PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of preparation of interim financial reports

The interim financial statements are prepared in accordance with the requirements of the Financial Reporting Standards ("FRS") 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31st December 2006.

Up to 31 December 2006, the Group's consolidated financial statements were prepared in accordance with MASB Standards with effective dates before 1 January 2007. The significant accounting policies adopted for the interim financial statements are consistent with those in the audited financial statements for the year ended 31st December 2006 except for the following new/revised FRSs which the Group has adopted for the financial period beginning 1 January 2007:

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

The adoption of the new/revised FRSs does not have significant financial impact on the Group. The principal effects of the changes from adoption of new accounting policies are disclosed as follows:

a) FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006): Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leasehold land. Upfront payments made for leasehold land are now classified as prepaid lease payments and amortised on a straight line basis over the lease term. The Company has applied this change in accounting policy retrospectively.

As a result of the adoption of FRS 117, comparative amounts as at 31 December 2006 have been reclassified as follows:

	As previously stated RM'000	FRS 117 (note A1(a)) RM'000	As restated RM'000
At 31 December 2006			
Property, plant and equipment	413,651	(4,339)	409,312
Prepaid lease payments	-	4,196	4,196
Receivables, deposits and prepayments	624,273	143	624,416

A2. Qualification of financial statements

The preceding year annual financial statements were not subject to any qualification.

A3. Seasonal and cyclical factors

The group's results were not materially affected by any major seasonal or cyclical factors.

A4. Unusual and extraordinary items

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash during the current quarter under review.

A5. Material changes in estimates

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date including impairment of intangible assets, depreciation on property, plant and equipment, and deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances.

There were no material changes in estimates reported in the current quarter under review.

A6. Issuance and repayment of debt and equity securities

Save as disclosed below, there were no issuances, cancellations, share buy-backs, resale of shares bought back or repayment of debt and equity securities:

(a) Employee Share Options Scheme ("ESOS")

During the three-month period ended 31st March 2007, the issued and paid-up share capital of the Company increased from 1,005,352,300 ordinary shares of RM0.10 each to 1,006,116,800 ordinary shares of RM0.10 each by the issuance of 764,500 new ordinary shares of RM0.10 each pursuant to the exercise of options granted under the ESOS at the option prices between RM0.17 and RM0.90 per ordinary share.

(b) Treasury Shares

For the three-month period ended 31st March 2007, the treasury shares of the Company increased from 3,425,900 to 3,881,900 with the repurchased of 456,000 of its issued ordinary shares from the open market at an average price of RM1.11 per share. The total consideration paid for the repurchase including transaction costs was RM 506,360 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.

A7. Dividends Paid

No dividend was paid for the three-month period ended 31st March 2007.

A8. Segmental Information

2007	Oilfield Services RM'000	Energy & Logistics Engineering RM'000	Production Enhancement RM'000	Energy Logistic RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue							
External sales	331,394	78,167	12,994	13,016	550	-	436,121
Inter-segment sales	-	-	-	-	2,361	(2,361)	-
Total revenue	331,394	78,167	12,994	13,016	2,911	(2,361)	436,121
Results							
Segment result	39,131	10,008	(10)	(162)	1,278	(875)	49,370
Finance cost (net)							(22,328)
Share of result of associated companies	134	-	-	6,148	-	-	6,282
Share of result of jointly controlled entities	(243)	-	-	-	-	-	(243)
Profit before taxation							33,081
Taxation							(5,347)
Profit before taxation							27,734

2006	Oilfield Services RM'000	Energy & Logistics Engineering RM'000	Production Enhancement RM'000	Energy Logistic RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
Revenue							
External sales	270,438	43,323	6,836	5,215	649	-	326,461
Inter-segment sales	2,734	-	-	-	5,385	(8,119)	-
Total revenue	273,172	43,323	6,836	5,215	6,034	(8,119)	326,461
Results							
Segment result	25,640	8,067	570	627	1,278	-	36,182
Finance cost (net)							(15,065)
Share of result of associated companies	101	-	-	3,810	-	-	3,911
Share of result of jointly controlled entities	-	-	-	-	-	-	-
Profit before taxation							25,028
Taxation							(6,223)
Profit before taxation							18,805

A9. Valuation of property, plant and equipment

There is no revaluation of property, plant and equipment, as the group does not adopt a revaluation policy on property, plant and equipment.

A10. Significant events completed subsequent to the quarter under review

There were no significant events subsequent to the end of the current quarter save for what has been disclosed below and in note B7.

On 31 January 2007, SEB announced that it had on the same date entered into a share sale agreement with MTrans Transportation Corporation Sdn Bhd (formerly known as Kiara Kilau Sdn Bhd) ("MTC") to further acquire 10,400,002 ordinary shares of RM1.00 each in MTrans ("Sale Shares"), representing 40% of the issued and paid-up share capital of MTrans, for a total purchase consideration of RM25 million, to be satisfied in cash ("Proposed Acquisition").

Pursuant to the above, SEB had on 31 January 2007, paid RM2.5 million, representing 10% of the purchase consideration as a deposit to MTC. Subsequently, on 3 April 2007, the Company announced that all conditions precedent in relation to this acquisition have been satisfied and the parties to the agreement have agreed to complete the Proposed Acquisition on this day, making MTC a 91% subsidiary of SEB.

A11. Changes in composition of the group

(a) On 14 March 2007, KMC Oiltools (Cayman) Ltd, a subsidiary of the company via KMC Oiltools Bermuda Limited, in turn a subsidiary of the Company, incorporated a company known as Scomi Oiltools Services Kish Limited in Kish Island, Islamic Republic of Iran as a private joint stock company. The authorized share capital is 5,000,000 Iranian Rials and the paid up capital is 5,000,000 Iranian Rials.

(b) On 15 March 2007, the Company acquired 95,000 ordinary shares of RM1.00 each, representing 95% issued and paid up share capital in Abad Elit Sdn Bhd (currently known as Scomi KMC Sdn Bhd, name changed w.e.f 30 March 2007). The cost of investment for the acquisition was RM95,000.00.

A12. Contingent liabilities

Details of contingent liabilities of the Group as at 31st March 2007 are as follows:

	RM`000
Guarantee relating to borrowings of associates	59
Guarantee relating to borrowings of jointly controlled entity	7,958
Share of contingent liabilities of an associate	11,628

A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 31st March 2007 :

	Approved and contracted for	Approved but not contracted for
	RM`000	RM`000
Acquisition of shares in Anticor Chimie S.A. (Put and Call Option) *	697	-
Proposed acquisition of additional interest in Mtrans Transportation Systems Sdn Bhd	22,500	-
Property, plant and equipment	104,908	35,199
Others	3,095	4,705
Total	131,200	39,904

* This is the minimum payment of €150,000 as stated in the Put & Call Agreement to acquire the remaining balance of 20% shareholding in Anticor Chimie S.A. in three tranches.

Operating lease commitments:

Future minimum lease rental payable	Due within 1 year	Due within 1 & 5 years	Due after 5 years
	RM'000	RM'000	RM'000
Property	9,280	19,611	9,311
Plant and Machinery	1,035	3,903	2,650
Others	1,208	2,353	10
Total	11,523	25,867	11,971

A14. Related Party Transactions

The followings are the significant related party transactions:

	1st Quarter ended 31-March-07	Year -to-date 31-March-07
	RM'000	RM'000
Transactions with companies with common Director(s)		
- chartering of marine vessels	9,961	9,961
Transactions with an associated company		
- management fee charged	550	550

A15. Disposal Group Held for Sale

On 20th March 2007, a subsidiary of the Company, Scomi Engineering Bhd, had entered into a share sale agreement to dispose of its subsidiary company, Scomi Transportation Solutions Sdn Bhd, which in turn holds a wholly-owned subsidiary Asian Rent A-Car Sdn Bhd (collectively known as the "SCOTS Group") as further disclosed in note B7 (f). SCOTS Group is engaged in the business of the provision of motor vehicles for "Hire and Drive" and fleet management which are non-core businesses to the Energy & Logistics Engineering Division.

The major classes of assets and liabilities of the subsidiary group classified as held for sale as at 31st March 2007 are as follows:

Assets	**RM'000**
Property, plant and equipment	13,183
Intangible assets	6,381
Deferred tax assets	279
Receivables, deposits and prepayments	1,152
Short-term deposits, cash and bank balances	1,159
Tax recoverable	663
Assets of disposal group classified as held for sale	22,817
Liabilities	
Trade and other payables	879
Taxation	445
Borrowings	529
Hire purchase creditors	11,344
Liabilities directly associated with the assets classified as held for sale *****	13,197
Net assets attributable to disposal group classified as held for sale	9,620

***** The liabilities under the disposal group do not include inter-company balances within Scomi group of RM5,867,000 as the amount has been eliminated at group level upon consolidation.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Review of performance for the quarter ended 31st March 2007

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM436.1 million for the quarter ended 31st March 2007, compared to RM326.5 million for the corresponding quarter in 2006, with approximately 94% of the turnover contributed by its Oilfield Services Division and the Energy & Logistics Engineering Division. All divisions reported growth in turnover.

The bulk of the increase in turnover was contributed by the Oilfield Services Division which generated revenue of RM331.3 million for the quarter ended 31st March 2007, representing an increase of RM60.956 million compared to the corresponding quarter. The increase was largely due to increase in drilling fluids and drilling waste management activities.

The Energy & Logistics Engineering Division recorded revenue of RM78.2 million representing an increase of RM34.8 million as compared to the corresponding quarter in 2006. The increase was contributed mainly by the Machine Shop operations arising from orders by customers in the Middle East and the increase in revenue from buses contracts arising from the acquisition of MTTS.

The Product Enhancement Division recorded revenue of RM13.0 million, representing an increase of 90% over RM6.8 million recorded in the corresponding quarter in 2006.

The group registered a net profit of RM26.1 million during the quarter, an increase of 62% from RM16.1 million in the corresponding quarter for the preceding year.

B2. Variation of results against preceding quarter

The group achieved a turnover of RM436.1million for the current quarter ended 31st March 2007 compared to RM469.5 million in the preceding quarter ended 31st December 2006.

The group achieved a net profit of RM26.1 million for the current quarter ended 31st March 2007 compared to RM25.2 million in the preceding quarter ended 31st December 2006.

In comparison to the preceding quarter, revenue for the current quarter is marginally lower at 7.1% whilst the net profit for the current quarter is marginally higher by 3.5%. The reduction in the revenue was due to the lower revenue generated by the Energy & Logistics Engineering Division in the current quarter due to the Aramco contract being substantially completed in the last quarter of 2006. Notwithstanding the decrease in revenue, the profit recorded for this quarter is higher due to better performance from the Oilfield Services Division.

B3. Current year prospects

The **Oilfield Services Division** is expected to continue its revenue and earnings growth in the remaining year, especially from the investment in capex made over the last year and this quarter. The division remains active in submitting proposals for new bids and tenders which have increased in value and size in line with the growth in demand for drilling fluids and drilling waste management products and services. The regions that are expected to do well will be from Europe and Malaysia whilst we should see improved performance from the Americas in the second half of this year.

The **Energy & Logistics Engineering Division**'s focus will be on the Machine Shop business and the Logistics Engineering business (with the completion of the acquisition of a further 40% of MTrans Transportation Systems Sdn Bhd (MTrans)), bringing the total percentage shareholding to 91%.

The machine shop division is expected to experience increased demand for its services as the outlook for the oil and gas sector remains favourable. The expansion plans for Labuan and Singapore as well as the set up of new machine shop in Saudi, Irian Jaya and Johor Bahru will provide new capacity to fulfill the demand for Machine Shop Services. In addition, this division has plans to invest in technology for deep water connectors which is expected to be in demand for deep water operations.

The Logistics Engineering division is expected to provide significantly higher contribution to the current year's results as it is expected to benefit from the acquisition of MTrans, a company with technology capabilities to produce public transportation vehicles such as buses and monorails. The acquisition will enable the division to participate in the Government's plan to improve the urban transportation system in the country.

The **Production Enhancement Division's** focus is still very much on developing technologies and applications beyond its current conventional uses. The Group's collaboration with National Tank Company and acquisition of Anticor will provide the necessary research and development to pursue new markets and grow the business in this area.

The **Energy Logistics Division** will continue to be actively involved in its core business of Marine Logistics and offshore Marine Support Services. As the market for offshore Support Services remain robust, the division will continue to capitalise on the current high prices of vessels to replace its older vessels whilst exploring opportunities in the Indonesian and Malaysian waters for new vessels requirements of the oil majors.

B4. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-Mar-07	**Preceding Year Quarter 31-Mar-06**	**Current Year Quarter 31-Mar-07**	**Preceding Year Quarter 31-Mar-06**
	RM`000	**RM`000**	**RM`000**	**RM`000**
Current tax:				
Malaysian income tax	330	425	330	425
Foreign tax	5,535	5,609	5,535	5,609
	5,865	6,034	5,865	6,034
Overprovision of Malaysian income tax in prior years	(648)	(210)	(648)	(210)
	5,217	5,824	5,217	5,824
Deferred tax	130	399	130	399
Total income tax expense	5,347	6,223	5,347	6,223

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows: -

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	**Preceding Year Quarter**	**Current Year Quarter**	**Preceding Year Quarter**
	31-Mar-07	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**
	%	**%**	**%**	**%**
Malaysian statutory tax rate	27	28	27	28
Tax effects of:				
- income not subject to tax	(9)	(4)	(9)	(4)
- different tax rates in other countries	4	1	4	1
- under/(over) provision in respect of previous years	(2)	(1)	(2)	(1)
- unrecognised tax loss/unabsorbed capital allowance	(12)	(3)	(12)	(3)
- expenses not deductible for tax purposes	9	4	9	4
- share of associate's tax	(5)	-	(5)	-
- deferred tax assets not recognised	4	-	4	-
Effective tax rate	16	25	16	25

B5. Unquoted investments and/or properties

There were no disposals of unquoted investments or properties during the period under review.

B6. Quoted and marketable investments

(a) Details of purchases and disposals of quoted securities are as follows:

	Individual Quarter		**Cumulative Quarter**	
	31-Mar-07	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchases (at cost)	-	5,000	-	5,000
Sale proceeds	7,100	-	7,100	-
Gain/(loss) on disposal	-	-	-	-

(b) Details of investments in quoted securities as at the reporting date are as follows:

	RM`000
Total investments at cost	1,098
Total investments at market value	1,416

B7. Status of corporate proposal

<u>Scomi Group Berhad</u>

(a) Utilisation of Proceeds from RM630 million Murabahah Notes

On 14 December 2006, KMCOB Capital Berhad, a wholly owned subsidiary of the Company, issued RM630 million nominal value Murabahah Notes. The utilisations of the proceeds from date of drawdown to 31 March 2007 are as follows:

	RM '000
Gross proceeds	630,000
Bond issue expenses	(4,608)
Settlement of SGB's Bonds	(250,000)
Repayment of Borrowings	(192,051)
Working capital & Capex for KMCOB Group	(59,015)
Settlement of inter-company advances	(42,889)
Balance as at 31 March 2007	81,437

(b) Proposed Pianca Acceleration

On 23 November 2006, the Company announced that it had on 22 November 2006 written to Mr Christopher Robert Pianca ("Mr Pianca") for an offer to acquire the remaining Pianca Tranche Two Option Shares and Pianca Tranche Three Option Shares (as explained below) under the Put and Call Option Agreement between SCOMI and Mr Pianca dated 30 January 2004 (and amended by an Amendment Agreement dated 27 July 2005) ("Pianca PCA"). The above offer to Mr Pianca is hereinafter referred to as the "Proposed Pianca Acceleration".

The Pianca Tranche Two Option Shares comprises 578,180 KMCOB Ordinary Shares and 46,139 "A" KMCOB Preference Shares whilst the Pianca Tranche Three Option Shares comprises 578,180 KMCOB Ordinary Shares and 46,138 "A" KMCOB Preference Shares.

Pursuant to the Amendment Agreement dated 27 July 2005 between SCOMI and Mr Pianca, the 1,156,360 KMCOB Ordinary Shares (under the Pianca Tranche Two Option Shares and Pianca Tranche Three Option Shares) was acquired by SCOMI on 29 July 2005 for a cash consideration of USD6,238,704.

In addition to the above, the remaining 46,139 "A" KMCOB Preference Shares (pursuant to the Pianca Tranche Two Option Shares) and 46,138 "A" KMCOB Preference Shares (pursuant to the Pianca Tranche Three Option Shares) shall be acquired by SCOMI from Mr Pianca via put and call options in April 2007 and April 2009 for a purchase consideration to be calculated by a function of the profitability of KMCOB according to the terms of the Pianca PCA.

The Proposed Pianca Acceleration entails further variation to the existing Pianca PCA and was intended to streamline SCOMI's shareholding in KMCOB to facilitate the Proposed Listing. The indicative terms and conditions of the Proposed Pianca Acceleration (as set out in the Company's announcement dated 23 November 2006) were subjected to the execution of agreement between the Company and Mr Pianca in due course.

During the current quarter, the Proposed Pianca Acceleration has been aborted in view of the Proposed Pianca Options Amendment as explained in note (d) below.

(c) Proposed Divestment

On 9 March 2007, the Company announced the divestment of 19.9% in the respective classes of the share capital of Scomi Oilfield Limited ("SOL"), a direct subsidiary of the Company, to Standard Chartered Private Equity Limited for a cash consideration of USD99.50 million ("Proposed Divestment").

SOL was incorporated in Bermuda on 6 March 2007 as a company limited by shares under its current name. SOL is principally an investment holding company. For the purpose of the Proposed Divestment, KMCOB, a direct subsidiary of the Company, will be made a wholly-owned subsidiary of SOL through a restructuring exercise to be undertaken.

The Proposed Divestment is subject to amongst others, approval from the Securities Commission ("SC"), the holders of the Company existing RM250 million Medium Term Notes and shareholders of the Company.

The Proposed Divestment is expected to be completed in the first half of 2007.

(d) Proposed Pianca Options Amendments and Proposed SOL-KMCOB Restructuring

On 27 April 2007, the Company announced that it proposed to undertake the following:

(i) Proposed Pianca Options Amendments; and
(ii) Proposed SOL-KMCOB Restructuring.

Details of the above proposals are as follows:

(i) Proposed Pianca Options Amendments

The Proposed Pianca Options Amendments essentially involves the Company transferring its existing obligations under the Pianca PCA from KMCOB level to SOL level in view of the Proposed Divestment.

The Proposed Pianca Options Amendments will be effected via the following steps:

(a) proposed extension of the exercise period for the Pianca Tranche Two Option Shares (in respect of the 46,139 "A" KMCOB Preference Shares) from a thirty (30)-day period commencing on 1 April 2007 to a thirty (30)-day period commencing on the date of the approval of SCOMI's shareholders for the Proposed Divestment;

(b) proposed exercise of SCOMI's call option to acquire the Pianca Tranche Two Option Shares (in respect of the 46,139 "A" KMCOB Preference Shares) and accelerate the exercise of SCOMI's call option to acquire the Pianca Tranche Three Option Shares (in respect of the 46,138 "A" KMCOB Preference Shares) within thirty (30) days after obtaining the shareholders' approval for the Proposed Divestment; and

(c) proposed sale of 92,277 Class A preference shares of USD1.00 each in SOL ("SOL A Preference Shares") by SCOMI to Mr Pianca for USD27,552,375 and the subsequent acquisition of 92,277 SOL A Preference Shares by SCOMI from Mr Pianca via a new put and call option agreement ("Proposed New Pianca Options").

The Proposed New Pianca Options is governed by the Pianca SOL Options Agreement, which was executed between SCOMI and Mr Pianca on 27 April 2007. Pursuant to the Pianca SOL Options Agreements, SCOMI shall acquire the 92,277 SOL A Preference Shares from Mr Pianca in several tranches between 2007 and 2009.

The Proposed Pianca Options Amendments is subject to amongst others, the approval of the SC, Bank Negara Malaysia and Bermuda Monetary Authority.

(ii) Proposed SOL-KMCOB Restructuring

On 27 April 2007, the Company entered into a conditional share sale agreement ("SSA") with SOL for the acquisition by SOL from SCOMI's entire shareholding in KMCOB comprising the following:

(a) 10,512,364 KMCOB Ordinary Shares;

(b) 968,910 KMCOB A Preference Shares;

(c) 10,000,000 KMCOB B Preference Shares; and

(d) 20,740 KMCOB C Preference Shares

The said acquisition by SOL shall be satisfied by SOL issuing the following shares to SGB:

(a) 10,512,364 ordinary shares of USD1.00 each in SOL;

(b) 968,910 SOL A Preference Shares;

(c) 10,000,000 Class B preference shares of USD1.00 each in SOL; and

(d) 20,740 Class C preference shares of USD1.00 each in SOL.

Upon completion of the Proposed SOL-KMCOB Restructuring, KMCOB shall become a wholly-owned subsidiary of SOL, which in turn is currently a wholly-owned subsidiary of SCOMI.

The Proposed SOL-KMCOB Restructuring is subject to amongst others, approval of the holders of the Company existing RM250 million Medium Term Notes

The Proposed SOL-KMCOB Restructuring is intended to establish SOL as an investment holding company for SCOMI's current oilfield businesses and to accommodate any future expansion into other synergistic oilfield businesses.

The Proposed Pianca Options Amendments is aimed at addressing the remaining put and call options of SCOMI and Mr Pianca under the Pianca PCA in order to facilitate the Proposed SOL-KMCOB Restructuring and ultimately the Proposed Divestment. Hence, the Proposed Pianca Options Amendments merely involve the transferring of the existing put and call options on KMCOB A Preference Shares to SOL A Preference Shares, without affecting the eventual financial obligations by SCOMI to Mr Pianca.

Taken together, the Proposals are aimed at streamlining the shareholding structure of SOL to allow SCPEL's participation in the equity of KMCOB via SOL pursuant to the Proposed Divestment.

The Proposed Pianca Options Amendments and Proposed SOL-KMCOB Restructuring is expected to be completed in the first half of 2007.

Scomi Engineering Bhd

(e) Proposed Share Premium Reduction

On 23 February 2007, SEB announced that it intends to reduce its share premium account by up to RM35.883 million and utilise the credit arising therefrom to reduce the accumulated losses of SEB.

Based on SEB's latest audited accounts as at 31 December 2005, SEB recorded accumulated losses of RM35.883 million with an audited share premium amount of RM68.516 million. Assuming that the entire accumulated losses of RM35.883 million is to be reduced with the credit arising from the Proposed Share Premium Reduction, the share premium account of SEB would be reduced from RM68.516 million to RM32.633 million.

The Proposed Share Premium reduction is subject to, amongst others, the approvals of SEB's shareholders to be obtained at the forthcoming Annual General Meeting ("AGM") and the sanction of the High Court of Malaya thereafter.

(f) Proposed Disposal of 100% equity interest in SCOTS by SEB

On 20 March 2007, SEB entered into a share sale agreement to dispose of 500,000 ordinary shares of RM1.00 each in Scomi Transportation Solutions Sdn Bhd ("SCOTS"), representing 100% of the issued and paid-up share capital of the company, for a total sale consideration of RM3.8 million to be satisfied in cash ("Proposed Disposal"). SCOTS has a wholly-owned subsidiary, Asian Rent-A-Car Sdn Bhd (collectively known as the "SCOTS Group").

The Proposed Disposal is conditional upon, amongst others, the fulfillment of the following conditions within 3 months of the share sale agreement subject to such extension as the parties may mutually agree:

(i) the approval of the FIC;
(ii) the approval of the shareholders of the Company (if required) for the disposal of the shares;
(iii) approval and consent of the financiers of the Group (if required);
(iv) the regulatory authorities issuing the licences and/or permits to the Group to conduct the business; and
(v) any other regulatory authorities.

The completion of the share sale agreement is also subject to the net equity in the SCOTS Group on completion date being at least zero or in the event the net equity is negative, SEB shall reimburse SCOTS an amount sufficient so that net equity is at least zero.

B8. Group borrowings (Secured)

The group borrowings as at the end of the reporting period are as follows:

	RM`000
Short term borrowings	194,786
Long term borrowings	1,070,302
Total	1,265,088

The group borrowings are denominated in the following currencies:

	RM`000
Ringgit Malaysia	904,510
US Dollar	316,114
Sterling Pound	30,590
Canadian Dollar	12,888
Singapore Dollar	727
Australia Dollar	103
Others	156
Total	1,265,088

B9. Off balance sheet financial instruments

Financial Instruments

During the quarter under review, the Group has some Cross Currency Interest Rate Swaps (CCIRS) which qualifies for hedge accounting for the Group's exposure to foreign exchange on its RM630million Murabahah Notes. The face or contract amount of the CCIRS entered todate amounts to RM613.5million, with the respective maturity dates as follows:

RM'million	Maturity Date
150.0	31.12.2010
150.0	31.12.2011
160.0	31.12.2012
153.5	31.12.2013
613.5	

Credit and Market Risk

The credit risk to the CCIRS is the credit risk of the financial institution, being the counterparty of the CCIRS, although such risk is remote given that the CCIRS are executed with creditworthy financial institution. The market risk of the CCIRS consists of interest rate risk and foreign currency exchange risk which are offset by the corresponding risks of the financial instrument itself.

Security

The swap providers of the CCIRS will share the same security as that given to the bond holders.
There is no additional collateral requirement for the CCIRS.

Accounting Policy

The accounting policy on recognition of derivative instruments is consistent with those adopted in the annual financial statements for the year ended 31st December 2006.

B10. Change in material litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material adverse effect on the financial position of the Company or any of its subsidiaries and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

B11. Proposed Dividend

No interim dividend has been declared for the current quarter under review.

The Directors have recommended a final ordinary dividend in respect of the financial year ended 31 December 2006 of 15% per share, less income tax of 27%, amounting to a dividend payable of approximately RM11,008,608 (2005: 12% less income tax of 28%, amounted to RM8,613,015), subject to shareholders' approval at the forthcoming Annual General Meeting.

B12. Earnings per share

	Individual Quarter		Cumulative Quarter	
	31-Mar-07	**31-Mar-06**	**31-Mar-07**	**31-Mar-06**
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	26,052	16,069	26,052	16,069
Weighted average number of shares in issue (RM'000)	1,005,615	994,453	1,005,615	994,453
Basic earnings per share (sen)	2.59	1.62	2.59	1.62
Diluted earnings per share				
Net profit attributable to shareholders (RM`000)	26,052	16,069	26,052	16,069
Weighted average number of shares in issue (RM'000)	1,005,615	994,453	1,005,615	994,453
Dilutive effect of unexercised share option (RM'000)	26,145	46,134	26,145	46,134
	1,031,760	1,040,587	1,031,760	1,040,587
Diluted earnings per share (sen)	2.53	1.55	2.53	1.55

B13. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 May 2007.