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 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 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 FY2011

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

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 30 June 2011 was RM43.1 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:

Six months ended 30 June 2011

	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE AND RESULTS FOR THE PERIOD ENDED 30 JUNE 2011				
REVENUE				
External sales	159,303	35,358	-	194,661
Total revenue	159,303	35,358	-	194,661
RESULTS				
Profit from operations	16,268	7,047	-	23,315
Finance costs	(1,485)	(467)	(47)	(1,999)
Interest income	287	16	34	337
Share of results in associated companies	-	(1,789)	-	(1,789)
Share of results in joint venture	-	1,141	-	1,141
Segment results	15,070	5,948	(13)	21,005
Unallocated costs				(7,231)
Profit before taxation				13,774
Taxation				(3,088)
Profit for the period				10,686
Minority interests				468
Profit attributable to shareholders of the Company				11,154

A9 Segment Reporting ("continued")

REVENUE AND RESULTS FOR THE PERIOD ENDED 30 JUNE 2010	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE				
External sales	164,847	39,004	-	203,851
Total revenue	164,847	39,004	-	203,851
RESULTS				
Profit from operations	26,477	10,513	-	36,990
Finance costs	(17,092)	(598)	(3)	(17,693)
Interest income	126	13	48	187
Share of results in associated companies	628	(2,248)	-	(1,620)
Share of results in joint venture	-	(99)	-	(99)
Gain from disposal of an associate	-	59,130	-	59,130
Segment results	10,139	66,711	45	76,895
Unallocated costs				(3,645)
Profit before taxation				73,250
Taxation				(4,082)
Profit from continuing operation				69,168
Profit from discontinuing operations				11,391
Profit for the period				80,559
Minority interests				(3,307)
Profit attributable to shareholders of the Company				77,252

ASSETS AND LIABILITIES AS AT 30 JUNE 2011	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
ASSETS				
Assets employed in the segment	633,219	177,837	5,538	816,592
Investment in associated companies	-	19,921	-	19,921
Segment assets	633,219	197,758	5,538	836,515
LIABILITIES				
Liabilities in segment	103,452	53,388	3,641	160,481

A9 Segment Reporting ("continued")

PERIOD ENDED 30 JUNE 2011	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
OTHER INFORMATION				
Capital expenditure	5,704	6,220	-	11,924
Depreciation of property, plant and equipment	14,283	5,233	88	19,604
Other significant non-cash expenses:				
- share based payment expenses	-	-	481	481

ASSETS AND LIABILITIES AS AT 31 DECEMBER 2010	Marine Logistic RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
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 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 held for sale	25,602	97,617	-	123,219
Total liabilities				188,755
PERIOD ENDED 30 JUNE 2010				
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 based payment expenses	-	-	609	609

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 Master Framework Agreement between Scomi Marine Services Pte Ltd, Portside Offshore Inc. and PT Revessel Indonesia has been mutually terminated.

Following the above, the assets and liabilities of the Marine Logistic and Offshore Support division in Indonesia are no longer classified as held for sale.

A14 Contingent Liabilities

Details of contingent liabilities of the Group as at 11 August 2011 is as follows:-

	RM'000
Bank guarantees issued for charter marine contracts	34,678
	=======

A15 Capital Commitments

Authorised capital commitments as at 11 August 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	2,104	-	2,104
Vessels – docking costs	-	22,354	22,354
	2,104	22,354	24,458

A15 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 30 June 2011 are as follows:

	Expiring within one year	Expiring between one to five years
In respect of:		
Rental of office premises	466	605
Re-charter vessel contracts	26,147	926
	26,613	1,531

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 2011 RM'000	**Cumulative quarter 6 months ended 30 June 2011 RM'000**
Transactions with substantial shareholders		
Management fee charged	81	163
Transactions with companies of which certain substantial shareholders have interests		
Admin and support services paid	-	47
Secretarial fees paid	-	11
Air ticket cost charged	78	144
Computer software application fees	5	12
Agency and management fees paid	-	214
Commission income	-	30
Office rental paid/payable	70	207

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.

A17 Restatement of previously reported interim period

As disclosed in note B9, the Group decided the Indonesian operation is part of continuing operations. Therefore, the result of preceding quarter and its comparative figure had been restated as follows:

	As previously reported Current quarter 3 months ended 31 March		Restated Current quarter 3 months ended 31 March	
	2011	**2010**	**2011**	**2010**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Continuing operations:				
Revenues	27,786	3,705	104,769	102,838
Cost of sales	(25,474)	(2,366)	(89,476)	(69,488)
Gross profits	2,312	1,339	15,293	33,350
Other operating income	-	45	1,989	542
Administrative expenses	(2,177)	(1,726)	(8,568)	(8,111)
Other operating expenses	-	-	-	-
Profit/(loss) from operations	135	(342)	8,714	25,781
Finance costs	(277)	(326)	(1,125)	(5,643)
Interest income	11	18	128	94
Share of results of associates	(722)	(800)	(722)	(800)
Share of results of joint venture	-	-	519	-
Profit/(loss) before taxation	(853)	(1,450)	7,514	19,432
Taxation	(55)	(5)	(1,563)	(2,730)
Profit/(loss) from continuing operations	**(908)**	**(1,455)**	**5,951**	**16,702**
Discontinuing operations:				
Profit from discontinuing operations	6,859	25,750	-	7,593
Profit for the period	**5,951**	**24,295**	**5,951**	**24,295**
Profit attributable to:				
Shareholders of the Company	5,881	21,885	5,881	21,885
Minority interest	70	2,410	70	2,410
Profit for the period	**5,951**	**24,295**	**5,951**	**24,294**

B BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1 Review of Performance

Current quarter vs Corresponding quarter

The Group recorded lower revenues of RM89.9 million for the current quarter, as compared RM101.0 million in the corresponding quarter in 2010 ("Q2 2010").

The decrease was due principally to the drop in the coal transportation business in Malaysia. The impact of the decline in Malaysia was cushioned by the higher tonnage carried and improved productivity on its overall cycle time per barge and tug set by the Indonesian operations.

The Group continues to derive steady stream of earnings from its offshore marine vessel fleet, where the overall utilization rate was in excess of 80%.

Following the improved productivity by the Indonesian operations, the Group posted a net profit of RM4.7 million in the current quarter as compared to a net loss of RM6.7 million recorded in Q2 2010 (the latter excludes the gain from disposal of an associate of RM59.1 million).

Current period vs Corresponding period

The Group recorded lower revenues of RM194.7 million for the current period, as compared RM203.9 million in the corresponding period in 2010 ("H1 2010").

The decrease was due principally to the drop in the coal transportation business in Malaysia in the current quarter (as mentioned above) and lower tonnage carried in Indonesia for the current period. The impact of the decline was cushioned by improved productivity on its overall cycle time per barge and tug set by the Indonesian operations.

The Group continues to derive steady stream of earnings from its offshore marine vessel fleet, where the overall utilization rate was in excess of 80%.

Following the lower tonnage carried by the coal transportation business, the Group posted a lower net profit of RM13.8 million in the current period, as compared to RM14.1 million recorded in H1 2010 (the latter excludes the gain from disposal of an associate of RM59.1 million).

B2 Comparison of Current Quarter Results vs Preceding Quarter

The Group recorded lower revenues of RM89.9 million for the current quarter, as compared RM104.8 million in the preceding quarter ("Q1 2011").

The decrease was due principally to the drop in the coal transportation business in Malaysia. The impact of the decline in Malaysia was cushioned by the slightly higher tonnage carried and improved productivity on its overall cycle time per barge and tug set by the Indonesian operations.

The Group continues to derive steady stream of earnings from its offshore marine vessel fleet, where the overall utilization rate was in excess of 80%.

Following the lower coal transportation revenues in Malaysia, the Group posted a lower net profit of RM4.7 million in the current quarter as compared to RM5.9 million recorded in Q1 2011.

As disclosed in note A17 and B9, the preceding quarter had been restated to conform to the current quarter presentation.

B3 Current Year Prospects

The Group remains optimistic of being able to achieve better results during the current year despite the challenges faced within the global environment. The Group expects the maritime industry to benefit from increasing global demand of offshore services in Asian water. The increase in demand for oil and gas will continue to push companies to undertake exploration activities to seek reserves in deeper and remote fields. This will augur well for the demand for offshore supply vessels and seaborne coal logistics solutions.

The management is committed to continue with improving the productivity of its Indonesian coal transportation operations to derive better results for the Group.

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 2011 RM'000	Cumulative period 6 months ended 30 June 2011 RM'000
Malaysian income taxation		
- Current year	54	109
Indonesian income taxation		
- Current year	1,471	2,979
Total	1,525	3,088
Effective tax rate	24.2%	22.4%

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

B6 Retained Earnings

	As at 30 June 2011 RM'000	As at 31 December 2010 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(116,701)	(130,099)
- Unrealised	(19,506)	(20,060)
Total share of retained earnings from associated companies:	(136,207)	(150,159)
- Realised	45,012	45,899
- Unrealised	1,799	1,829
Total share of retained earnings from jointly controlled entities:		
- Realised	2,236	1,154
- Unrealised		-
	(87,160)	(101,277)
Less: Consol adjustments	(5,409)	(2,446)
Total accumulated losses	(92,569)	(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 A13 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 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.

On 15 June 2011, the Group had announced that various conditions for the effectiveness of the Standby Purchase Agreement as set out in the Master Framework Agreement ("MFA") have not been met. Under the MFA, it is provided that if certain conditions are not fully satisfied, either PTRI or SMS shall be entitled to elect to terminate the MFA.

After due deliberation, SMS, Portside and PTRI have, on 15 June 2011, entered into the Deed of Mutual Termination, Discharge and Release ("the Deed") to mutually terminate MFA. Under the Deed, SMS, Portside and PTRI are released from their respective rights, obligations, liabilities and undertakings under the MFA. The termination of the MFA did not have any effect on SMB's issued and paid-up share capital, the shareholdings of SMB's substantial shareholders in the Company, SMB's consolidated loss per share, consolidated net assets per share and gearing.

Following the mutual termination of the MFA, the results of the above businesses are included under the heading of continuing operations.

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 30 June 2011 are as follows:-

	RM'000
Short term borrowings (secured)	62,012
Long term borrowings (secured)	12,625
	74,637

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

	RM'000
Malaysia Ringgit	70
United States Dollar	74,560
Singapore Dollar	7
	74,637

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	
	30 June 2011 RM'000	**31 December 2010 RM'000**
Notional value	43,088	21,359
Fixed interest rates	3.74% to 4.95%	3.74% to 4.95%
Floating interest rates	0.19% to 0.51%	0.39% to 0.78%

The above contract outstanding as at 30 June 2011 is analysed below:

Term	Notional value	Fair value (loss)
	RM'000	RM'000
Less than 1 year	30,480	(922)
1 year to 3 years	12,608	(661)
More than 3 years	-	-
	43,088	(1,583)

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 30 June 2011	**3 months ended 30 June 2010**	**6 months ended 30 June 2011**	**6 months ended 30 June 2010**
Basic earnings/(loss) per share				
Profit from continuing operations (RM'000)	5,273	51,570	11,154	65,861
Profit from discontinuing operation (RM'000)	-	3,798	-	11,391
	5,273	55,368	11,154	77,252
Weighted average number of ordinary shares in issue ('000)	733,002	733,004	733,002	733,004
Basic earnings/(loss) per share (sen) :-				
- For profit from continuing operations	0.72	7.03	1.52	8.99
- For profit from discontinuing operations	-	0.52	-	1.55
Profit for the period	**0.72**	**7.55**	**1.52**	**10.54**
Fully diluted (loss)/earnings per share				
Profit from continuing operations (RM'000)	5,273	51,570	11,154	65,861
Profit from discontinuing operation (RM'000)	-	3,798	-	11,391
	5,273	55,368	11,154	77,252
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 profit from continuing operations	0.72	7.03	1.52	8.99
- For profit from discontinuing operations	-	0.52	-	1.55
Profit for the period	**0.72**	**7.55**	**1.52**	**10.54**

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 23 August 2011 by the Board of Directors.