**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 112 | Income Taxes |
| 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 | (4,182) | 409,469 |
| Prepaid lease payments | - | 4,182 | 4,182 |

b) The Group has early adopted FRS 112 Income Taxes which is only effective for accounting periods beginning on or after 1 July 2007 instead of applying FRS 112(2004) Income Taxes, as allowed by the new standard. FRS 112 now allows for the recognition of deferred tax assets on reinvestment allowances and investment tax allowances. In line with the requirements of FRS 112, the Group has assessed available investment tax incentives and recognised deferred tax assets where the criterias of recognition are met. Where the impact has retrospective effect on prior years, the comparatives have accordingly been restated.

The effects to the Group on Balance Sheet and Income Statement arising from the adoption of FRS 112 are set out below:

| | As at 30.09.2007 RM'000 |
|---|---|
| Increase in deferred tax assets | 13,545 |
| Increase in retained earnings | 13,545 |
| Decrease in taxation | 1,777 |
| Increase in profit for the year | 1,777 |

Comparatives amounts as at 31 December 2006 have been restated as follows:

| | As previously stated RM'000 | FRS 112 (note A1(b)) RM'000 | As restated RM'000 |
|---|---|---|---|
| **At 31 December 2006** | | | |
| Deferred tax assets | 8,860 | 11,768 | 20,628 |
| Retained Earnings | 307,346 | 11,768 | 319,114 |
| Taxation | 20,851 | (11,768) | 9,083 |

**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 cashflows 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 nine-month period ended 30th September 2007, the issued and paid-up share capital of the Company increased from 1,005,352,300 ordinary shares of RM0.10 each to 1,017,759,000 ordinary shares of RM0.10 each by the issuance of 12,406,700 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 RM1.49 per ordinary share.

**(b) Treasury Shares**

For the nine-month period ended 30th September 2007, the treasury shares of the Company increased from 3,425,900 to 12,059,500 with the repurchased of 8,633,600 of its issued ordinary shares from the open market at an average price of RM1.39 per share. The total consideration paid for the repurchase including transaction costs was RM11,970,665 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

The final dividend of 15% less income tax of 27%, amounting to RM11,035,713 (2005: 6% less tax of 28%, amounting to RM4,328,142) in respect of the financial year ended 31st December 2006 was paid on 20th September, 2007.

The interim dividend of 7.5% less income tax of 27%, amounting to RM5,506,172 (2006: nil) in respect of the financial year ending 31 December 2007 was paid on 31st October 2007.

## A8. Segmental Information

**Primary reporting format - business segments**

| | Oilfield Services RM'000 | Energy & Logistics Engineering RM'000 | Production Enhance-ment RM'000 | Energy Logistics RM'000 | Investment Holding RM'000 | Elimination RM'000 | Group RM'000 |
|---|---|---|---|---|---|---|---|
| **2007** | | | | | | | |
| Revenue | | | | | | | |
| External sales | 1,063,493 | 269,045 | 54,246 | 43,944 | 2,400 | | 1,433,128 |
| Inter-segment sales | - | 29,413 | - | 4,964 | 22,763 | (57,140) | - |
| Total revenue | 1,063,493 | 298,458 | 54,246 | 48,908 | 25,163 | (57,140) | 1,433,128 |
| Results | | | | | | | |
| Segment result | 128,257 | 37,237 | 1,747 | 2,818 | 228,235 | (94,747) | 303,547 |
| Finance income | | | | | | | 5,001 |
| Finance cost | | | | | | | (63,509) |
| Share of result of associated companies | 462 | | | 16,741 | | | 17,203 |
| Share of result of jointly controlled entities | - | | | | | | - |
| Profit before taxation | | | | | | | 262,242 |
| Taxation | | | | | | | (18,892) |
| Profit after taxation | | | | | | | 243,350 |
| **2006** | | | | | | | |
| Revenue | | | | | | | |
| External sales | 851,886 | 188,974 | 29,140 | 33,691 | 2,385 | | 1,106,076 |
| Inter-segment sales | 4,496 | 8,904 | - | 6,167 | 46,890 | (66,457) | - |
| Total revenue | 856,382 | 197,878 | 29,140 | 39,858 | 49,275 | (66,457) | 1,106,076 |
| Results | | | | | | | |
| Segment result | 80,696 | 28,764 | 2,350 | 4,317 | 30,446 | (28,532) | 118,041 |
| Finance income | | | | | | | 2,100 |
| Finance cost | | | | | | | (54,001) |
| Share of result of associated companies | 422 | | | 20,478 | | | 20,900 |
| Share of result of jointly controlled entities | - | | | | | | - |
| Profit before taxation | | | | | | | 87,040 |
| Taxation | | | | | | | (17,164) |
| Profit after taxation | | | | | | | 69,876 |

## 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 in note B8.

## 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.

(c) On 3 April 2007, a subsidiary of the Company, Scomi Engineering Berhad ("SEB") completed the acquisition of an additional 40% equity interest in a subsidiary company, Scomi Transportation Systems Sdn Bhd (formally known as Mtrans Transportation Systems Sdn Bhd) ("MTrans"), comprising 10,400,002 ordinary shares of RM1.00 each for a consideration of RM25 million.

(d) On 20 June 2007, a subsidiary of the Company, SEB acquired the balance 9% equity interest in MTrans, comprising 2,340,000 ordinary shares of RM1.00 each for a consideration of RM5.625 million following which MTrans became a wholly owned subsidiary of SEB.

(e) On 27 June 2007, through an internal restructuring, KMC Oiltools Bermuda Limited which was a wholly-owned subsidiary of the Company, became a wholly-owned subsidiary of Scomi Oilfield Limited ("SOL"), which is in turn a subsidiary of the Company.

(f) On 27 June 2007, the Company completed its divestment of 19.9% in the respective classes of the share capital of SOL, a direct subsidiary of the Company, to Standard Chartered Private Equity Limited for a cash consideration of USD99.50 million pursuant to which the Company's shareholding in SOL has reduced to 80.1%.

(g) On 1 August 2007, the Company acquired 2 ordinary shares of RM1.00 each, representing 100% issued and paid up share capital in Scomi Solutions Sdn Bhd (formerly known as Arena Khas Sdn Bhd) for a total consideration of RM2.00.

(h) Scomi Coach Sdn Bhd (formerly known as MTrans Bus Sdn Bhd), a wholly-owned subsidiary of SEB, had on 10 August 2007 acquired 100% equity interest in Scomi Coach Marketing Sdn Bhd (formerly known as Potensi Serakan Sdn Bhd), comprising 25,000 ordinary shares of RM1.00 each, for a total purchase consideration of RM2.00. The subsidiary is currently dormant and is intended to be the marketing agent for road transport equipment and products.

(i) On 10 September 2007, the Company incorporated a company known as Scomi Ecosolve Limited in British Virgin Islands, as its wholly-owned subsidiary. The authorized share capital is USD50,000 comprising of 50,000 ordinary shares of USD1.00 each and the paid up capital is USD1.00.

(j) On 14 September 2007, Scomi Energy Sdn Bhd, a subsidiary of the Company, acquired 2 ordinary shares of RM1.00 each, representing 100% issued and paid up share capital in Scomi Enviro Sdn Bhd (formerly known as Pasir Unik Sdn Bhd) for a total consideration of RM2.00.

## A12. Contingent liabilities

Details of contingent liabilities of the Group as at 30th September 2007 are as follows:

| | RM`000 |
|---|---|
| Guarantee relating to borrowings of associates | 63 |
| Share of contingent liabilities in associate | 6,832 |
| | 6,895 |

## A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 30th September 2007:

| | Approved and contracted for RM`000 | Approved but not contracted for RM`000 | Total RM`000 |
|---|---|---|---|
| Acquisition of shares in Anticor Chimie S.A. * | 968 | - | 968 |
| Property, plant and equipment | 71,617 | 41,869 | 113,486 |
| Total | 72,585 | 41,869 | 114,454 |

* 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, together with an additional €50,000 purchase consideration for the initial 80% shareholding pursuant to a variation agreement dated 26 October 2007.

Operating lease commitments:

| Future minimum lease rental payable | Due within 1 year RM'000 | Due within 1 & 5 years RM'000 | Due after 5 years RM'000 |
|---|---|---|---|
| Property | 10,810 | 20,065 | 9,583 |
| Plant and Machinery | 1,159 | 3,848 | 5,520 |
| Others | 1,510 | 3,006 | 14 |
| Total | 13,479 | 26,919 | 15,117 |

## A14. Related Party Transactions

The following are the significant related party transactions:

| | 3rd Quarter ended 30-September-07 | Year -to-date 30-September-07 |
|---|---|---|
| | **RM'000** | **RM'000** |
| *Transactions with companies with common Director(s)* | | |
| - chartering of marine vessels | 9,483 | 32,144 |
| *Transactions with an associated company* | | |
| - management fee charged | 800 | 2,400 |
| *Transactions with a company connected to a Director* | | |
| - Purchase of airline ticketing services | 788 | 1,976 |

## 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 B8 (d). 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 30th September 2007 are as follows:

| | RM'000 |
|---|---|
| **Assets** | |
| Property, plant and equipment | 11,163 |
| Intangible assets | 6,381 |
| Deferred tax assets | 279 |
| Receivables, deposits and prepayments | 1,115 |
| Short-term deposits, cash and bank balances | 938 |
| Tax recoverable | 515 |
| Assets of disposal group classified as held for sale | 20,391 |
| **Liabilities** | |
| Trade and other payables | 736 |
| Taxation | 186 |
| Borrowings | 474 |
| Hire purchase creditors | 9,760 |
| Liabilities directly associated with the assets classified as held for sale * | 11,156 |
| Net assets attributable to disposal group classified as held for sale | 9,235 |

* The liabilities under the disposal group do not include inter-company balances within Scomi group of RM5,971,000 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 30th September 2007

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM504.4 million for the quarter ended 30th September 2007, compared to RM430.7 million for the corresponding quarter in 2006, with approximately 93% of the turnover contributed by two key divisions, namely, 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 RM376 million for the quarter ended 30th September 2007, representing an increase of RM58 million compared to the corresponding quarter in 2006. The increase was largely a result of the increase in the drilling waste management activities in all regions especially Russia whilst drilling fluids continue to make inroads into certain countries.

The Energy & Logistics Engineering Division recorded revenue of RM90 million, representing a marginal increase of RM6 million as compared to the corresponding quarter in 2006, due principally to the improved performance of the Machine Shop Unit and higher contribution from the Scomi Transportation Systems Sdn Bhd (formerly known as Mtrans Tranportation Systems Sdn Bhd) Group of companies.

The Product Enhancement Division recorded revenue of RM21 million, representing an increase of 100% over the RM10 million recorded in the corresponding quarter in 2006. The increase came from increase sales in chemicals as well as the CPOC contract secured under the Scomi NTC JV.

Net profit for the current quarter was at RM31.8 million after adjustment to exclude the one-off gain from divestment of 19.9% shareholding in Scomi Oilfield Limited (note B8(b)), representing an increase of 36.5% from RM23.3 million reported in the corresponding quarter in 2006.

### B2. Variation of results against preceding quarter

The group achieved a turnover of RM504.4 million for the current quarter ended 30th September 2007 compared to RM492.6 million in the preceding quarter ended 30th June 2007.

The group achieved a net profit of RM31.8 million for the current quarter ended 30th September 2007 compared to RM171.1 million in the preceding quarter ended 30th June 2007.

In comparison to the preceding quarter, revenue for the current quarter is marginally higher by 2% whilst the net profit for the current quarter is substantially lower by 81.4%, due to the one off gain from the divestment recorded in the preceding quarter. Excluding the one off gain, net profit for the third quarter showed a marginal increase of 2% over RM31.0 million reported for the second quarter. This was due to the increase in share of minority interest in the Oilfield Services division arising from the divestment concluded in the second quarter where the savings in interest cost was not sufficient to offset the portion of profits attributable to the minority interest in the Oilfield Services division. Notwithstanding, a marginal increase in net profit was recorded.

## B3. Current year prospects

The **Oilfield Services Division** expects the growth in revenue and earnings to continue in the last quarter of 2007, especially in Russia and Algeria where there are existing contracts and in Nigeria with the commencement of the new machine shop. In the Middle East and Asia regions, emphasis is placed on building the relationship with the National Oil Companies ("NOC") where many of the new bids and tenders are expected in line with the sustained high crude oil prices.

The **Energy & Logistics Engineering Division** expects the Machine Shop division's contribution to increase in the last quarter of 2007 as the opening of new machine shops in Irian Jaya, Saudi & Johor Bahru has provided the additional capacity to tap the increasing opportunities from the buoyant oil and gas market.

With the completion of the acquisition of 100% equity interest held in Scomi Transportation Systems Sdn Bhd (formerly known as Mtrans Transportation Systems Sdn Bhd), the contribution from the coach building unit under Scomi Coach Sdn Bhd (formerly known as Mtrans Bus Sdn Bhd) is expected to contribute to the Group's results. The development of the new generation monorail train will provide the unit with a new technologically superior product of international standard. This will strengthen the proposals submitted for the Malaysian and international monorail projects.

The **Energy Logistics Division** which focuses on two core business of marine logistics services and offshore support services will continue to concentrate on the South East Asia and Middle East regions as the Group looks to consolidate its existing operations for financial year 2007.

Capitalizing on the strong demand for oil, the offshore support services continues with the fleet rationalisation through replacement of older vessels with 6 new deep water vessels to be delivered from 2008 onwards (via CH Offshore) and the construction of 2 accommodation barges under PTRT. The marine logistics services will continue to improve its fleet efficiency with emphasis on reducing cycle time and cost control whilst being vigilant of profitable opportunities to expand into existing and new markets.

With the continued strong demand for oil, the outlook for the last quarter of 2007 remains positive.

The **Production Enhancement Division** will continue to focus on developing technologies and applications beyond its current conventional uses where plans to invest in research and development to enhance capability and achieve new patented products are also being put in place to provide the platform for the Group to pursue new markets and grow the business in this area.

## B4. Variance of actual and revenue or profit estimate

On 23 March 2007, an announcement was made by the Company in relation to a statement on SGB Group's expectation of 50% growth in revenue in 2007. However, in view of the weakening Dollar and the delay in award of certain contracts, the Directors are of the opinion that it may be difficult for the Group to meet the abovementioned growth.

## B5. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Year Quarter 30-Sep-07 RM`000 | Preceding Year Quarter 30-Sep-06 RM`000 | Current Year Quarter 30-Sep-07 RM`000 | Preceding Year Quarter 30-Sep-06 RM`000 |
| Current tax: | | | | |
| Malaysian income tax | (2,774) | 1,182 | 1,564 | 2,106 |
| Foreign tax | 10,264 | 5,021 | 19,956 | 14,675 |
| | 7,490 | 6,203 | 21,520 | 16,781 |
| Under/(Over)provision of Malaysian income tax in prior years | (462) | (350) | (978) | (205) |
| | 7,028 | 5,853 | 20,542 | 16,576 |
| Deferred tax | (1,778) | 206 | (1,650) | 588 |
| Total income tax expense | 5,250 | 6,059 | 18,892 | 17,164 |

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 30-Sep-07 % | Preceding Year Quarter 30-Sep-06 % | Current Year Quarter 30-Sep-07 % | Preceding Year Quarter 30-Sep-06 % |
| Malaysian statutory tax rate | 27 | 28 | 27 | 28 |
| Tax effects of: | | | | |
| - income not subject to tax | (6) | (9) | (18) | (6) |
| - different tax rates in other countries | (7) | (8) | (2) | (4) |
| - under/(over) provision in respect of previous years | (1) | (1) | - | - |
| - unrecognised tax loss/unabsorbed capital allowance | (13) | (1) | (4) | (3) |
| - expenses not deductible for tax purposes | 16 | 11 | 6 | 8 |
| - share of associate's tax | (4) | (2) | (2) | (3) |
| - deferred tax assets not recognised | (1) | - | - | - |
| Effective tax rate | 11 | 18 | 7 | 20 |

**B6. Unquoted investments and/or properties**

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

**B7. Quoted and marketable investments**

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

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | **30-Sept-07** | **30-Sept-06** | **30-Sept-07** | **30-Sept-06** |
| | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Purchases (at cost) | - | - | - | 7,363 |
| Sale proceeds | (10,300) | (2,698) | (7,050) | - |
| 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 | 3,657 |
| Total investments at carrying value | 1,851 |
| Total investments at market value | 1,623 |

**B8. Status of corporate proposal**

**Scomi Group Berhad**

**(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 30th September 2007 are as follows:

| Purpose | Proposed Utilisation RM '000 | Actual Utilisation RM '000 | Intended Timeframe | Deviation RM '000 | Deviation % | Note |
|---|---|---|---|---|---|---|
| Settlement of SGB's Bonds | 250,000 | 250,000 | End December 2006 | - | - | |
| Repayment of Borrowings | 195,000 | 192,051 | End December 2006 | 2,949 | 1.5 | 1 |
| Settlement of inter-company advances | 50,000 | 42,889 | End January 2007 | 7,111 | 14.2 | 1 |
| Issuance expenses, working capital & Capex for KMCOB Group | 135,000 | 133,614 | End December 2007 | 1,386 | 1.03 | |
| | 630,000 | 618,554 | | | | |

Note:

1) Actual utilisation completed within the intended timeframe and is within the estimated utilisation amount. Excess funds will be reallocated to working capital.

**(b) 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 is principally an investment holding company and was incorporated in Bermuda on 6 March 2007 as a company limited by shares under its current name. For the purpose of the Proposed Divestment, KMCOB, a direct subsidiary of the Company, has been made a wholly-owned subsidiary of SOL thru the Proposed SOL-KMCOB Restructuring detailed in note B8(c)(ii) below.

The Proposed Divestment was completed on 27 September 2007. Following the said completion, the Company now holds 80.1% equity interest in SOL whilst the remaining 19.9% equity interest is held by Standard Chartered Private Equity Limited.

| Purpose | Proposed Utilisation RM '000 | Actual Utilisation RM '000 | Intended Timeframe | Deviation RM '000 | Deviation % | Note |
|---|---|---|---|---|---|---|
| Repayment of Borrowings | 261,220 | 257,991 | End September 2007 | 3,229 | 1.2 | 1 |
| Future working capital and expenses | 90,015 | 54,462 | April 2009 | 35,553 | 39.49 | |
| Currency translation difference | (8,258) | - | - | (8,258) | - | 2 |
| | 342,977 | 312,453 | | | | |

Note :

1) Actual utilisation completed within the intended timeframe and is within the estimated utilisation amount. Excess funds will be reallocated to working capital in next quarter's announcement.
2) Currency translation difference between date of submission of proposed utilisation and the date of receipt of proceeds.

**(c) Proposed Disposal of Clarimax**

Scomi Sosma, an indirect wholly-owned subsidiary of SGB, has entered into a Share Sale Agreement ("SSA") to dispose 300,000 ordinary shares of RM1.00 each in Clarimax Consolidated Sdn Bhd ("Clarimax") representing its entire shareholding of 60% in the issued and paid-up share capital of Clarimax at a total cash consideration of RM132,329 ("Proposed Disposal").

Clarimax was incorporated in 2002 with the initial intention of carrying out the business of ISO tank cleaning/repair maintenance and waste oil/solvent recovery business. However, after taking into consideration the results of the internal feasibility study conducted on the said business, it would be more cost effective to dispose of Clarimax, which is currently dormant.

The Proposed Disposal has been approved by the shareholders of Scomi Sosma on 15 August 2007, and the bankers of Scomi Sosma on 5 July 2007 but approval from Foreign Investment Committee is still pending.

The disposal consideration of RM132,329.13 ("Disposal Consideration") shall be fully satisfied by the Purchaser to the Company upon completion of the SSA.

**Scomi Engineering Bhd ("SEB")**

**(d) Proposed disposal 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 SCOTS, for a total consideration of RM3.8 million, to ALD International Group Holdings GmbH ("ALDI")**

On 20 March 2007, SEB had entered into a Share Sale Agreement to dispose of 500,000 ordinary shares of RM1.00 each in Scomi Transportation Solutions Sdn Bhd, 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").

On 9 July 2007, SEB entered into a novation agreement with ALDI and ALD Automotive Sdn Bhd ("ALDA") ("Novation Agreement") pursuant to the Share Sale Agreement between ALDI (as the purchaser) and SEB (as the vendor) dated 20 March 2007 ("Novation").

The parties to the Novation agreed to vary the Share Sale Agreement and amended the definition of the "Cut-Off-Date" to mean the date falling six (6) months from 20 March 2007, being the final date for obtaining all the necessary approvals and fulfilling the necessary conditions, subject to such extension as the parties may mutually agree.

The completion of the sale 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, the Company shall reimburse SCOTS an amount sufficient so that the net equity is at least zero.

Approval of the Foreign Investment Committee was obtained on 1 August 2007.

On 23 October 2007, SEB and ALDA signed a supplemental letter to the Share Sale Agreement and the Novation Agreement, to extend the "Cut-Off Date" to fulfill the conditions precedent from 20 September 2007 to 20 December 2007.

The proposed disposal is currently pending the approval from the Ministry of Tourism and the Commercial Vehicle Licensing Board for the change in shareholding structure of SCOTS.

**(e) Proposed share premium reduction**

On 23 February 2007, SEB announced that it intends to reduce its share premium account pursuant to Section 64 of the Companies Act, 1965 by up to RM35.883 million, and utilise the credit arising therefrom to reduce the accumulated losses of the company.

The Proposed Share Premium Reduction was approved by the Company's shareholders at the Extraordinary General Meeting held on 21 June 2007. The application to the High Court of Malaya ("Court") was filed and on 5 October 2007, the Court granted an order to dispense with the need to hold a creditors' enquiry and fixed 14 December 2007 for the hearing of the Petition where the sanction of the High Court is sought in relation to the Proposal.

## B9. Group borrowings (Secured)

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

| **Group Borrowings** | **RM'000** |
|---|---|
| Short-term Borrowings | 130,084 |
| Long-term Borrowings | 893,420 |
| | 1,023,504 |

The group borrowings are denominated in the following currencies:

| | **RM`000** |
|---|---|
| Ringgit Malaysia | 918,433 |
| US Dollar | 63,373 |
| Sterling Pound | 25,691 |
| Canadian Dollar | 15,390 |
| Singapore Dollar | 482 |
| Australia Dollar | 96 |
| Others | 39 |
| Total | 1,023,504 |

## B10. 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 to date 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 31$^{st}$ December 2006.

## B11. 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.

## B12. Proposed Dividend

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

## B13. Earnings per share

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | 30-Sep-07 | 30-Sep-06 | 30-Sep-07 | 30-Sep-06 |
| **Basic earnings per share** | | | | |
| Net profit attributable to shareholders (RM'000) | 31,781 | 23,312 | 228,881 | 59,393 |
| Weighted average number of shares in issue ('000) | 1,007,974 | 1,002,142 | 1,004,613 | 996,965 |
| Basic earnings per share (sen) | 3.15 | 2.33 | 22.78 | 5.96 |
| **Diluted earnings per share** | | | | |
| Net profit attributable to shareholders (RM'000) | 31,781 | 23,312 | 228,881 | 59,393 |
| Weighted average number of shares in issue ('000) | 1,007,974 | 1,002,142 | 1,004,613 | 996,965 |
| Dilutive effect of unexercised share option (RM'000) | 32,717 | 26,809 | 32,380 | 26,812 |
| | 1,040,691 | 1,028,951 | 1,036,993 | 1,023,777 |
| Diluted earnings per share (sen) | 3.05 | 2.27 | 22.07 | 5.80 |

## B14. 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 14 November 2007.