

**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 Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. 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 (FRSs).

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. 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 2011.

A2 Significant Accounting Policies

The interim financial statement is the Group’s first MFRS compliant and hence MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied.

The date of transition to the MFRS framework is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1.

(a) Adoption of New and Revised FRSs, IC Interpretations and Amendments – FY2012

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 2011, except for the following new and revised MFRSs, IC Interpretations and Amendments to MFRSs and IC Interpretations which are applicable for the Group’s financial period beginning 1 January 2012:

MFRSs and Interpretations

MFRS 124	Related Party Disclosures (revised)
Amendments to MFRS 112	Exception to Existing Principle for the Measurement of Deferred Tax Arising on Investment Property
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	MFRS 119 The Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction
Amendments to MFRS 1	First-Time Adoption on Fixed Dates and Hyperinflation
Amendments to MFRS 7	Disclosures on Transfers of Financial Assets

Adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations did not have any effect on the financial performance, position or presentation of financial of the Group.

A2 Significant Accounting Policies (“continued”)

- (b) Adoption of New and Revised MFRS, IC Interpretations and Amendments to MFRS that were issued but not yet effective

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

MFRSs and Interpretations		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

In the current period ended 30 June 2012, the Group has early adopted the following MFRS which is applicable to its financial statements and as a result considers Scomi Group Berhad as its parent company.

MFRSs and Interpretations		Effective for annual periods beginning on or after
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013

The initial application of the other those Standard are not expected to have a material impact to the 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 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

During this financial period, the Group has embarked on a resizing exercise of its coal operations, and the financial impact has been included in the results under "other operating expenses".

A6 Significant Estimates and Changes in EstimatesImpairment 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. There has been no change in the carrying amount of goodwill since the last quarter.

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 RM0.41 per share. The total consideration paid for the repurchase including transaction costs was RM451 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 2012

	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
REVENUE AND RESULTS FOR THE PERIOD ENDED 30 JUNE 2012				
REVENUE				
External sales	149,207	39,430	-	188,637
Total revenue	<u>149,207</u>	<u>39,430</u>	<u>-</u>	<u>188,637</u>
RESULTS				
Profit from operations	24,703	8,820	-	33,523
Finance costs	(163)	(321)	(1)	(485)
Interest income	110	36	165	311
Share of results in associated companies	-	17	-	17
Share of results in joint venture	-	1,314	-	1,314
Profit before impairment charges	<u>24,650</u>	<u>9,866</u>	<u>164</u>	<u>34,680</u>
Reversal of impairment on receivables	262	-	-	262
Segment results	<u>24,948</u>	<u>9,830</u>	<u>164</u>	<u>34,942</u>
Unallocated costs				(4,371)
Profit before taxation				<u>30,571</u>
Taxation				(3,066)
Profit for the period				<u>27,505</u>
Non-controlling interests				(2,209)
Profit attributable to shareholders of the Company				<u>25,296</u>

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Segment Reporting ("continued")

	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	159,503	35,358	-	194,661
Total revenue	159,503	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
Profit before impairment charges	15,070	5,948	(13)	21,005
Impairment loss on receivables	-	(2,573)	-	(2,573)
Segment results	15,070	3,375	(13)	18,432
Unallocated costs				(4,658)
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

	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 JUNE 2012				
ASSETS				
Assets employed in the segment	459,513	163,826	45,051	668,390
Investment in associated companies	-	264	-	264
Investment in joint venture	-	21,246	-	21,246
Segment assets	459,513	185,336	45,052	689,900
Asset classified as held for sale	16,416	8,892	-	25,308
				715,208
LIABILITIES				
Liabilities in segment	61,542	40,051	9,840	111,433

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Segment Reporting ("continued")

	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
PERIOD ENDED 30 JUNE 2012				
OTHER INFORMATION				
Capital expenditure	11,371	3,005	-	14,376
Depreciation of property, plant and equipment	17,565	6,055	98	23,718
Other significant non-cash expenses:	-	-	405	405
- share based payment expenses				

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

**PERIOD ENDED
30 JUNE 2011**

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

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

Save as disclosed in Note B7, the capital repayment was completed on 29 August 2012, 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

There were no other changes in the composition of the Group for the current period.

A13 Contingent Liabilities

Details of contingent liabilities of the Group as at 14 August 2012 is as follows:-

	RM'000
Bank guarantees issued for charter marine contracts	11,900
	=====

A14 Capital Commitments

Authorised capital commitments as at 14 August 2012 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
Vessels – docking costs	-	16,227	16,227
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The future minimum lease payments under non-cancellable operating leases as at 30 June 2012 are as follows:

	Total outstanding RM'000	Expiring within one year RM'000	Expiring between one to five years RM'000
In respect of:			
Rental of office premises	796	472	324
Re-charter vessel contracts	8,582	8,219	363
	<hr/> 9,378	<hr/> 8,691	<hr/> 687
	<hr/> <hr/>		

The currency exposure profile of the operating lease commitments are summarized as follows:

	RM'000
Malaysia Ringgit	428
United States Dollar	8,950
	<hr/> 9,378
	<hr/> <hr/>

A15 Related party transactions

	Current quarter 3 months ended 30 June 2012 RM'000	Cumulative quarter 6 months ended 30 June 2012 RM'000
<i>Transactions with companies of which certain substantial shareholders have interests</i>		
Air ticket cost charged	5	19
Computer software application fees	-	17
Office rental paid/payable	70	140
<i>Transactions with companies of which have interest in the subsidiaries</i>		
Agency and management fees paid	252	506

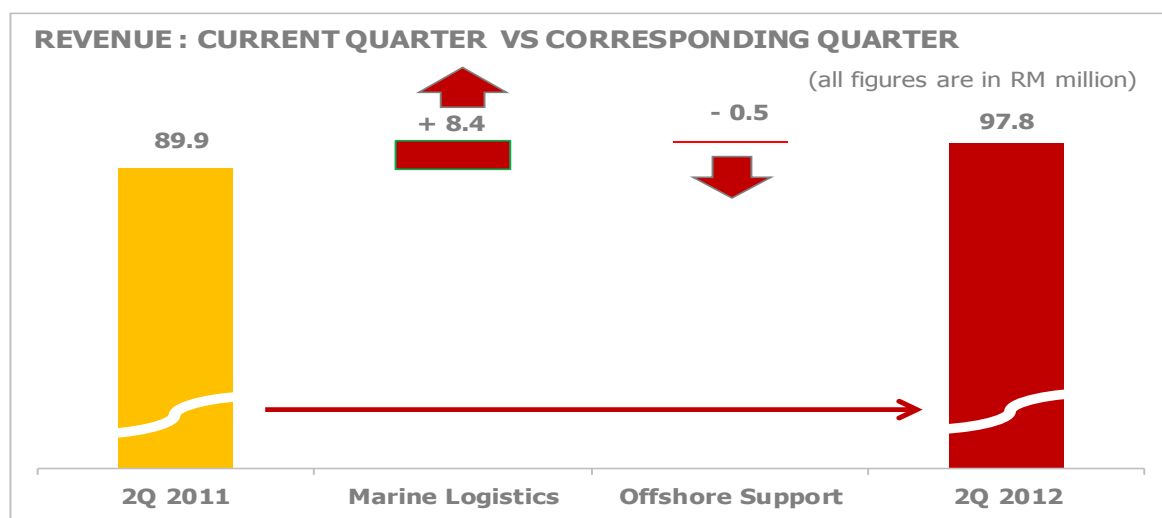
The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Group and the Company than those arranged with independent third parties.

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

B1 Review of Operating Segments

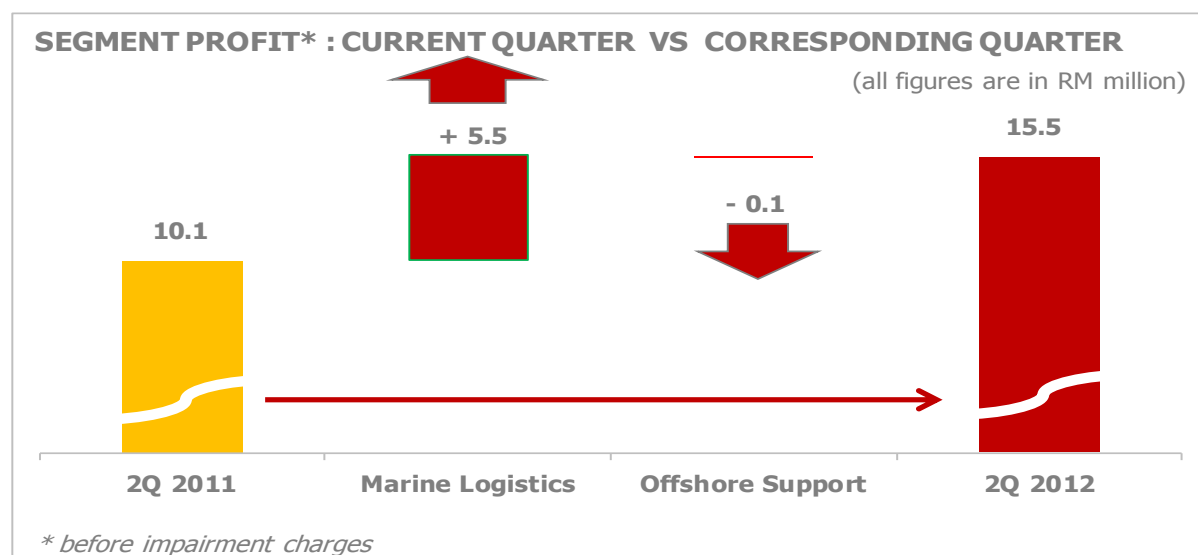
Current quarter vs Corresponding quarter

The Group recorded a higher revenue of RM97.8 million for the current quarter, an increase of 8.8% from RM89.9 million in the corresponding quarter ("Q2 2011"). Details of the key factors driving the performance of each segment are provided in the respective section below.



Total segment profit for 2Q 2012 and 2Q 2011 were as follows:

	<u>2Q 2012</u> (RM'000)	<u>2Q 2011</u> (RM'000)
Profit before impairment charges	15,501	10,099
Impairment on receivables	-	(1,253)
Segment profit	<u>15,501</u>	<u>8,846</u>



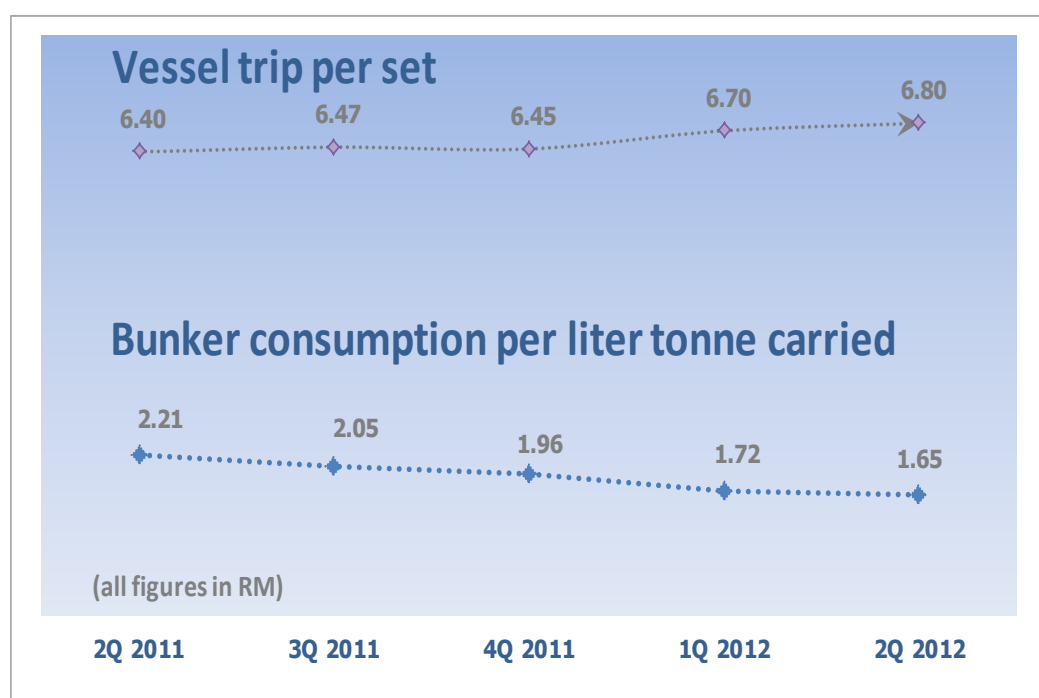
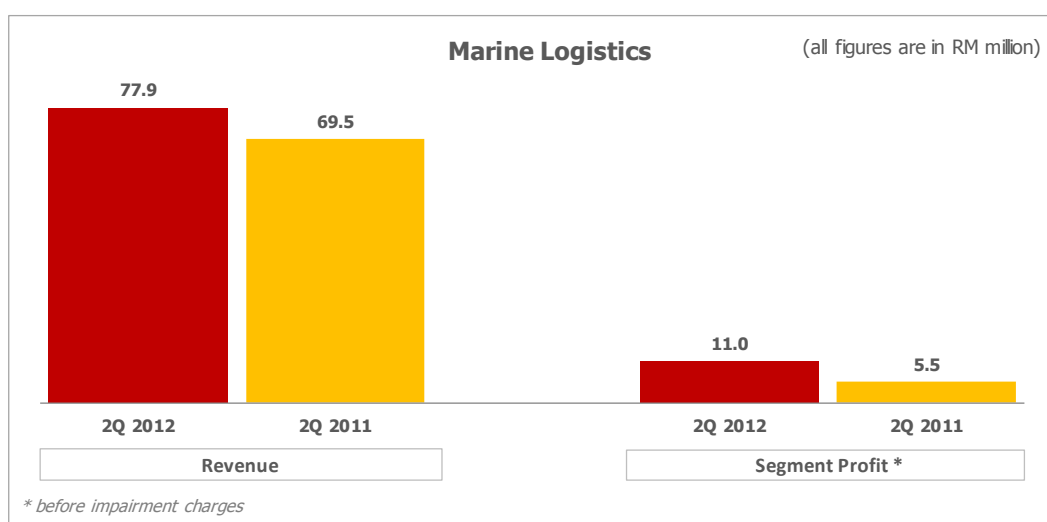
B1 Review of Operating Segments (“continued”)

The Group reported a profit before tax for 2Q 2012 of RM12.3 million, higher by RM6.0 million as compared to the RM6.3 million reported for 2Q 2011.

Details of the key factors driving the performance of each segment are provided in the respective section below.

Marine Logistics

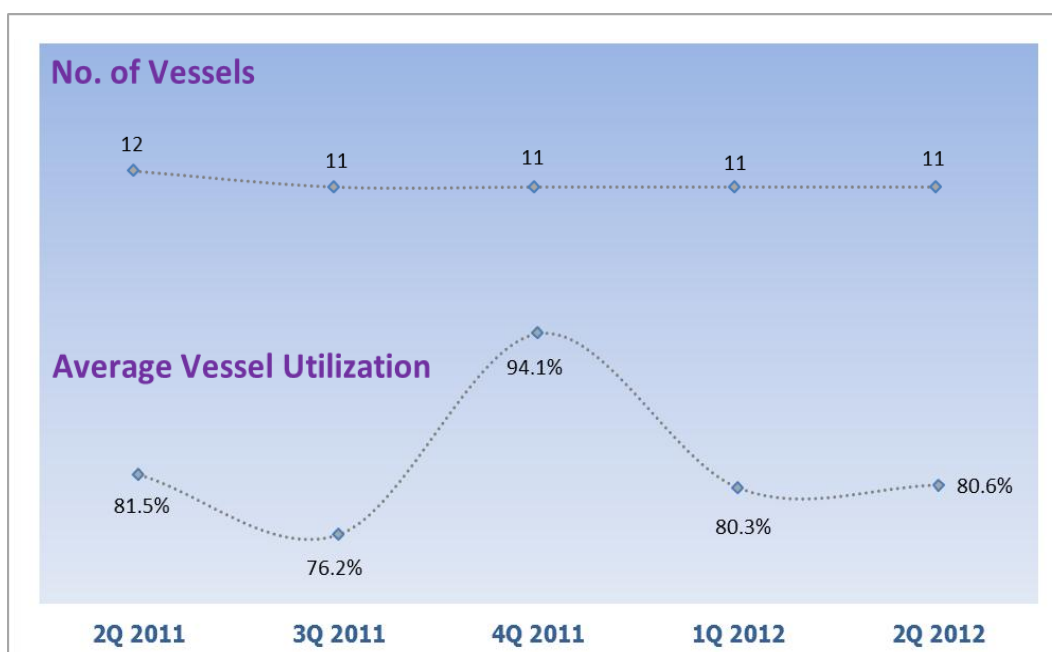
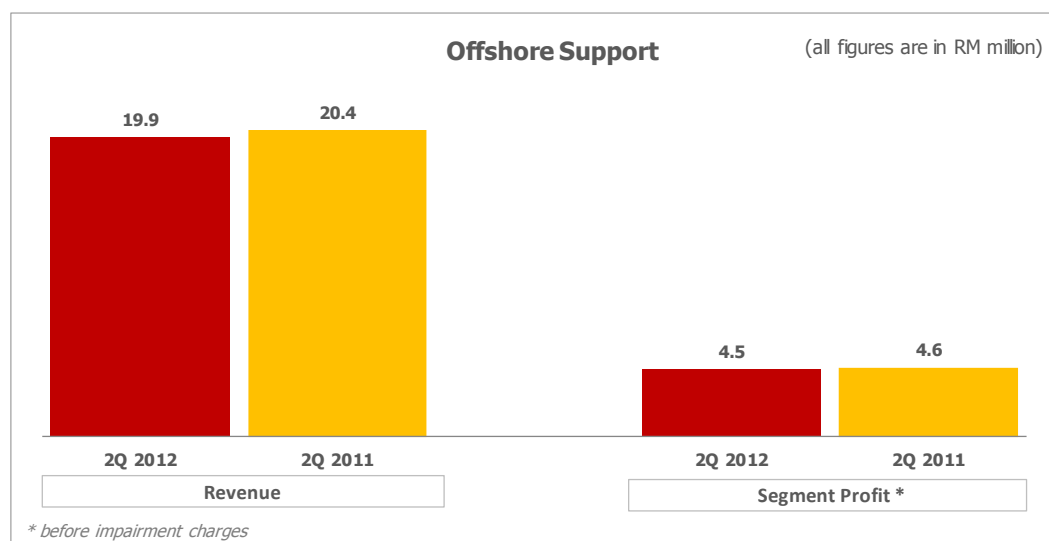
The marine logistics segment recorded higher revenues of RM77.9 million on the back of better utilization of its vessels. The segment profit for 2Q 2012 higher by RM5.5 million as compared to RM5.5 million in 2Q 2011 due principally better operational performance in terms of cycle time and bunker consumption. This translated into lower operational costs for bunker, third party re-charter and interest expense.



B1 Review of Operating Segments ("continued")

Offshore Support

The offshore support segment recorded revenue of RM19.9 million which was a slight reduction of 2.5% as compared to 2Q 2011 and this was due to a lower average vessel utilization rate of 80.6% in 2Q 2012 compared to 81.5% in 2Q 2011. As a result, the segment profit for 2Q 2012 is lower at RM4.5 million as compared to RM4.6 million in 2Q 2011.



Total segment profit for 2Q 2012 and 2Q 2011 were as follows:

	<u>2Q 2012</u> (RM'000)	<u>2Q 2011</u> (RM'000)
Profit before impairment charges	4,525	4,597
Impairment on receivables	-	(1,253)
Segment profit	<u>4,525</u>	<u>3,344</u>

B1 Review of Operating Segments (“continued”)

Current period YTD vs Corresponding period

The Group recorded lower revenue of RM188.6 million for the current period, as compared RM194.7 million in the corresponding period in 2011 (“H1 2011”).

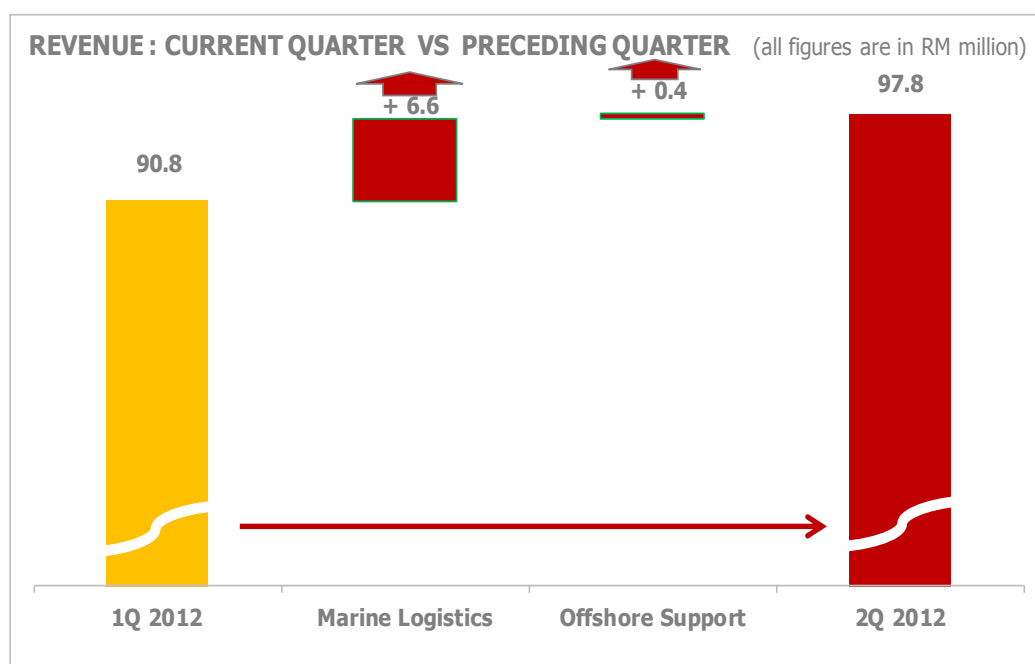
The decrease was due to the drop in the coal transportation business as the fleet handled lower tonnage in Indonesia for the current period. The impact of the decline was cushioned by savings in the fleet operational costs comprising bunker consumption, third party re-charter and interest expense.

For the offshore support segment, the Group continued to derive a steady stream of earnings from its offshore vessel fleet with overall utilization rate in excess of 80%.

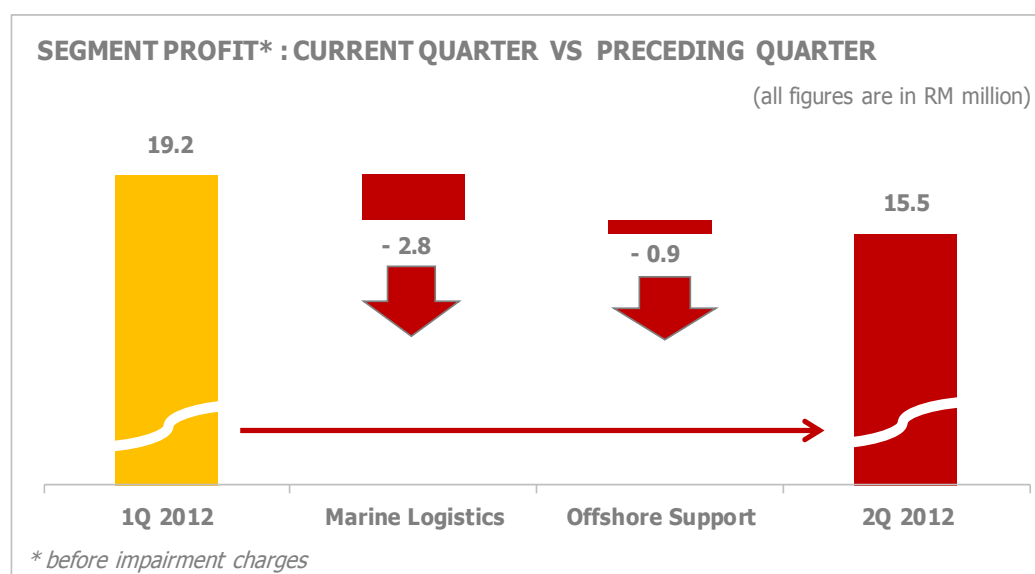
The Group posted a net profit of RM27.5 million for the current period, as compared to RM10.7 million recorded in H1 2011 due to the reasons stated above and improved performance in its investment in associates and jointly controlled entity.

B2 Material Change in Performance as Compared to Preceding Quarter

Overall revenues for 2Q 2012 was RM97.8 million, higher by 7.7% from RM90.8 million recorded in the preceding quarter ("1Q 2012").



However, the Group reported a segment profit for 2Q 2012 of RM15.5 million, a decrease of 19.3% from RM19.2 million in 1Q 2012.

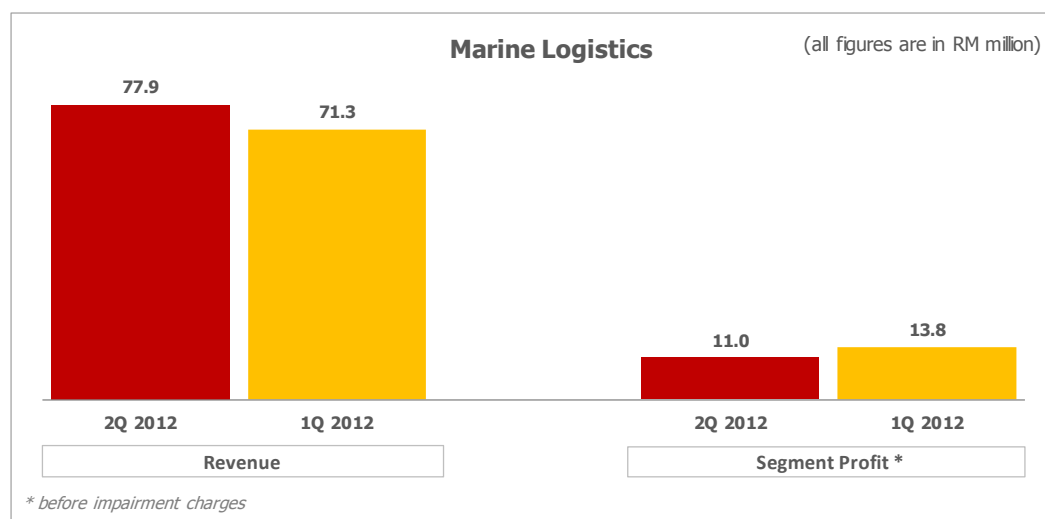


Details of the key factors driving the performance of each segment are provided in the respective section below.

B2 Material Change in Performance as Compared to Preceding Quarter ("continued")

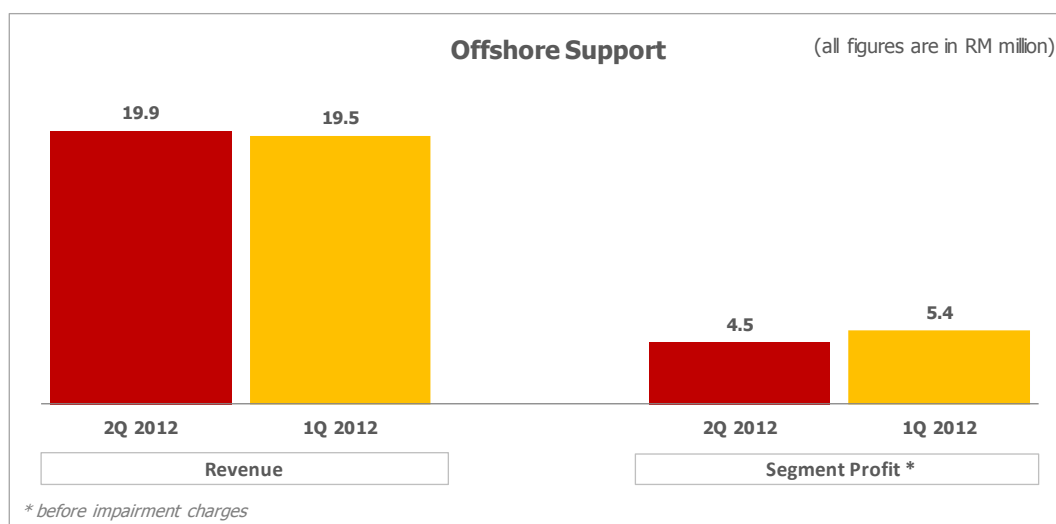
Marine Logistics

The marine logistics segment recorded higher revenue on the back of better utilization rate of its marine logistics fleet. Despite the savings in operational costs and interest expenses, the marine logistics segment profit drop to RM11.0 million in 2Q 2012 from RM13.8 million in 1Q 2012 mainly due to one off staff costs provided in the current quarter related to resizing of operations and the costs have been captured under "other operating expenses".



Offshore Support

The offshore support segment recorded slightly higher revenue in line with the marginally higher vessel utilization rate from 80.3% in 1Q 2012 to 80.6% in 2Q 2012. Despite the higher revenue, offshore support segment profit dropped to RM4.5 million in 2Q 2012 from RM5.4 million in 1Q 2012 mainly due to one off staff costs provided in the current quarter related to resizing of operations and the costs have been captured under "other operating expenses".



B3 Current Year Prospects

The Group remains optimistic with the growth of oil and gas industry in the region. Along with 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 through to 2013 before reaching a peak in 2014. The increase in the level of activity is expected to absorb the current flow of new vessels in the market, which should result in increase in the daily charter rates of offshore support vessels.

The coal market has softened and subsequently suppressed demand for the commodity. This is reflected in the drop in coal price, which has translated into lower production numbers for Indonesia. Our coal logistics fleet will be affected by the slowdown but continues to serve our major customers, albeit with a smaller fleet.

On the other hand, the proposed acquisitions will effectively allow the enlarged SMB group to expand its involvement in the drilling fluid solutions and drilling waste management businesses, while strengthening 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 Taxation Charge

Taxation comprises the following:-

	Current quarter 3 months ended 30 June 2012 RM'000	Cumulative period 6 months ended 30 June 2012 RM'000
Malaysian income taxation		
- Current year	5	10
Indonesian income taxation		
- Current year	1,766	3,056
Total	<u>1,771</u>	<u>3,066</u>
Effective tax rate	<u>14.46%</u>	<u>10.03%</u>

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 2012 RM'000	As at 31 December 2011 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	(245,637)	(258,206)
- Unrealised	(10,202)	(1,237)
	<hr/>	<hr/>
Total share of retained earnings from associated companies:	(255,839)	(259,443)
- Realised	44,708	43,990
- Unrealised	1,887	1,864
Total share of retained earnings from jointly controlled entities:		
- Realised	5,061	3,653
- Unrealised		
	<hr/>	<hr/>
Less: Consolidation adjustments	(204,183)	(209,936)
	(5,674)	(5,486)
Total accumulated losses	<hr/> <u>(209,857)</u>	<hr/> <u>(215,422)</u>

B7 Corporate Proposals

(A) Proposed disposal of Marine Logistics entities

On 29 February 2012, the Company had announced to the Bursa Malaysia that its wholly-owned subsidiary, Scomi Marine Services Pte Ltd ("SMS"), had entered into a conditional shares purchase agreement with PT Rig Tenders Tbk ("PTRT"), an 80.54% owned subsidiary of SMS, for the disposal its entire equity interest in :

- (a) CH Logistics Pte Ltd and its wholly-owned subsidiary, Sea Master Pte Ltd,;
- (b) CH Ship Management Pte Ltd; and,
- (c) Grundtvig Marine Pte Ltd and its 95% owned-subsiidiary, PT Batuah Abadi Lines,

to PTRT for a total consideration of USD57.0 million (collectively referred to as "Proposed MLC Disposals") and the intention of the Board of Directors of Scomi Marine Bhd ("SMB") to propose to the shareholders of SMB, a proposed cash distribution of up to USD45.0 million to the shareholders of SMB via a capital repayment exercise ("Proposed Capital Repayment"). The Proposed MLC Disposals were completed on 12 April 2012.

(B) Proposed SMB Rationalisation

On 29 February 2012, SMB had entered into a Heads of Agreement ("HOA") with its substantial shareholder, Scomi Group Bhd ("SGB"), to negotiate in good faith the detailed terms and conditions of the Proposed SMB Rationalisation with the intention to finalise and enter into the relevant definitive agreement(s) by 30 June 2012 or such other extended period as the parties may mutually agreed upon.

B7 Corporate Proposals ("continued")

(C) Proposed Capital Repayment and Reduction

On 29 February 2012, the Company had announced to the Bursa Malaysia that it is proposing to reduce its existing issued and paid-up share capital comprising ordinary shares of RM1.00 each to RM0.45 each by cancelling RM0.55 for each Share pursuant to Section 64 of the Companies Act, 1965 ("Act") ("Par Value Reduction") and reduction of the entire amount standing to the credit of the share premium account of SMB pursuant to Sections 60(2) and 64 of the Act ("Share Premium Reduction").

Based on the share premium account of the Company as at 31 December 2011 of RM121.91 million, the total number of SMB Shares in issue of 733,009,478 as at 30 March 2012, and on the assumption that the right to subscribe for the new shares of the Company granted to the eligible persons under the Company's employees' share option scheme ("ESOS") are not exercised, the Par Value Reduction and Share Premium Reduction will give rise to a credit of approximately RM525.07 million which is proposed to be utilised to facilitate the following:

- (i) firstly, capital repayment to the shareholders of SMB whose names appear on the Record of Depositors of SMB via a cash distribution in the total sum of RM135,606,753 or RM0.185 for every existing SMB Share held at an entitlement date to be determined and announced later ("Proposed Capital Repayment");
- (ii) secondly, setting-off of the entire accumulated losses of the Company at a date to be determined by the Board from the credit remaining after the Proposed Capital Repayment. As at 31 December 2011, the accumulated losses of the Company stood at RM362.04 million; and
- (iii) thirdly, setting-off of the estimated expenses in relation to the Proposal from the credit remaining after the Proposed Capital Repayment and the set-off of the entire accumulated losses of the Company 2 (items (ii) and (iii) are collectively referred to as "Proposed Set-Off").

Accordingly, upon completion of the Proposal, the issued and paid-up share capital of SMB will be reduced from RM733.01 million comprising 733,009,478 ordinary shares of RM1.00 each to RM329.85 million comprising 733,009,478 ordinary shares of RM0.45 each.

B7 Corporate Proposals (“continued”)

(C) Proposed Capital Repayment and Reduction (“continued”)

The Proposed Capital Repayment will be funded by the proceeds received and/or to be received by Scomi Marine Services Pte Ltd (“SMS”), a wholly-owned subsidiary of the Company, arising from the following:

- (i) partial loan repayment by PT. Rig Tenders Indonesia Tbk, a 80.54%-owned subsidiary of SMS (“PTRT”) amounting to United States Dollar (“USD”) 3.0 million;
- (ii) cash dividends amounting to USD12.0 million; and,
- (iii) partial redemption of the vendor notes issued by PTRT amounting to USD30.0 million,

pursuant to the disposal by SMS of its entire equity interest in CH Logistics Pte Ltd and its wholly-owned subsidiary, Sea Master Pte Ltd, CH Ship Management Pte Ltd, and Grundtvig Marine Pte Ltd and its 95%-owned subsidiary, PT Batuah Abadi Lines, to PTRT for a total disposal consideration of USD57.0 million, which was completed on 12 April 2012.

SMB will receive the Proceeds from SMS pursuant to the repayment of shareholders’ advances extended by SMB.

Further to the above announcement, on 19 June 2012, the Company had, via its legal counsel, filed an application to the High Court of Malaya (“High Court”) to seek the requisite order of the High Court confirming the Proposal pursuant to Sections 60(2) and 64 of the Companies Act, 1965.

On 30 July 2012, the Company pleased to announce that the High Court of Malaya had granted an order confirming the Proposal pursuant to Sections 60(2) and 64 of the Companies Act, 1965 (“Court Order”).

The capital repayment was completed on 29 August 2012.

(D) Proposed ESOS Termination

On 3 May 2012, the Company had announced to the Bursa Malaysia that it is proposing to undertake the Proposed ESOS Termination. The ESOS became effective on 18 October 2005 and shall expire on 17 October 2015. The total number of new ordinary shares of RM1.00 each in SMB (“SMB Shares”) which have been issued pursuant to the exercise of the options granted to the eligible employees and Directors of the Company and/or its subsidiaries under the ESOS, to subscribe for new SMB Shares (“ESOS Options”), since the commencement of the ESOS up to 31 March 2012, is 5,966,000 SMB Shares.

As at 31 March 2012, there are 21,050,000 ESOS Options, which have yet to be exercised. The exercise price of the ESOS Options is RM1.15 per SMB Share. Based on the closing market price of SMB Shares on 2 May 2012 of RM0.395, the ESOS Options are currently out-of-the-money.

Corporate Proposals ("continued")

(D) Proposed ESOS Termination ("continued")

Pursuant to Paragraph 8.18 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with By-Law 18.2 of the ESOS, subject to written consent of the holders of the ESOS Options who have yet to exercise their ESOS Options, either in part or in whole ("Option Holders"), the Company in a general meeting may, by ordinary resolution passed by the shareholders of the Company, terminate the continuation of the ESOS at any time and in such an event, no further offer of the ESOS Options shall be made from the date of such resolution and the ESOS Options as yet unexercised or partially exercised, shall be deemed to be terminated at the date of such resolution. The Proposed ESOS Termination will not have any effect on the share capital of SMB and shareholdings of the substantial shareholders in SMB. In addition, the Proposed ESOS Termination will not have any material effect on SMB's consolidated net assets, gearing, earnings and basic earnings per SMB Share.

Further to the above announcement, the Company wish to announce that the ESOS Termination has been completed on 26 June 2012.

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

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

- (i) Proposed acquisitions 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 Acquisitions")

SMB also entered into the following conditional agreement:-

- (a) share sale agreement ("SSA") with SGB, Standard Chartered Private Equity Limited ("SCPE") and Fuji Investments I ("FII") (collectively referred to as "Vendors") for the proposed acquisition of the entire share capital of SOL, comprising ordinary shares of USD1.00 each ("SOL Shares"), "A" preference shares of USD1.00 each ("Preference Shares A"), "B" preference shares of USD1.00 each ("Preference Shares B") and "C" preference shares of USD1.00 each ("Preference Shares C"), for a total purchase consideration of RM1,020.02 million which comprises a base sum of RM756.12 million ("SOL Base Sum") which is to be satisfied by the issuance of 1,608,765,957 new SMB Shares at an issue price of RM0.47 per SMB Share ("Consideration Shares"), and the SOL Receivables ("SOL Agreement");

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

(b) SSA with SGB for the proposed acquisition of the entire issued and paid-up ordinary share capital of SSSB for a disposal consideration of RM6.71 million ("SSSB Consideration") and the assumption by SMB of an amount owing by SSSB to SGB ("Amount Owing") to be satisfied by way of the SMB Assignment of Interco Loan and the balance to be satisfied in cash ("Proposed SSSB Disposal") ("SSSB Agreement"); and

(c) SSA with SGB for the proposed acquisition of 48% of the issued and paid-up ordinary shares of SKMC for a cash consideration of RM769,911 ("Proposed SKMC Acquisition") ("SKMC Agreement").

(The SOL Agreement, SSSB Agreement and SKMC Agreement are collectively referred to as "Acquisition Agreements")

(SOL, SSSB and SKMC are collectively referred to as "Acquiree Companies")

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 redeemable convertible cumulative preference shares of RM0.01 each in SMB ("SMB RCCPS"), after the completion of the Proposed Capital Repayment and Set-Off (as defined in item (C)), to RM1,802,000,000 comprising 4,000,000,000 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.

(ii) Proposed exemption to Scomi Group Bhd ("SGB") and Scomi Energy Sdn Bhd ("SESB"), a wholly-owned subsidiary of SGB, from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares of RM0.45 each in SMB ("SMB shares") not already owned by them after the proposed SOL acquisition ("proposed exemption")

Upon completion of the Proposed SOL Acquisition, the collectively shareholding of SGB and SESB in SMB will increase from approximately 42.76% to approximately 65.65%. Accordingly, in accordance with Section 218(2) of the Capital Markets & Services Act, 2007 and Section 9(1), Part III of the Malaysian Code on Take-Over and Mergers, 2010 ("Code"), SGB and SESB will be obliged to undertake a mandatory take-over offer for the remaining SMB Shares not already owned by them ("Offer") after the Proposed SOL Acquisition.

SESB is a person acting in concert with SGB for purposes of the Offer by virtue of it being a wholly-owned subsidiary of SGB and as at 29 June 2012, it holds approximately 0.05% in SMB.

- (E) Proposed Acquisitions by SMB, proposed exemption to Scomi Group Bhd ("SGB") and Scomi Energy Sdn Bhd ("SESB") and proposed increase in the authorised share capital of SMB. ("continued")

As SGB has no intention of undertaking the Offer, SGB and SESB intend to seek an exemption from the Securities Commission Malaysia ("SC") pursuant to Paragraph 16.1(a) of Practice Note 9 of the Code from the obligation to undertake the Offer.

The Proposed SOL Acquisition, Proposed SSSB Acquisition and Proposed SKMC Acquisition are inter-conditional upon each other and shall only be implemented after the completion of the Proposed Capital Repayment and Set-Off, Proposed SOL Reorganisation and Proposed Acquisition by SGB.

The Proposed SOL Acquisition, Proposed Exemption and Proposed Increase in Authorised Share Capital are inter-conditional upon each other.

Barring any unforeseen circumstances, the Proposals are expected to be completed in the 4th quarter of 2012.

Apart from the above, there were no other corporate proposals announced but not completed at the reporting date.

B8 Group Borrowings

The Group borrowings as at 30 June 2012 are as follows:-

	RM'000
Short term borrowings (secured)	5,902
Long term borrowings (secured)	7,365
	<u>13,267</u>

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

	RM'000
Malaysia Ringgit	39
United States Dollar	13,228
	<u>13,267</u>

B9 Material Litigation

There was no pending material litigation at the date of this quarterly report.

B10 Proposed Dividend

No dividend has been proposed in respect of the quarter under review.

B11 Earnings Per Share

	Current Quarter		Cumulative Quarter	
	3 months ended 30 June 2012	3 months ended 30 June 2011	6 months ended 30 June 2012	6 months ended 30 June 2011
Basic earnings/(loss) per share				
Profit/(loss) for the period (RM'000)	8,937	5,273	25,296	11,154
Issued and paid-up capital	733,009	733,009	733,009	733,009
Less: Treasury shares purchased during the period	(144)	(7)	(144)	(7)
Weighted average number of ordinary shares in issue ('000)	732,865	733,002	732,865	733,002
Basic earnings/(loss) per share (sen)	1.22	0.72	3.45	1.52
Fully diluted (loss)/earnings per share				
Profit/(loss) for the period (RM'000)	8,937	5,273	25,296	11,154
Weighted average number of ordinary shares in issue ('000)	732,865	733,002	732,865	733,002
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)	732,865	733,002	732,865	733,002
Diluted (loss)/earnings per share (sen):-	1.22	0.72	3.45	1.52

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

B12 Authorised For Issue

The interim financial statements were authorized for issue on 30 August 2012 by the Board of Directors.