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 quarter, there has been losses incurred on disposal of vessels and the financial impact has been included in the results under "other operating expenses".

A6 Significant Estimates and Changes in Estimates

<u>Impairment on goodwill</u>

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

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

The effect of the capital repayment is disclosed under note B7.

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 2012

REVENUE AND RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012	**Marine Logistics RM'000**	**Offshore support RM'000**	**Others RM'000**	**Total RM'000**
REVENUE				
External sales	180,920	57,248	-	238,168
Total revenue	180,920	57,248	-	238,168
RESULTS				
Profit from operations	24,798	12,270	-	37,068
Finance costs	(1,053)	(469)	(7)	(1,529)
Interest income	163	45	390	598
Share of results in associated companies	-	100	-	100
Share of results in joint venture	-	2,025	-	2,025
Profit before impairment charges	23,908	13,971	383	38,262
Reversal of impairment on receivables	635	-	1,021	1,656
Segment results	24,543	13,971	1,404	39,918
Unallocated costs				(7,070)
Profit before taxation				32,848
Taxation				(4,580)
Profit for the period				28,268
Non-controlling interests				(3,616)
Profit attributable to shareholders of the Company				24,652

A9 Segment Reporting ("continued")

REVENUE AND RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011	Marine Logistics RM'000	Offshore support RM'000	Others RM'000	Total RM'000
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	-	1,175
Profit before impairment charges	25,738	7,412	(9)	33,141
Impairment loss on receivables	-	(4,975)	-	(4,975)
Segment results	25,738	2,437	(9)	28,166
Unallocated costs				(5,633)
Profit before taxation				22,533
Taxation				(4,274)
Profit for the period				18,259
Minority interests				701
Profit attributable to shareholders of the Company				18,960

ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2012	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
ASSETS				
Assets employed in the segment	407,605	162,002	10,974	580,581
Investment in associated companies	-	347	-	347
Investment in joint venture	-	20,612	-	20,612
Segment asset	407,605	182,961	10,974	601,540
LIABILITIES				
Liabilities in segment	78,736	67,267	3,792	149,795

A9 Segment Reporting ("continued")

PERIOD ENDED 30 SEPTEMBER 2012	Marine Logistics RM'000	Offshore Support RM'000	Others RM'000	Total RM'000
OTHER INFORMATION				
Capital expenditure	17,989	5,692	-	23,681
Depreciation of property, plant and equipment	25,656	9,218	151	35,025
Other significant non-cash expenses: - share based payment expenses	-	-	397	397

ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2011	Marine Logistic 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

PERIOD ENDED 30 SEPTEMBER 2011				
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

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.

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

Detail of contingent liabilities of the Group as at 12 November 2012 is as follows:-

	RM'000
Bank guarantee issued for charter marine contracts	16,832
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A14 Capital Commitments

Authorised capital commitments as at 12 November 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	-	9,198	9,198

The future minimum lease payments under non-cancellable operating leases as at 30 September 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	681	475	206
Re-charter vessel contracts	2,538	2,538	-
	3,219	3,013	206

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

	RM'000
Malaysia Ringgit	358
United States Dollar	2,861
	3,219

A15 Related party transactions

	Current quarter 3 months ended 30 September 2012 RM'000	Cumulative quarter 9 months ended 30 September 2012 RM'000
Transactions with companies of which certain substantial shareholders have interests		
Air ticket cost charged	1	20
Computer software application fees	-	17
Office rental paid/payable	70	210
Transactions with companies of which have interest in the subsidiaries		
Agency and management fees paid	253	759

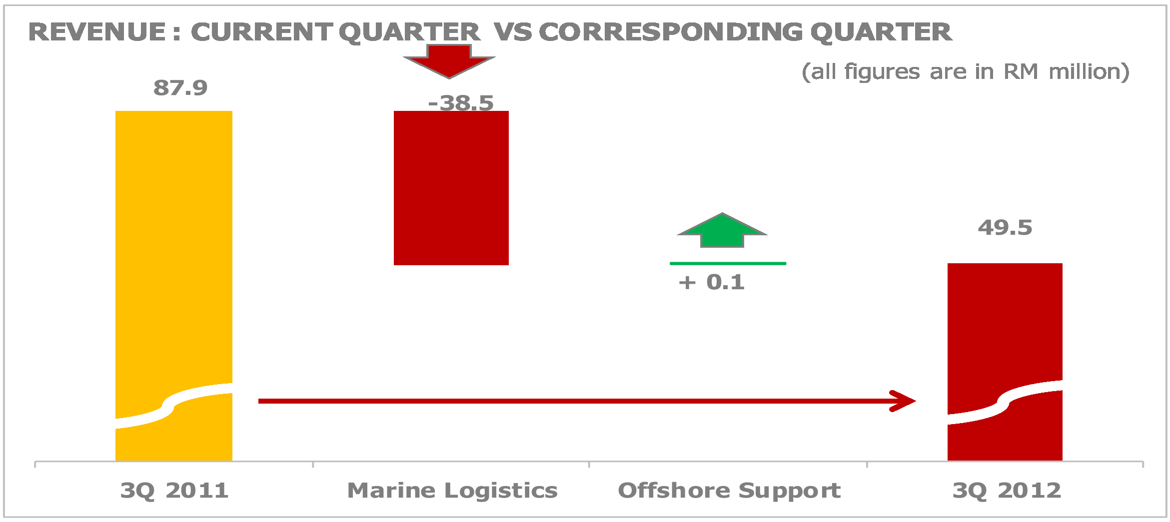
The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favorable to the Group and the Company than those arranged with independent third parties.

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

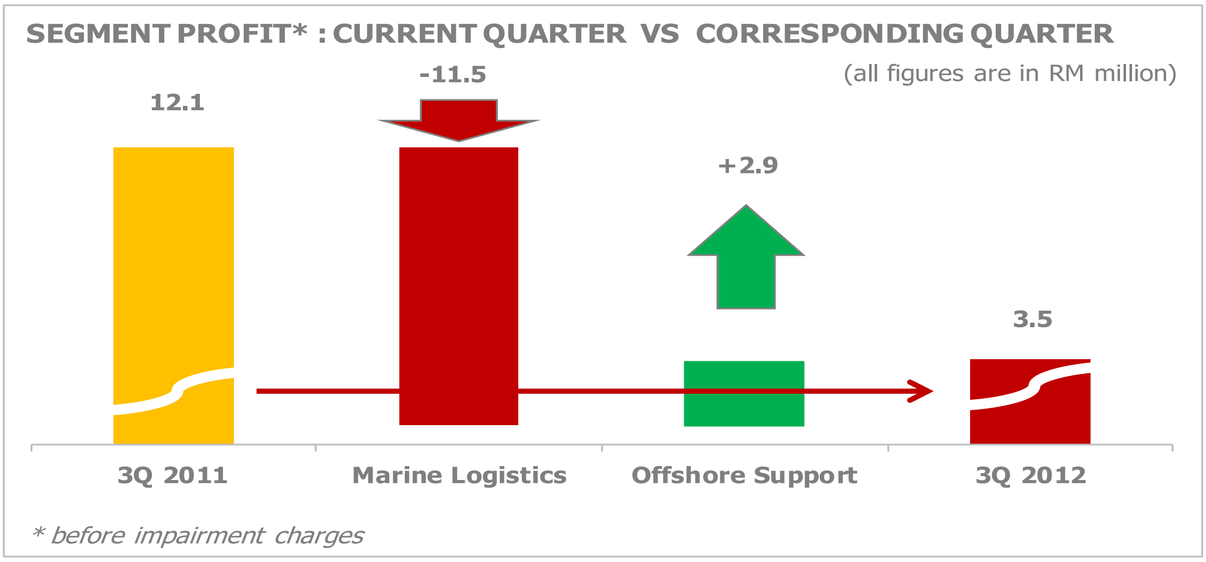
B1 **Review of Operating Segments**

Current quarter vs Corresponding quarter

The Group recorded lower revenue of RM49.5 million for the current quarter, a 43.7% reduction from RM87.9 million in the corresponding quarter ("Q3 2011"). Details of the key factors driving the performance of each segment are provided in the respective section below.



The Group registered lower segment profit by RM8.6 million for the current quarter, a 71.1% reduction from RM12.1 million in the corresponding quarter ("Q3 2011"). Details of the key factors affecting each segment profit are provided in the respective section below.



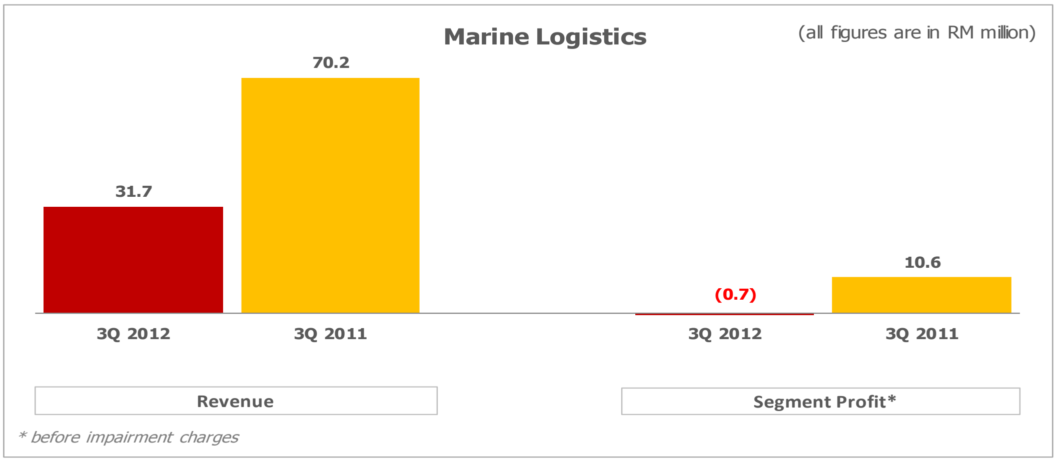
B1 Review of Operating Segments ("continued")

The Group reported a profit before tax for 3Q 2012 of RM2.3 million, lower by RM6.5 million as compared to the RM8.8 million reported for 3Q 2011.

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

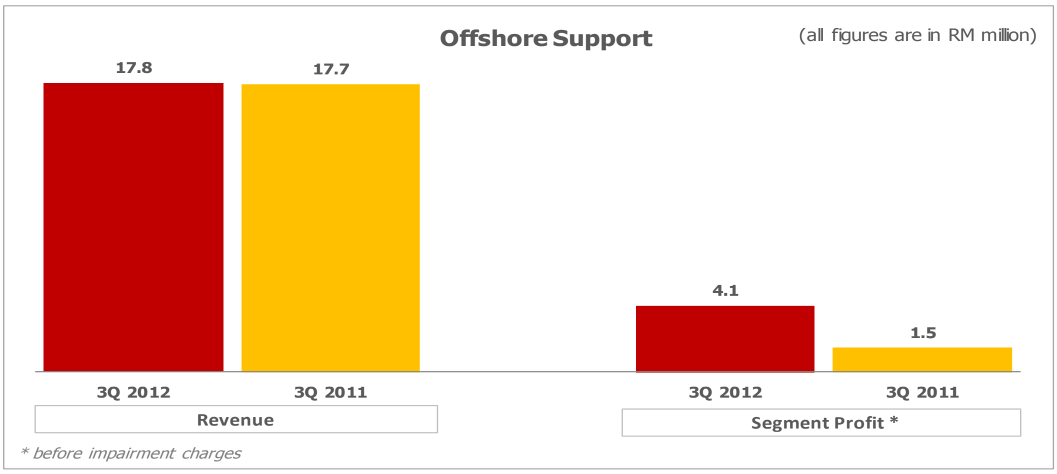
<u>Marine Logistics</u>

The marine logistics segment recorded lower revenue of RM31.7 million due to the expiry of a major contract in June 2012. This has led to a loss for 3Q 2012 of RM0.7 million as compared to a profit of RM10.6 million in 3Q 2011. The reduced profit was mainly due to reduced charter rates of our coal logistics fleet despite our efficiency ratios remaining at previous levels.



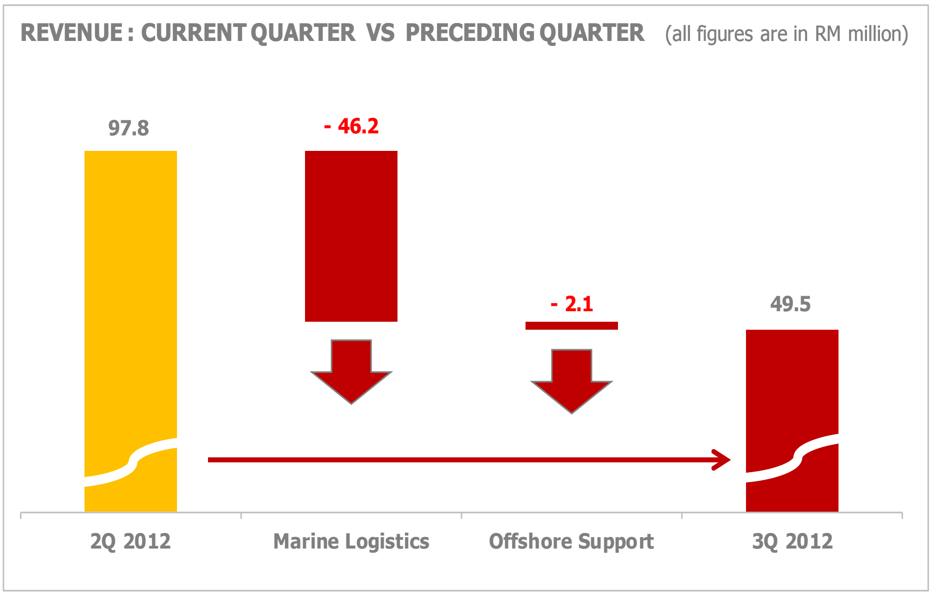
<u>Offshore Support</u>

The offshore support segment recorded slightly higher revenue of RM17.8 million as compared to 3Q 2011 of RM17.7 million. We achieved a higher average vessel utilization rate of 81.0% in 3Q 2012 as compared to 76.2% in 3Q 2011. The segment profit for 3Q 2012 was higher by RM2.6 million as compared to RM1.5 million in 3Q 2011 due to the lower interest expense incurred and improved performance in its investment in associates and jointly controlled entity.

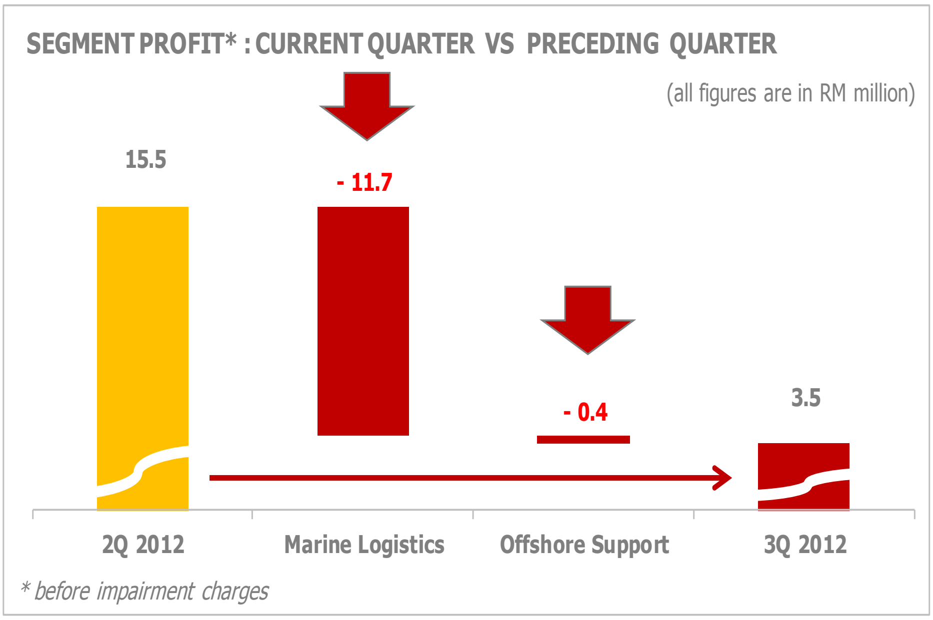


B2 Material Change in Performance as Compared to Preceding Quarter

Overall revenues for 3Q 2012 was RM49.5 million, a drop of 49.4% from RM97.8 million recorded in the preceding quarter ("2Q 2012").



The Group's segment profit in 3Q 2012 of RM3.5 million decreased from RM15.5 million in 2Q 2012, representing a drop of 77.4%. The segment profit dropped more than revenue mainly due to the fixed nature of certain costs.

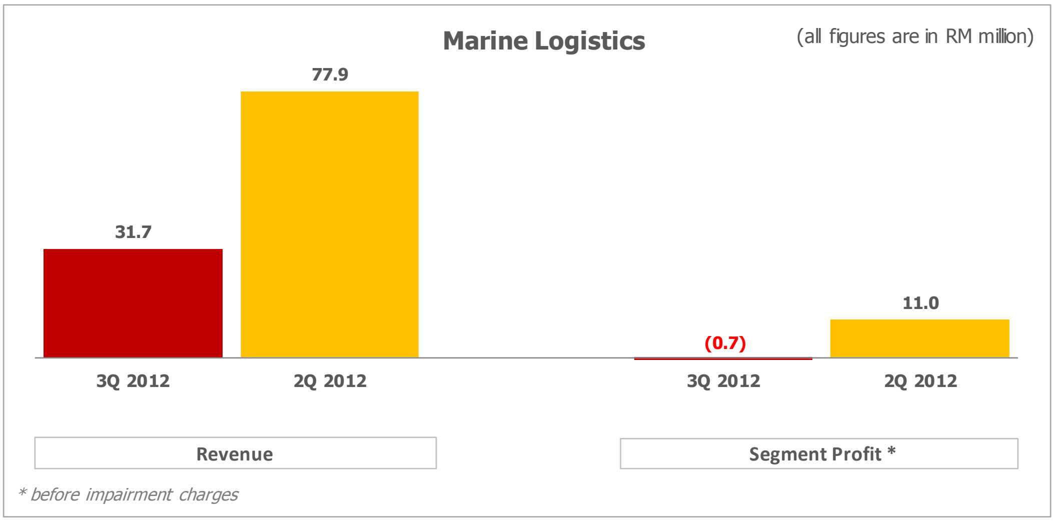


Details of the key factors driving the performance of each segment are provided in the respective section below.

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

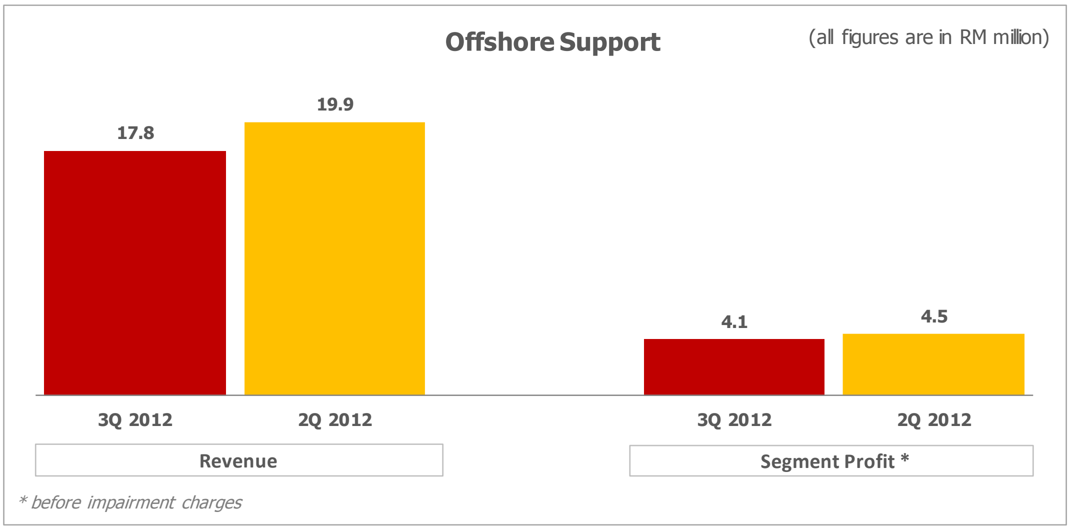
Marine Logistics

The marine logistics revenue was lower due to the expiry of a major contract. With the expiry of the contract, our vessels are now working for other customers in the coal industry but at more competitive rates. Due to the lower revenue, the marine logistics segment recorded a loss of RM0.7 million in 3Q 2012 from RM11.0 million in 2Q 2012 mainly due to the reason stated above and higher interest expense incurred during the current quarter.



Offshore Support

The offshore support segment recorded slightly lower revenue despite marginally higher vessel utilization rate from 80.6% in 2Q 2012 to 81.0% in 3Q 2012. Similarly, the offshore support segment profit dropped to RM4.1 million in 3Q 2012 from RM4.5 million in tandem with the lower revenue.



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. The increase in the level of activity is expected to absorb the flow of new vessels in the market, which should result in steady to higher daily charter rates of offshore support vessels and high utilization.

The coal market continues to struggle as miners cut production in order to match the drop in demand. This is reflected in the drop in coal price and is not expected to improve by year end. Our coal logistics fleet is partly affected by the slowdown but continues to serve our major customers where we have term contracts for multiple years, 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 maintaining its position in the marine logistics and offshore support services businesses.

B4 Profit Forecast

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

B5 Taxation Charge

Taxation comprises the following:-

	Current quarter 3 months ended 30 September 2012 RM'000	**Cumulative period 9 months ended 30 September 2012 RM'000**
Malaysian income taxation		
- Current year	6	16
Indonesian income taxation		
- Current year	1,508	4,564
Total	1,514	4,580
Effective tax rate	66.5%	13.94%

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 2012 RM'000	As at 31 December 2011 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	131,067	(258,206)
- Unrealised	(23,243)	(1,237)
	107,824	(259,443)
Total share of retained earnings from associated companies:		
- Realised	42,781	43,990
- Unrealised	1,821	1,864
Total share of retained earnings from jointly controlled entities:		
- Realised	5,583	3,653
- Unrealised	-	-
	158,009	(209,936)
Less: Consolidation adjustments	(5,644)	(5,486)
Total accumulated profit/(losses)	152,365	(215,422)

B7 Corporate Proposals

(A) 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

B7 Corporate Proposals ("continued")

(A) Proposed Capital Repayment and Reduction ("continued")

(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.

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.

B7 Corporate Proposals ("continued")

(B) 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");

(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")

B7 Corporate Proposals ("continued")

(B) 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")

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.

Further to the above announcement, the Company wish to announce that:-

(i) the applications to the Securities Commission Malaysia ("SC") to seek the SC's approval for the Proposed Acquisitions and the resultant equity structure of SMB upon completion of the Proposed Acquisitions have been submitted on 6 September 2012.

(ii) the Controller of Foreign Exchange of the Bermuda Monetary Authority had, vide its letters dated 18 September 2012 and 20 September 2012, given its consent for SMB to hold the entire issued and paid-up ordinary and preference shares of SOL pursuant to the Proposed SOL Acquisition.

(iii) the following applications have been submitted to the relevant authorities on 24 September 2012, that is:

(a) Controller of Foreign Exchange of BNM, for the proposed acquisition by SMB of 16.71% and 7.21% of the issued and paid-up ordinary and preference shares of SOL from SCPE and FII respectively; and

(b) Bursa Securities, for the listing of 1,608,765,957 new SMB Shares to be issued at an issue price of RM0.47 per SMB Share as part satisfaction of the SOL Consideration, on the Main Market of Bursa Securities.

(iv) the Controller of Foreign Exchange of BNM ("**CFE**") had, vide its letter dated 22 November 2012 (which was received on 23 November 2012), approved the proposed acquisitions by SMB of 16.71% and 7.21% of the issued and paid-up ordinary and preference shares of SOL from SCPE and FII respectively ("**Proposed Acquisitions from SCPE and FII**") ("**Approval Letter**").

Pursuant to the Approval Letter, SMB is required to inform CFE of the following:

a) the date of completion of the Proposed Acquisitions from SCPE and FII;

b) if the Proposed Acquisitions from SCPE and FII is not implemented within 12 months from the date of the Approval Letter, the approval from CFE will be deemed to have lapsed and SMB will have to seek CFE's prior approval should SMB decide to implement the Proposed Acquisitions from SCPE and FII after the said 12-month period; and

B7 Corporate Proposals ("continued")

(B) 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")

c) if there are changes to the information of the investment abroad arising from the Proposed Acquisitions from SCPE and FII, including the cancellation of the investment abroad.

In addition, pursuant to the Approval Letter, if SMB enters into any hedging contracts to manage the foreign currency exposure for its investment, the hedging contracts must be:

a) only undertaken with local licensed banks (merchant banks, Islamic banks or local licensed investment banks); and

b) cancelled by SMB when the said investment has been disposed of or terminated.

(ii) Proposed exemption to Scomi Group Bhd ("SGB") and Scomi Energy Sdn Bhd ("SESB"), a wholly-owned subsdiary 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-Overs 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.

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 1st quarter of 2013.

B7 Corporate Proposals ("continued")

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 September 2012 are as follows:-

	RM'000
Short term borrowings (secured)	39,629
Long term borrowings (secured)	31,753
	71,382

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

	RM'000
Malaysia Ringgit	31
United States Dollar	71,351
	71,382

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 September 2012	**3 months ended 30 September 2011**	**9 months ended 30 September 2012**	**9 months ended 30 September 2011**
<u>Basic earnings/(loss) per share</u>				
Profit/(loss) for the period (RM'000)	(646)	7,807	24,652	18,960
Issued and paid-up capital	733,009	733,009	733,009	733,009
Less: Treasury shares purchased during the period	(144)	(143)	(144)	(143)
Weighted average number of ordinary shares in issue ('000)	732,865	732,866	732,865	732,866
Basic earnings/(loss) per share (sen)	**(0.09)**	**1.07**	**3.36**	**2.59**
<u>Fully diluted (loss)/earnings per share</u>				
Profit/(loss) for the period (RM'000)	(646)	7,807	24,652	18,960
Weighted average number of ordinary shares in issue ('000)	732,865	732,866	732,865	732,866
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	732,866	732,865	732,866
Diluted (loss)/earnings per share (sen):-	**(0.09)**	**1.07**	**3.36**	**2.59**

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 November 2012 by the Board of Directors.