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 Chapter 9 Part K 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.

A2 Significant Accounting Policies

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

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 June, 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:

FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segment
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 132	Financial Instrument : Presentation
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

A2 Significant Accounting Policies ("continued")

FRSs and Interpretations

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
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 101, FRS 139 and FRS 8, the adoption of other FRSs and Amendments, does not have 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, IC Interpretations and 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.

The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.

A2 Significant Accounting Policies ("continued")

FRS 139, Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives were recognized 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 recognized 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 recognized and unrecognized 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 March 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

Other than the impairment losses of goodwill as reported in the audited financial statement for the year ended 31 December 2009, there are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current financial period under review.

A6 Changes in Estimates

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. The carrying amount of goodwill as at 30 June 2010 was RM283,013,000.

A7 Debt and Equity Securities

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**
Interim dividend:		
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 30 June 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 year, 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 June 2010.

The comparatives of the corresponding period are re-presented to conform to the current period presentation, as disclosed below.

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

Six months ended 30 June 2010

	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE AND RESULTS FOR THE PERIOD ENDED 30 JUNE 2010				
REVENUE				
External sales	164,847	39,004	-	203,851
Total revenue	164,847	39,004	-	203,851
RESULTS				
Profit from operations	21,550	15,971	-	37,521
Interest expense	(16,887)	(803)	(3)	(17,693)
Interest income	125	14	48	187
Share of (loss)/ profits in associated companies	628	(2,348)	-	(1,720)
Segment results	5,416	12,834	45	18,295
Gain on disposal of an associate				59,130
Unallocated costs				(4,175)
Profit before taxation				73,250
Taxation				(4,082)
Profit from continuing operation				69,168
Profit from discontinued operation				11,391
Profit for the period				80,559
Minority interests				(3,307)
Profit attributable to shareholders of the Company				77,252

A9 Segment Reporting ("continued")

REVENUE AND RESULTS FOR THE PERIOD ENDED 30 JUNE 2009	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE				
External sales	171,357	49,952	-	221,309
Total revenue	131,357	49,952	-	221,309
RESULTS				
Profit from operations	35,838	2,362	-	38,200
Interest expense	(16,414)	(2,984)	(4)	(19,402)
Interest income	629	146	14	789
Share of profits in associated companies	429	(1,025)	-	(596)
Segment results	20,482	(1,501)	10	18,991
Unallocated costs				(7,215)
Profit before taxation				11,776
Taxation				(3,819)
Loss from continuing operation				7,957
Profit from discontinued operations				26,956
Profit for the period				34,913
Minority interests				(956)
Profit attributable to shareholders of the Company				33,957

ASSETS AND LIABILITIES AS AT 30 JUNE 2010	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
ASSETS				
Assets employed in the segment	925,165	191,232	29,019	1,145,416
Investment in associated companies	-	7,833	-	7,833
Segment assets	925,165	199,065	10,355	1,153,249
Unallocated assets				31,270
Non-current assets held for sale				-
Total assets				1,184,519
LIABILITIES				
Liabilities in segment	122,476	86,342	3,828	212,646
Unallocated liabilities				6,747
Total liabilities				219,393

A9 Segment Reporting ("continued")

PERIOD ENDED 30 JUNE 2010	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
OTHER INFORMATION				
Capital expenditure	-	11,230	-	11,230
Depreciation of Property, plant and equipment	18,474	3,726	76	22,498
Other significant non-cash expenses:				
- share base payment expenses	-	-	609	609

ASSETS AND LIABILITIES AS AT 31 DECEMBER 2009	Marine Logistic RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
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	1,531,566
Unallocated assets				19,586
Non-current assets held for sale				12,686
Total assets				1,581,838
LIABILITIES				
Liabilities in segment	513,860	115,251	12,300	641,411
Unallocated liabilities				4,172
Total liabilities				645,583
PERIOD ENDED 30 JUNE 2009				
OTHER INFORMATION				
Capital expenditure	-	-	27,828	27,828
Depreciation of Property, plant and equipment	18,626	5,577	76	24,279
Other significant non-cash expenses:				
- share base payment expenses	-	-	610	610

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

Except as disclosed in Note A12 below, there were no other 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 quarter.

A13 Discontinued Operations

Pursuant to Note A12 above, the share of profits from CHO has been classified under the discontinued operations and the carrying amount for the share of net assets in CHO has been removed from Investment in Associates under the non-current assets and reclassified as an assets held-for-sale under the current assets.

A14 Contingent Liabilities

Details of contingent liabilities of the Group as at 16 Aug 2010 is as follows:-

	RM'000
Bank guarantees issued for charter marine contracts	32,191
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A15 Capital Commitments

There are no capital commitments for the Group as at 16 Aug 2010.

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

	Expiring within one year	Expiring between one to five years
In respect of:		
Rental of office premises	263	-
Re-charter vessel contracts	33,533	19,403
	33,795	19,403

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

A16 Related party transactions

	Current quarter 3 months ended 30 June 2010 RM'000	Cumulative quarter 6 months ended 30 June 2010 RM'000
Transactions with associated companies		
Agency and management fees paid	331	342
Agency fee income	12	12
Commission income	108	114
Transactions with substantial shareholders		
Management fee charged	76	62
Office rental paid/payable	69	17

A16 Related party transactions ("continued")

Transactions with companies of which certain substantial shareholders have interests

Admin and support services paid	68	69
Secretarial fees paid	22	22
Rental charges	68	70
Chartering income receivable	-	3,938
Air ticket cost charged	30	40
Car rental expense	-	13
Computer software application fees	34	51

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 June 2010 was lower at RM101.0 million, compared to RM110.9 million recorded in the corresponding quarter of FY2009. The decline in revenue is attributable to lower tonnage carried for Adaro and the weakening of USD against RM has resulted in a translation loss of RM9.6 million. However, this has been partly mitigated by improved performance in Arutmin contract with higher tonnage carried and the revenue from Trans Advantage Sdn Bhd ("TASB") of RM15.1 million, following the completion of acquisition of TASB in June 2010.

The gross profit was at RM16.0 million, lower by RM13.1 million compared to the corresponding quarter of RM29.0 million. This is due to the lower revenue as mentioned above and the amortization of docking costs for dockings that have been carried out in previous year.

The Group reported a higher PATAMI of RM55.4 million, which is RM32.5million higher compared to the corresponding quarter. The one off gain on disposal of associated company, CH Offshore Ltd ("CHO"), amounting to RM59.4 million has offset the decrease in gross profit and the lower share of associates' profit for the quarter.

Current period vs Corresponding period

The Group posted revenue of RM203.9 million for the period ended 30 June 2010, which is 7.9% below compared to the revenue for the same period in the corresponding year of RM221.3 million. The Group's revenue has impacted by the weakening of USD against RM which has resulted in translation loss of RM17.2 million. Operationally, the effect of lower tonnage carried for Adaro contract has been mitigated by improved result from Arutmin contract with higher tonnage carried and revenue from Trans Advantage Sdn Bhd ("TASB") of RM15.1 million, following the completion of acquisition of TASB in June 2010.

Despite the lower revenue, the gross profit registered at RM49.3 million, which is marginally lower compared to RM49.7 million for the period ended 30 June 2009. The gross profit margin achieved at 24.2% compared to 22.5% in the corresponding period due to better margins from the new Accommodation Barge which was delivered in the 2nd half of FY2009, and also reduction in docking cost arising from capitalization of docking cost effective Q4 2009..

With the gain from the disposal of CHO ("the Disposal") recognized during the current period, the Group registered PATAMI of RM77.3 million, which is RM43.4 million higher as opposed to RM33.9 million in the corresponding period. The gain from the Disposal has been partly offset by lower share of CHO's profit of RM17.7 million during the period as the Group has ceased to equity account its share of profit subsequent to the Disposal.

B2 Comparison of The Current Quarter Results Against Preceding Quarter

The revenue for the current quarter was RM101.0 million, which is marginally lower compared to the preceding quarter of RM102.8 million. Revenue from coal logistics and offshore support business was lower by RM16.9 million. The lower revenue in the current quarter is mainly due to lower tonnage carried for Adaro and Arutmin contracts compared to the preceding quarter and lower average utilization rate in offshore support business. This however was mitigated by revenue contributed by TASB since it became a subsidiary of the Group in June 2010.

B2 Comparison of The Current Quarter Results Against Preceding Quarter ("continued")

The gross profit was RM15.9 million, 52% lower compared to RM33.3 million in the preceding period resulted from the lower revenue from coal logistics and offshore support businesses as explained above.

Despite the lower gross profit, the Group registered a Profit before taxation of RM55.9 million, an increase of RM36.5 million compared to RM19.4 million for preceding quarter. The one off gain from the Disposal has contributed positively to the Group for the quarter under review.

B3 Current Year Prospects

With the improved economic climate, the Group is cautiously optimistic as to the outlook for 2H 2010. We continue to service our existing contracts with coal logistics continuing to be the driver. The offshore sector is slowly recovering and we see pockets of opportunities in Malaysia and Indonesia. Charter rates for this sector have stabilized and the stable oil price is a positive indicator to this.

Management remains prudent in its management of business operations with focus on cost efficiencies while we look at opportunities that leverages on our track record and expertise.

On 12 July 2010, the Group has announced that it had entered into a Heads of Agreement (HOA) to reduce our equity in our coal logistics and offshore businesses in Indonesia and to introduce an Indonesian strategic partner as a major shareholder to address the cabotage requirement in Indonesia.

The Group feels that this is the best option as it provides a better platform for the long term growth of the business. Scomi will continue to be a shareholder in PTRT as we are still very positive about the business and the Indonesian economy.

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 June 2010 RM'000	**Cumulative period 6 months ended 30 June 2010 RM'000**
Malaysian Income taxation		
- Current year	93	98
Foreign Income taxation		
- Current year	1,259	3,984
Total	1,352	4,082
Effective tax rate	2.3%	4.8%

The effective tax rate for the financial period is lower than the statutory tax rate principally due to the tax exempt status for income derived from shipping operations in Singapore.

B6 Unquoted Investments and Properties

There was no 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 B8 below, there was no purchase or disposal of other quoted securities for the current quarter under review and financial period.

B8 Corporate Proposals

On 12 July 2010, the Group had announced the following:

(I) Proposed Disposal by:

a) Scomi Marine Services Pte Ltd ("SMS") a wholly-owned subsidiary of the Company, of its entire equity interest in CH Logistics Pte Ltd ("CHL"), CH Ship Management Pte Ltd, Goldship Private Limited and CHL's wholly-owned subsidiary, namely Sea master Pte Ltd, representing 100% equity interest in each of the companies, to PT Rig Tenders Indonesia Tbk ("PTRT"); and

b) Grundtvig Marine Pte Ltd ("GMPL"), a wholly-owned subsidiary of SMS, of its entire equity interest in PT Batuah Abadi Lines ("PBAL"), representing 94.9% equity interest, to PTRT. GMPL will procure the disposal of 5% equity interest in PBAL held by an Indonesian individual, to PTRT

and

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

PTRT shall fund the Proposed Disposal above through bank borrowings and a right issue of new ordinary shares in PTRT ("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"), a special purpose vehicle backed by a privately managed fund (with interests in a wide ranging assets and businesses for a wide array of clients), for nil consideration.

(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.

The salient terms of the Proposals are stated in the announcement dated 12 July 2010. The terms and conditions of the HOA are subject to satisfactory due diligence by Portside. The due diligence exercise is currently being carried out.

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 June 2010 are as follows:-

	RM'000
Short term borrowings (secured)	80,641
Long term borrowings (secured)	51,735
	132,376

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

	RM'000
Malaysia Ringgit	100
United States Dollar	132,162
Singapore Dollar	114
	132,376

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 June 2010 RM'000	31 December 2009 RM'000
Notional value	76,066	505,830
Fixed interest rates	3.74% to 4.95%	2.02% to 4.95%
Floating interest rates	0.25% to 0.78%	0.23% to 5.1%

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

Term	Notional value	Fair value (loss)
	RM'000	RM'000
Less than 1 year	30,248	(2,702)
1 year to 3 years	44,328	(1,289)
More than 3 years	1,490	(83)
	76,066	(4,074)

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 June 2010	3 months ended 30 June 2009	6 months ended 31 June 2010	6 months ended 30 June 2009
Basic earnings/(loss) per share				
Profit/(loss) from continuing operations (RM'000)	51,570	7,961	65,861	7,001
Profit/(loss) from discontinued operation (RM'000)	3,798	14,881	11,391	26,956
	55,368	22,842	77,252	33,957
Weighted average number of ordinary shares in issue ('000)	733,004	733,006	733,004	733,006
Basic earnings/(loss) per share (sen) :-				
- For profit/(loss) from continuing operations	7.04	1.09	8.99	0.96
- For profit from discontinued operations	0.51	2.03	1.55	3.67
Profit for the period	**7.55**	**3.12**	**10.54**	**4.63**
Fully diluted (loss)/earnings per share				
Profit/(loss) from continuing operations (RM'000)	51,570	7,961	65,861	7,001
Profit/(loss) from discontinued operation (RM'000)	3,798	14,881	11,391	26,956
	55,368	22,842	77,252	33,957
Weighted average number of ordinary shares in issue ('000)	733,004	733,006	733,004	733,006
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)	733,004	733,006	733,004	733,006
Diluted (loss)/earnings per share (sen):-				
- For profit/(loss) from continuing operations	7.04	1.09	8.99	0.96
- For profit from discontinued operations	0.51	2.03	1.55	3.67
Profit for the period	**7.55**	**3.12**	**10.54**	**4.63**

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 23 August 2010 by the Board of Directors.