349	119,827
Office equipment, fittings, renovation & computer	345	2,976	3,321
Motor vehicles	173	542	715
Vessels - docking costs	-	20,150	20,150
Vessels - Refurbishment	14,370	4,230	18,600
New Vessels	-	111,600	111,600
Others	1,480	4,806	6,286
	50,041	247,511	297,552

A14 Capital Commitments (continued)

The future minimum lease payments under non-cancellable operating leases as at 31 March 2013 are as follows:

	Total outstanding	Expiring within on year	Expiring between one to five years
	RM'000	RM'000	RM'000
In respect of:			
Land	594	527	67
Building	4,160	2,476	1,684
Plant & Machinery	1,916	1,769	147
Others	10,182	8,545	1,637
	16,852	13,317	3,535

A15 Related party transactions

	15 months ended 31 March 2013 RM'000
Transactions with companies in which certain substantial shareholders have interests	
Air ticket cost charged	1,755
IT related fees	95
Office rental paid/payable	1,108
Consultancy Services	2,000
Transactions with companies which have interest in the subsidiaries	
Agency and management fees paid	1,565

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 favorable to the Group and the Company than those arranged with independent third parties.

B EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Operating Segments

The Group has two reportable segments which are Marine Services and Oilfield Services. Marine Services consist of marine transportation and other shipping related services while Oilfield Services provides integrated drilling fluids, drilling waste management solutions and production chemicals.

As mentioned in section A1, the results have been presented on a predecessor accounting basis which requires interim financial report to be presented as if the merger has been effected from the earliest date presented.

B2 Material Change in Performance as Compared to Preceding Quarter

Current Quarter

The Group recorded revenues of RM283.2 million for the current quarter compared to preceding quarter of RM 284.6 million. The decrease was due to **Marine Services** recording lower revenue for their Coal segment in the current quarter caused by bad weather affecting the business of the customers and consequently less coal shipment and also due to the expiry of a major contract in June 2012.

This was offset by higher revenues at **Oilfield Services** particularly from Malaysia and Thailand as a result of higher rig and well activity.

The Profit Before Tax for the current quarter of RM30.6 million is higher than the preceding quarter of RM26.4 million due to higher profit contributions at **Oilfield Services** as a result:

a) Favourable product mix for Drilling Fluids
b) Higher Drilling Waste Management revenue such as screen sales within a relatively fixed-cost base.

B3 Current Financial Period Prospects

Marine Services
The coal market remains volatile as reflected in the lower coal price with lower demand for commodities. Nevertheless, **Marine Services** continues to serve our major customers where we have term contracts albeit with a smaller fleet.

For the offshore segment, we remain optimistic with the growth of the oil and gas industry and enhanced economic activity in the region. Energy demand is increasing which, combined with the high price of oil, have generated interest in oil and gas exploration and production. The number of wells to be drilled and the number of new platforms scheduled to be installed are all set to increase incrementally throughout 2013. The increase in the level of activity is expected to absorb the influx of new vessels in the market, which should see higher daily charter rates of offshore support vessels and high utilization.

Oilfield Services
The Oil and Gas sector is experiencing increased activity, particularly in Malaysia, Asia and West Africa. This is also evident from the recent tenders won in Malaysia (Pan-Malaysian Tender) Turkmenistan (Dragon Oil and Petronas) and Indonesia (Total Indonesia).

With continued emphasis on service quality and execution of contract, we expect higher customer retention which would translate to higher returns and profitability.

The enlarged SESB group now has involvement in the drilling fluid solutions and drilling waste management businesses via the acquired companies, while maintaining its position in the marine logistics and offshore support services businesses.

B4 Profit Forecast

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

B5 Corporate Proposals

Proposed Acquisition by SMB, proposed exemption to Scomi Group Bhd ("**SGB**") and Scomi Energy Sdn Bhd ("**SESB"**) and proposed increase in authorised share capital of SMB.

On 24 July 2012, the Company had announced to Bursa Malaysia that:-

(i) Proposed acquisition by SMB of the following:-

a) The entire share capital of Scomi Oilfield Limited ("**SOL**") for a total purchase consideration of RM1,020.02 million ("**Proposed SOL Acquisition**");

b) The entire issued and paid-up ordinary share capital of Scomi Sosma Sdn Bhd ("**SSSB"**) for a total purchase consideration of RM6.71 million; and

c) 48% of the issued and paid-up ordinary shares of Scomi KMC Sdn Bhd ("**SKMC**") for a purchase consideration of RM769,911

(items (a), (b) and (c) to be collectively referred to as **Proposed Acquisition**)

(ii) SMB also entered into the following conditional agreement:-

a) share sale agreement ("**SSA**") with Scomi Group Bhd ("**SGB**"), Standard Chartered Private Equity Limited and Fuji Investments I (collectively "**Vendors**") for the proposed acquisition of the entire issued and paid-up ordinary and preference shares of Scomi Oilfield Limited ("**SOL**") for a total purchase consideration of RM1,020.20 million (subject to adjustments) comprising, among others, a base sum of RM756.12 million to be satisfied by the issuance of 1,608,765,957 new ordinary shares of RM0.45 each in SMB ("**SMB Shares**") at an issue price of RM0.47 per SMB Share ("**Consideration Shares**") ("**Proposed SOL Acquisition**");

b) SSA with SGB for the proposed acquisition of the entire issued and paid-up ordinary share capital of Scomi Sosma Sdn Bhd ("**SSSB**") for a purchase consideration of RM6.71 million ("**Proposed SSSB Acquisition**"); and

c) SSA with SGB for the proposed acquisition of 48% of the issued and paid-up ordinary shares of Scomi KMC Sdn Bhd ("**SKMC**") for a purchase consideration of RM769,911 ("**Proposed SKMC Acquisition**").

(The Proposed SOL Acquisition, Proposed SSSB Acquisition and Proposed SKMC Acquisition are collectively referred to as "**Proposed Acquisitions**").

B5 Corporate Proposals ("continued")

(iii) In conjunction with the Proposed SOL Acquisition, SMB intends to increase its authorised share capital from RM451,100,000 comprising 998,000,000 SMB Shares and 200,000,000 SMB RCCPS ("Proposed Increase in Authorised Share Capital"). The Memorandum and Articles of Association of the Company will also be amended to facilitate the Proposed Increase in Authorised Share Capital.

(iv) On 11 January 2013, the Company had announced to Bursa Malaysia that it is proposing to undertake the Proposed Change of Name from "**Scomi Marine Bhd**" to "**Scomi Energy Services Bhd**".

Further to the above announcements, the Company had announced that:-

i. Securities Commission ("**SC**") had, vide its letter dated 15 January 2013 (which was received on 16 January 2013), granted its approval for the Proposed Acquisitions and the resultant equity structure of SMB upon completion of the Proposed Acquisitions, subject to the following conditions:

(a) SMB to allocate 12.5% of its enlarged issued and paid-up share capital to Bumiputera investors to be recognised by the Ministry of International Trade and Industry ("MITI"), within 1 year after registering profit or 3 years after the implementation of the Proposed Acquisitions, whichever is the earlier ("Triggering Date");

(b) SMB to submit a proposal to comply with the Bumiputera equity condition for the SC's approval within 6 months from the Triggering Date;

(c) SMB to submit an application to MITI for the allocation of SMB Shares to Bumiputera investors, after obtaining the SC's approval for the proposal. In the event that the SMB Shares are not fully allocated to Bumiputera investors within a year from the date of application to MITI, SMB will be deemed to have complied with the Bumiputera equity conditions; and

(d) Maybank IB/SMB to fully comply with the requirements of the Equity Guidelines issued by the SC on 8 May 2009 and Listing Requirements pertaining to the implementation of the Proposed Acquisitions

ii. Bursa Securities has, vide its letter dated 17 January 2013, granted its approval for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities subject to the following conditions:

(a) SMB and Maybank IB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed SOL Acquisition;

(b) SMB and Maybank IB to inform Bursa Securities upon completion of the Proposed SOL Acquisition;

B5 Corporate Proposals ("continued")

(c) SMB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed SOL Acquisition is completed; and

(d) SMB to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders of SMB in the extraordinary general meeting approving the Proposed SOL Acquisition

iii. The Company had announced to Bursa Malaysia the following:

(a) SMB and the parties to the SOL Agreement and SKMC Agreement have, vide letters dated 21 January 2013 mutually agreed to extend the period for the fulfilment of the conditions precedent to the SOL Agreement and SKMC Agreement respectively from 24 January 2013 to 31 March 2013; and

(b) SMB and SGB have, vide a letter dated 21 January 2013 mutually agreed on the following:

i. to extend the period for the fulfilment of the conditions precedent to the SSSB Agreement from 24 January 2013 to 31 March 2013; and

ii. in the the amount of the SMB Assignment of Interco Loan exceeds the amount of the SSSB Consideration and Amount Owing, SGB to accord the surplus to SMB in cash, which will be funded via SGB's internally generated funds.

iv. that the resolutions set out in the Notice of EGM dated 25 January 2013 in relation to the Proposed Acquisitions, Proposed Exemption, Proposed Increase in Authorised Share Capital and Proposed Change of Name have been duly passed by the Shareholders at the EGM held on 20 February 2013.

(v) On 11 March 2013, the Company had announced to Bursa Malaysia that it had issued 1,608,765,957 new ordinary shares of RM0.45 each of SMB Shares at an issue price of RM0.47 per share to SGB and the Vendors for the acquisition of the entire issued and paid-up ordinary and preference shares of SOL.

(vi) On 12 March 2013, the Company had announced to Bursa Malaysia that the Proposed SOL Acquisition has been completed on 11 March 2013 whilst the Proposed SSSB Acquisition and Proposed SKMC Acquisition have been completed on 12 March 2013.

B6 Profit before taxation

	Current Quarter 31 March 2013 RM'000	Cumulative Period 15 months ended 31 March 2013 RM'000
The proft before taxation is arrived at after (charging)/crediting		
Interest income	271	1,954
Depreciation and amortisation	(14,119)	(88,927)
Inventories written-off	(2,434)	(3,091)
Impairment loss on property, plant and equipment	-	(4,176)
Allowance for doubtful debts	(2,817)	(2,958)
Recovery/written-back of doubtful debts	3,508	8,951
Loss on foreign exchange - net	1,273	(5,938)
Gain/(loss) on disposal of property, plant and equipment	47	(1,417)
Interest expense	(7,207)	(38,188)

B7 Taxation

Details of the taxation as at end of the period are as follows:-

	Current Quarter 3 months ended 31 March 2013	Cumulative Period 15 months ended 31 March 2013
Malaysian income tax	8,119	20,343
Foreign income tax	6,128	19,662
Total income tax	14,247	40,005
Effective tax rate	46.61%	29.17%

The effective tax rate is higher than Malaysian tax rate of 25% mainly because of the tax effects of the different tax rates in various jurisdiction, certain expenses not deductible and adjustment for over accruals.

The above mentioned income tax is related to the revenues and profits recorded by the operating subsidiaries and there are no group relief for losses.

B8 Short term deposits, cash and bank balances

Short term deposits, cash and bank balances at the end of the reporting period comprise of:-

	RM'000
Cash and bank balances	75,876
Short term deposits with licensed bank	75,185
	151,061
Less : restricted cash	(27,120)
Cash and cash equivalents	123,941

The restricted cash comprise deposits pledged to financial institutions for loan facility, bank guarantee and repayment towards loan facility granted to subsidiaries.

B9 Borrowings

The Group borrowings and debts securities as at the end of the reporting period are as follows:

	Current RM'000	Non-current RM'000	Total RM'000
Borrowings – secured	198,207	265,759	463,966

The Group borrowings and debt securities are denominated in the following currencies:

	RM'000
Ringgit Malaysia	397,573
US Dollar	56,458
Others	9,935
Total	463,966

B10 Retained Earnings

	As at 31 March 2013 RM'000	As at 31 December 2011 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	407,958	(21,445)
- Unrealised	2,470	(4,512)
	410,428	(25,957)
Total share of retained earnings from associated companies:		
- Realised	40,031	39,898
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	17,348	10,780
- Unrealised	-	-
	467,807	24,721
Less : Consolidation adjustments	(162,098)	(220,046)
Total retained earnings/(accumulated losses)	305,709	(195,325)

B11 Earnings Per Share

	Current Quarter 3 months ended 31 March 2013 RM'000	Cumulative Period 15 months ended 31 March 2013 RM'000
Basis earnings/(loss) per share		
Profit/(loss) for the period	20,161	97,636
Issued and paid-up capital	2,341,776	2,341,776
Less : Treasury shares purchased during the period	(320)	(320)
Weighted average number of ordinary shares in issue ('000)	2,341,456	2,341,456
Basic earnings/(loss) per share (sen)	**0.86**	**4.17**

B11 Earnings Per Share ("Continued")

	Current Quarter 3 months ended 31 March 2013 RM'000	Cumulative Period 15 months ended 31 March 2013 RM'000
Fully diluted earnings/(loss) per share		
Profit/(loss) for the period	20,161	97,636
Weighted average number of ordinary shares in issue ('000)	2,341,456	2,341,456
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)	2,341,456	2,341,456
Diluted earnings/(loss) per share (sen)	**0.86**	**4.17**

The ESOS scheme has been terminated on 26 June 2012 as part of the Corporate exercise.

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.

B14 Authorised For Issue

The interim financial statements were authorized for issue on 31 May 2013 by the Board of Directors.