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 significant 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 following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2011:

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, however, 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 to FRSs that were issued but not yet effective

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, however, 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. The carrying amount of goodwill as at 30 September 2011 was RM45.0 million.

A7 Debt and Equity Securities

During this financial period, the Company repurchased 136,000 of its issued ordinary shares from the open market at an average price of RM0.31 per share. The total consideration paid for the repurchase including transaction costs was RM42,560 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:

Nine months ended 30 September 2011

	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE AND RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011				
REVENUE				
External sales	229,642	52,980	-	282,622
Total revenue	229,642	52,980	-	282,622
RESULTS				
Profit from operations	26,895	8,890	-	35,785
Finance costs	(1,530)	(683)	(48)	(2,261)
Interest income	373	24	39	436
Share of results in associated companies	-	(2,594)	-	(2,594)
Share of results in joint venture	-	1,775	-	1,775
Segment results	25,738	7,412	(9)	33,141
Unallocated costs				(10,608)
Profit before taxation				22,533
Taxation				(4,274)
Profit for the period				18,259
Non-controlling interests				701
Profit attributable to shareholders of the Company				18,960

A9 Segment Reporting ("continued")

REVENUE AND RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2010	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE				
External sales	261,724	56,217	-	317,941
Total revenue	261,724	56,217	-	317,941
RESULTS				
Profit from operations	17,199	19,091	-	36,290
Finance costs	(17,872)	(1,115)	(82)	(19,069)
Interest income	230	31	90	351
Share of results in associated companies	618	(3,557)	-	(2,939)
Share of results in joint venture	-	549	-	549
Gain from disposal of an associate	-	59,130	-	59,130
Segment results	175	74,129	8	74,312
Impairment loss on goodwill				(256,558)
Unallocated costs				(27,187)
Profit before taxation				(209,433)
Taxation				(5,730)
Profit from continuing operation				(215,163)
Profit from discontinuing operations				11,391
Profit for the period				(203,772)
Minority interests				(3,633)
Profit attributable to shareholders of the Company				(207,405)

ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2011	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
ASSETS				
Assets employed in the segment	636,782	177,573	5,279	819,634
Investment in associated companies	-	20,878	-	20,878
Segment assets	636,782	198,451	5,279	840,512
LIABILITIES				
Liabilities in segment	65,687	54,929	3,300	123,916

A9 Segment Reporting ("continued")

PERIOD ENDED 30 SEPTEMBER 2011	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
OTHER INFORMATION				
Capital expenditure	9,924	11,192	-	21,116
Depreciation of property, plant and equipment	21,557	7,704	132	29,393
Other significant non-cash expenses:				
- share based payment expenses	-	-	709	709

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 SEPTEMBER 2010				
OTHER INFORMATION				
Capital expenditure	-	19,571	-	19,571
Depreciation of property, plant and equipment	27,667	5,741	113	33,521
Other significant non-cash expenses:				
- share based payment expenses	-	-	914	914

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 16 November 2011 is as follows:-

	RM'000
Bank guarantees issued for charter marine contracts	13,989
	=======

A15 Capital Commitments

Authorised capital commitments as at 16 November 2011 not provided for in the financial statements of the Group are as follows:

	Approved and contracted for	Approved but not contracted for	Total
	RM'000	RM'000	RM'000
Vessels – docking costs	-	17,295	17,295

A15 Capital Commitments ("continued")

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

	Expiring within one year	Expiring between one to five years
In respect of:		
Rental of office premises	464	673
Re-charter vessel contracts	18,943	1,905
	19,407	2,578

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

A16 Related party transactions

	Current quarter 3 months ended 30 September 2011 RM'000	Cumulative quarter 9 months ended 30 September 2011 RM'000
Transactions with substantial shareholders		
Management fee charged	82	245
Transactions with companies of which certain substantial shareholders have interests		
Admin and support services paid	-	47
Secretarial fees paid	-	11
Air ticket cost charged	33	177
Computer software application fees	13	25
Agency and management fees paid	-	214
Commission income	-	30
Office rental paid/payable	70	277

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

The Group recorded lower revenues of RM88.0 million for the current quarter, as compared RM114.1 million in the corresponding quarter in 2010 ("Q3 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, with new contracts obtained by the Group.

Following the improved productivity by the Indonesian operations, the Group posted a net profit of RM7.6 million in the current quarter as compared to a net loss of RM27.7 million recorded in Q3 2010 (the latter excludes impairment loss on goodwill of RM256.6 million).

Current period vs Corresponding period

The Group recorded lower revenues of RM282.6 million for the current period, as compared RM317.9 million in the corresponding period in 2010.

The decrease was due principally to the drop in the coal transportation business in Malaysia in the current quarter 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, with new contracts obtained by the Group.

Following improved performance by the coal transportation business in Indonesia, the Group posted a net profit of RM18.3 million in the current period, as compared to a net loss of RM6.3 million recorded in corresponding period (the latter excludes impairment loss on goodwill and gain from disposal of an associate of RM256.6 million and RM59.1 million respectively).

B2 Comparison of Current Quarter Results vs Preceding Quarter

The Group recorded slightly lower revenues of RM88.0 million for the current quarter, as compared RM89.9 million in the preceding quarter ("Q2 2011").

The slight decrease was due principally to drop in performance of offshore marine vessel fleet with lower utilisation rate recorded. The decline in offshore marine vessel was cushioned by higher tonnage carried and improved productivity on its overall cycle time per barge and tug set by the Indonesian coal transportation operations.

Following the improved performance of the coal transportation operations, the Group posted a higher net profit of RM7.6 million in the current quarter as compared to RM4.7 million recorded in Q2 2011.

B3 Current Year Prospects

The Group remains cautiously optimistic towards the outlook of the oil and gas industry despite challenges faced within the global environment. There are signs of steady improvements from the emerging economies that will provide support for longer term energy demands. The Group expects the maritime industry to benefit from increasing global demand of offshore activities in the region. The fundamentals driving the offshore support activities remains intact with more explorations expected in order to meet the increasing demand of energy. This will augur well for the demand for offshore supply vessels and seaborne coal logistic 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 September 2011 RM'000	**Cumulative period 9 months ended 30 September 2011 RM'000**
Malaysian income taxation		
- Current year	94	205
Indonesian income taxation		
- Current year	1,090	4,069
Total	1,184	4,274
Effective tax rate	13.5%	19.0%

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 September 2011 RM'000	As at 31 December 2010 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(111,600)	(130,099)
- Unrealised	(18,878)	(20,060)
Total share of retained earnings from associated companies:	(130,478)	(150,159)
- Realised	47,598	45,899
- Unrealised	1,885	1,829
Total share of retained earnings from jointly controlled entities:		
- Realised	2,343	1,154
- Unrealised		-
	(78,652)	(101,277)
Less: Consolidation adjustments	(6,111)	(2,446)
Total accumulated losses	(84,763)	(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").

B9 Corporate Proposals ("continued")

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 September 2011 are as follows:-

	RM'000
Short term borrowings (secured)	22,965
Long term borrowings (secured)	11,776
	34,741

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

	RM'000
Malaysia Ringgit	63
United States Dollar	34,678
	34,741

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 September 2011 RM'000	**31 December 2010 RM'000**
Notional value	17,616	21,359
Fixed interest rates	3.74%	3.74% to 4.95%
Floating interest rates	0.25% to 0.31%	0.39% to 0.78%

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

Term	Notional value	Fair value (loss)
	RM'000	RM'000
Less than 1 year	5,872	(305)
1 year to 3 years	11,744	(611)
More than 3 years	-	-
	17,616	(916)

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 September 2011	3 months ended 30 September 2010	9 months ended 30 September 2011	9 months ended 30 September 2010
Basic earnings/(loss) per share				
Profit/(loss) from continuing operations (RM'000)	7,807	(284,657)	18,960	(218,796)
Profit from discontinuing operation (RM'000)	-	-	-	11,391
	7,807	(284,657)	18,960	(207,405)
Issued and paid-up capital	733,009	733,009	733,009	733,009
Less: Treasury shares purchased during the period	(143)	(5)	(143)	(5)
Weighted average number of ordinary shares in issue ('000)	732,866	733,004	732,866	733,004
Basic earnings/(loss) per share (sen) :-				
- For profit/(loss) from continuing operations	1.07	(38.83)	2.59	(29.85)
- For profit from discontinuing operations	-	-	-	1.55
Profit/(loss) for the period	**1.07**	**(38.83)**	**2.59**	**(28.30)**
Fully diluted (loss)/earnings per share				
Profit from continuing operations (RM'000)	7,807	(284,657)	18,960	(218,796)
Profit from discontinuing operation (RM'000)	-	-	-	11,391
	7,807	(284,657)	18,960	(207,405)
Weighted average number of ordinary shares in issue ('000)	732,866	733,004	732,866	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)	732,866	733,004	732,866	733,004
Diluted (loss)/earnings per share (sen):-				
- For profit/(loss) from continuing operations	1.07	(38.83)	2.59	(29.85)
- For profit from discontinuing operations	-	-	-	1.55
Profit/(loss) for the period	**1.07**	**(38.83)**	**2.59**	**(28.30)**

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 24 November 2011 by the Board of Directors.