

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 31.12.2007 RM'000
Increase in deferred tax assets	14,838
Increase in retained earnings	14,838
Decrease in taxation	6,969
Increase in profit for the year	6,969

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	7,869	16,729
Retained Earnings	307,346	7,869	315,215
Taxation	20,851	(7,869)	12,982

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 twelve-month period ended 31st December 2007, the issued and paid-up share capital of the Company increased from 1,005,352,300 ordinary shares of RM0.10 each to 1,019,705,300 ordinary shares of RM0.10 each by the issuance of 14,353,000 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 twelve-month period ended 31st December 2007, the treasury shares of the Company increased from 3,425,900 to 14,424,200 with the repurchased of 10,998,300 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 RM15,329,640 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							
<u>Revenue</u>							
External sales	1,444,522	368,803	79,875	59,130	3,200		1,955,530
Inter-segment sales	-	41,278	327	6,553	29,918	(78,076)	-
Total revenue	<u>1,444,522</u>	<u>410,081</u>	<u>80,202</u>	<u>65,683</u>	<u>33,118</u>	<u>(78,076)</u>	<u>1,955,530</u>
<u>Results</u>							
Segment result	160,827	50,141	2,359	3,701	213,901	(85,301)	345,628
Finance income							6,131
Finance cost							(88,911)
Share of result of associated companies	370			23,200			23,570
Share of result of jointly controlled entities	-						-
Profit before taxation							<u>286,418</u>
Taxation							(4,263)
Profit after taxation							<u><u>282,155</u></u>
2006							
<u>Revenue</u>							
External sales	1,158,661	323,940	44,282	48,612	2,000		1,577,495
Inter-segment sales	5,215	24,938	1,059	10,237	50,916	(92,365)	-
Total revenue	<u>1,163,876</u>	<u>348,878</u>	<u>45,341</u>	<u>58,849</u>	<u>52,916</u>	<u>(92,365)</u>	<u>1,577,495</u>
<u>Results</u>							
Segment result	143,019	52,549	825	4,480	-	-	200,873
Finance income							4,009
Finance cost							(78,207)
Unallocated costs	-	-	-	-	-	-	(35,809)
Share of result of associated companies	592			29,492			30,084
Share of result of jointly controlled entities	(228)						(228)
Profit before taxation							<u>120,722</u>
Taxation							(12,982)
Profit after taxation							<u><u>107,740</u></u>

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, Scomi Oiltools (Cayman) Ltd (formerly known as KMC Oiltools (Cayman) Ltd), a subsidiary of the company via Scomi Oiltools Bermuda Limited (formerly known as 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 Scomi KMC Sdn Bhd (formerly known as Abad Elit Sdn Bhd). 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, Scomi Oiltools Bermuda Limited (formerly known as 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 31st December 2007 are as follows:

	RM`000
Guarantee relating to borrowings of associates	56
Share of contingent liabilities in associate	4,698
	<u>4,754</u>

A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 31st December 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. *	488	-	488
Property, plant and equipment	70,973	45,134	116,107
Research and development	-	46,000	46,000
Total	<u>71,461</u>	<u>91,134</u>	<u>162,595</u>

- * This is the minimum payment of €150,000 as stated in the share sale 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. As at 31 December 2007, €100,000 had already been paid.

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	5,862	12,452	7,679
Plant and Machinery	1,122	3,783	4,237
Others	1,169	2,575	-
Total	<u>8,153</u>	<u>18,810</u>	<u>11,916</u>

A14. Related Party Transactions

The following are the significant related party transactions:

	4th Quarter ended 31-December-07 RM'000	Year -to-date 31-December-07 RM'000
<i>Transactions with companies with common Director(s)</i>		
- chartering of marine vessels	12,690	44,834
<i>Transactions with an associated company</i>		
- management fee charged	800	3,200
<i>Transactions with a company connected to a Director</i>		
- Purchase of airline ticketing services	1,717	3,693
<i>Transactions with a company connected to a subsidiary's Director</i>		
- Trading arrangement	84,549	247,172

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 31st December 2007 are as follows:

	RM'000
Property, plant and equipment	10,706
Intangible assets	6,381
Deferred tax assets	651
Receivables, deposits and prepayments	1,112
Short-term deposits, cash and bank balances	763
Tax recoverable	<u>620</u>
Assets of disposal group classified as held for sale	<u>20,233</u>
Trade and other payables	735
Taxation	312
Borrowings	527
Hire purchase creditors	<u>8,982</u>
Liabilities directly associated with the assets classified as held for sale *	<u>10,556</u>
Net assets attributable to disposal group classified as held for sale	<u>9,677</u>

* The liabilities under the disposal group do not include inter-company balances within Scomi group of RM6,028,000 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 December 2007

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM522.4 million for the quarter ended 31st December 2007, compared to RM471.4 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 RM381 million for the quarter ended 31st December 2007, representing an increase of RM74.2 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 whilst drilling fluids continue to make inroads into certain countries.

The Energy & Logistics Engineering Division recorded revenue of RM99.8 million, representing a decrease of RM35.2 million as compared to the corresponding quarter in 2006, due principally to the delay and commencement of projects.

The Product Enhancement Division recorded revenue of RM25.6 million, representing an increase of 69% over the RM15.1 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 RM28.248 million representing an increase of 32.91% from RM21.253 million reported in the corresponding quarter in 2006.

B2. Variation of results against preceding quarter

The group achieved a turnover of RM522.4 million for the current quarter ended 31st December 2007 compared to RM504.4 million in the preceding quarter ended 30th September 2007.

The group achieved a net profit of RM28.2 million for the current quarter ended 31st December 2007 compared to RM31.8 million in the preceding quarter ended 30th September 2007.

In comparison to the preceding quarter, revenue for the current quarter is marginally higher by 3.6% whilst the net profit for the current quarter is lower by 11.12%, due to lower profit margin mainly from Energy & Logistics Engineering Division.

B3. Current year prospects

The **Oilfield Services Division** expects the global outlook for our core product lines in drilling fluids and drilling waste management to remain positive except for the current difficult market conditions in North and Central America which is expected to continue into 2008. We expect revenue and profit contributions from Egypt, Myanmar, Russia and Turkmenistan where there are existing contracts. The commencement of the machine shop business in Nigeria is also expected to have a positive impact on performance.

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 targeting the South East Asia and Middle East regions as the Group.

Capitalizing on the strong demand for oil, the offshore support services continues with the fleet rationalisation through replacement of older vessels and is expected to take delivery of 6 new deep water vessels by end 2008 (via CH Offshore) and the construction of 2 accommodation barges under PTRT. The marine logistics services will continue to focus on our niche logistics services for coal and other bulk aggregates industry.

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 / profit guarantee

In relation to the profit guarantee given to SEB upon completion of the disposal of Machine Shop Business, Scomi Sdn Bhd and Scomi Transportation Solutions Sdn Bhd on 15th December 2005, the estimated shortfall of the consolidated PBT of Scomi Sdn Bhd and Scomi Transportation Solutions Sdn Bhd for the guaranteed consolidated PBT for the financial year ended 2007 amounted to RM14 million. The estimated shortfall was a result of limitations in production capacity and lower profit margin derived from sale of commercial vehicles due to price competition.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-Dec-07 RM`000	Preceding Year Quarter 31-Dec-06 RM`000	Current Year Quarter 31-Dec-07 RM`000	Preceding Year Quarter 31-Dec-06 RM`000
Current tax:				
Malaysian income tax	4,419	3,182	5,983	5,288
Foreign tax	7,167	7,153	27,123	21,828
	<u>11,586</u>	<u>10,335</u>	<u>33,106</u>	<u>27,116</u>
Under/(Over)provision of Malaysian income tax in prior years	(6,646)	(802)	(7,624)	(1,007)
	<u>4,940</u>	<u>9,533</u>	<u>25,482</u>	<u>26,109</u>
Deferred tax	<u>(19,569)</u>	<u>(1,947)</u>	<u>(21,219)</u>	<u>(13,127)</u>
Total income tax expense	<u>(14,629)</u>	<u>7,586</u>	<u>4,263</u>	<u>12,982</u>

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 31-Dec-07 %	Preceding Year Quarter 31-Dec-06 %	Current Year Quarter 31-Dec-07 %	Preceding Year Quarter 31-Dec-06 %
Malaysian statutory tax rate	27	28	27	28
Tax effects of:				
- income not subject to tax	(16)	8	(17)	(3)
- different tax rates in other countries	(5)	(25)	(2)	(6)
- current financial year's tax losses not recognised	-	-	-	3
- under/(over) provision in respect of previous years utilisation of previously unrecognised tax	(28)	(3)	(3)	(4)
loss/unabsorbed capital allowance	(89)	(10)	(12)	(16)
- Withholding tax	34	-	3	-
- expenses not deductible for tax purposes	13	23	7	12
- share of associate's tax	(7)	(18)	(2)	(7)
- deferred tax assets not recognised	11	8	1	-
Effective tax rate	<u>(60)</u>	<u>11</u>	<u>2</u>	<u>7</u>

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	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
	RM'000	RM'000	RM'000	RM'000
Purchases (at cost)	-	387	-	7,750
Sale proceeds	-	-	(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	1,488
Total investments at market value	1,473

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 31st December 2007 are as follows:

Purpose	Proposed Utilisation RM '000	Actual Utilisation RM '000	Intended Timeframe	Deviation		Note
				RM '000	%	
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	145,060	End December 2007	(10,060)	-7.4	
	<u>630,000</u>	<u>630,000</u>		<u>-</u>		

Note:

- 1) Actual utilisation completed within the intended timeframe and is within the estimated utilisation amount. Excess funds have been utilised for 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 June 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		Note
				RM '000	%	
Repayment of Borrowings	261,220	257,991	End September 2007	3,229	1.2	1
Future working capital and expenses	90,015	82,422	April 2009	7,593	8.43	
Currency translation difference	(8,258)	-	-	(8,258)	-	2
	<hr/> 342,977	<hr/> 340,413		<hr/> 2,564		

Note :

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

On 4th January 2008, the Company announced that all necessary approvals have been obtained and the Proposal Disposal was completed on the same date.

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 Ministry of Tourism Malaysia had via its letter dated 3 January 2008 approved the change in the effective shareholding in SCOTS from the Vendor to the Purchaser.

The Ministry of Entrepreneur and Cooperative Development via its letter dated 30 January 2008 granted its approval to the change in the shareholding and Board of Directors of SCOTS from the Vendor to the Purchaser.

With this, all necessary approvals have been obtained. The completion of the disposal is now pending the due diligence exercise by the Purchaser.

On 13 February 2008, SEB and ALDA signed a supplemental letter to the SSA and the Novation agreement to extend the cut-off date to fulfill the conditions precedent from 20 December 2007 to 31 March 2008.

- (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 on a creditors' enquiry. The High Court of Malaya approved the proposal on 14 December 2007.

B9. Group borrowings (Secured)

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

<u>Group Borrowings</u>	RM'000
Short-term Borrowings	156,486
Long-term Borrowings	<u>895,767</u>
	<u><u>1,052,253</u></u>

The group borrowings are denominated in the following currencies:

	RM`000
Ringgit Malaysia	933,241
US Dollar	46,865
Sterling Pound	56,800
Canadian Dollar	14,872
Singapore Dollar	384
Australia Dollar	89
Others	<u>2</u>
Total	<u><u>1,052,253</u></u>

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 31st 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

Subject to shareholders' approval at the forthcoming Annual General Meeting (AGM), the Directors have recommended a final ordinary dividend in respect of the financial year ended 31 December 2007 of 12.5% per share, less income tax of 26%, amounting to a dividend payable of approximately RM9,298,850 (2006: 15% less income tax of 27%, amounted to RM11,008,608).

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	28,248	21,253	257,129	92,414
Weighted average number of shares in issue ('000)	1,005,379	1,001,640	1,004,806	995,025
Basic earnings per share (sen)	2.81	2.12	25.59	9.29
Diluted earnings per share				
Net profit attributable to shareholders (RM'000)	28,248	21,253	257,129	92,414
Weighted average number of shares in issue ('000)	1,005,379	1,001,640	1,004,806	995,025
Dilutive effect of unexercised share option (RM'000)	33,116	31,047	32,285	22,482
	1,038,495	1,032,687	1,037,091	1,017,507
Diluted earnings per share (sen)	2.72	2.06	24.79	9.08

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 28th February 2008.