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 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 2007 except for the following revised Financial Reporting Standards (FRSs) and new Interpretations effective for financial periods beginning on or after 1 January 2008:

| | |
|---|---|
| FRS 107 | Cash Flow Statements |
| FRS 111 | Construction Contracts |
| FRS 118 | Revenue |
| FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| FRS 121 | The Effects of changes in Foreign Exchange Rates - Net Investment in a Foreign Operations |
| FRS 134 | Interim Financial Reporting |
| FRS 137 | Provisions, Contingent Liabilities and Contingent Asssets |
| IC Interpretation 1 | Changes in Existing Decommissioning, Restoration and Similar Liabilities |
| IC Interpretation 2 | Members' Shares in Co-operative Entities and Similar Instruments |
| IC Interpretation 5 | Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds |
| IC Interpretation 6 | Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment |
| IC Interpretation 7 | Applying the Restatement Approach under FRS $129_{2004}$ – Financial Reporting in Hyperinflationary Economies |
| IC Interpretation 8 | Scope of FRS 2 |

Other than hedge accounting which has been adopted by the Group in previous financial years, the Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

The adoption of the abovementioned FRSs does not result in significant financial impact on the Group; whereas FRS 120, IC Interpretation 1, 2, 5, 6 and 7 are irrelevant to the Group's operations.

## 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 three-month period ended 31st March 2008, the issued and paid-up share capital of the Company increased from 1,019,705,300 ordinary shares of RM0.10 each to 1,020,215,800 ordinary shares of RM0.10 each by the issuance of 510,500 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 RM0.84 per ordinary share.

### (b) Treasury Shares

There were no repurchase of the Company's shares during the three-month period ended 31st March 2008.

## A7. Dividends Paid

No dividends were paid during the current quarter.

## 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 |
|---|---|---|---|---|---|---|---|
| **2008** | | | | | | | |
| Revenue | | | | | | | |
| External sales | 350,835 | 96,704 | 12,912 | 15,796 | 476 | - | 476,723 |
| Inter-segment sales | - | - | - | - | 3,496 | (3,496) | - |
| Total revenue | 350,835 | 96,703 | 12,912 | 15,796 | 3,972 | (3,496) | 476,723 |
| Results | | | | | | | |
| Segment result | 37,458 | 11,735 | (597) | 2,414 | (1,343) | (1,513) | 48,155 |
| Finance income | | | | | | | 728 |
| Finance cost | | | | | | | (18,801) |
| Share of result of associated companies | 121 | - | - | 4,409 | - | - | 4,530 |
| Profit before taxation | | | | | | | 34,611 |
| Taxation | | | | | | | (5,844) |
| Profit after taxation | | | | | | | 28,767 |
| **2007** | | | | | | | |
| 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 | 13,015 | 2,911 | (2,361) | 436,121 |
| Results | | | | | | | |
| Segment result | 37,367 | 10,008 | (10) | (162) | 1,050 | (875) | 47,378 |
| Finance income | | | | | | | 1,749 |
| Finance cost | | | | | | | (22,328) |
| Share of result of associated companies | 134 | - | - | 6,148 | - | - | 6,282 |
| Profit before taxation | | | | | | | 33,081 |
| Taxation | | | | | | | (5,347) |
| Profit after taxation | | | | | | | 27,734 |

## 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. Subsequent Events

There were no materials events subsequent to the quarter under review, other than for the incorporation of an indirect subsidiary company under Scomi Engineering Bhd ("SEB"), Scomi OMS Oilfield Services Arabia Limited("SOOSAL"), in the Kingdom of Saudi Arabia on 7 May 2008. The subsidiary company is 70% held by SEB Group through a wholly-owned subsidiary, Scomi OMS Oilfield Holdings Sdn Bhd("SOOHSB"), where SOOHSB subscribed for 1,050 ordinary shares of SR1,000 each in SOOSAL for cash amounting to SR1,050,000 (RM889,840). SOOSAL is currently dormant and its principal activity is intended to be the manufacture of casing connectors, slip joint pipes, pup joints, cross-overs and other tubular accessories.

## A11. Changes in composition of the group

(a) On 4 January 2008, Scomi Sosma Sdn Bhd ("Scomi Sosma"), an indirect wholly-owned subsidiary of the Company, completed its disposal of 300,000 ordinary shares of RM1.00 each in Clarimax Consolidated Sdn Bhd ("Clarimax") representing 60% of the total issued and paid-up share capital of Clarimax at a total consideration of RM330,000 at the conclusion of and pursuant to the terms and conditions of the sale. Subsequent to the disposal, Clarimax had ceased to be a subsidiary company of the Group.

(b) On 11 March 2008, Scomi Oiltools (Europe) Limited, an indirect subsidiary of the Company, had incorporated a limited liability company known as Scomi Oiltools (Rus) Limited Liability Company in Russia. The authorized and paid up share capital is 1,000,000 rubles (approximately RM140,608.69).

(c) On 31 March 2008, Scomi Engineering Bhd ("SEB"), a subsidiary of the Company, completed its disposal of 500,000 ordinary shares of RM1.00 each in Scomi Transportation Solutions Sdn Bhd ("SCOTS") representing 100% of the total issued and paid-up share capital of SCOTS to ALD Automotive Sdn Bhd for a total cash consideration of RM3.8 million, pursuant to which SCOTS and its subsidiary, Asian Rent-A-Car Sdn Bhd, had ceased to be subsidiary companies of the Group.

## A12. Contingent liabilities

Details of contingent liabilities of the Group as at 31st March 2008 are as follows:

| | RM`000 |
|---|---|
| Guarantee relating to borrowings of associates | 54 |
| Share of contingent liabilities in associate | 4,188 |
| | 4,242 |

## A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 31st March 2008:

| | 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 | 118,771 | 73,963 | 192,734 |
| Others | 12,546 | - | 12,546 |
| Research and development | - | 31,564 | 31,564 |
| Total | 131,317 | 106,015 | 237,332 |

* This is the balance of minimum €100,000 as stated in the share sale and variation agreements dated 31 August 2006 and 26 October 2007, respectively, to acquire the remaining 13.33% shareholding in Scomi Anticor S.A. (formerly known as Anticor Chimie S.A.) in two equal tranches by July 2008 and 2009.

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 | Total RM'000 |
|---|---|---|---|---|
| Property | 10,341 | 20,567 | 4,932 | 35,840 |
| Plant and Machinery | 1,043 | 3,844 | 4,080 | 8,967 |
| Others | 1,378 | 1,206 | 1 | 2,585 |
| Total | 12,762 | 25,617 | 9,013 | 47,392 |

## A14. Related Party Transactions

The following are the significant related party transactions:

| | 1st Quarter ended 31-March-08 RM'000 | Year -to-date 31-March-08 RM'000 |
|---|---|---|
| *Transactions with companies with common Director(s)* | | |
| - chartering of marine vessels | 5,035 | 5,035 |
| *Transactions with an associated company* | | |
| - management fee charged | 476 | 476 |
| *Transactions with a company connected to a Director* | | |
| - Purchase of airline ticketing services | 863 | 863 |
| *Transactions with a company connected to a subsidiary's Director* | | |
| - Trading arrangement | 52,480 | 52,480 |

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

### B1. Review of performance for the quarter ended 31st March 2008

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM476.7 million for the quarter ended 31st March 2008, compared to RM436.1 million for the corresponding quarter in 2007, with approximately 94% of the turnover contributed by two key divisions, namely, Oilfield Services Division and the Energy & Logistics Engineering Division. All divisions reported growth in turnover.

Oilfield Services Division generated revenue of RM351 million for the quarter ended 31st March 2008, representing an increase of RM19.4 million compared to the corresponding quarter in 2007. The increase was largely a result of the increase in the drilling waste management activities in Indonesia, Algeria and Italy whilst drilling fluids activities in India, Myanmar and Indonesia.

The Energy & Logistics Engineering Division recorded revenue of RM96.7 million, representing an increase of RM18.5 million as compared to the corresponding quarter in 2007, due principally to improved performance of the Bus and Rail unit.

The Product Enhancement Division recorded revenue of RM12.9 million, which is consistent with the corresponding quarter in 2007.

Notwithstanding the increase in revenue of 9%, net profit for the current quarter was at RM21.8 million representing a decrease of 16.1% or RM4.2 million from RM26 million reported in the corresponding quarter in 2007. The drop in net profit is attributable to the level of reduction in rig-counts primarily in the US and Canada as well as higher operating costs. These higher costs, however, were not able to be passed through to the customer. Notwithstanding, improvements in net profit are anticipated as a result of cost reduction initiatives and efficiencies.

In addition, the share of profits in associate dropped by 28.1% due to higher bunkering costs experienced in the industry. Furthermore, in the corresponding quarter of the preceding year, higher profits were recorded due to the disposal of vessels.

### B2. Variation of results against preceding quarter

The group achieved a turnover of RM476.7 million for the current quarter ended 31st March 2008 compared to RM522.4 million in the preceding quarter ended 31st December 2007.

The group achieved a net profit of RM21.8 million for the current quarter ended 31st March 2008 compared to RM28.2 million in the preceding quarter ended 31st December 2007.

In comparison to the preceding quarter, revenue for the current quarter is marginally lower by 8.74%. Net profit for the current quarter is lower by 22.8%, or RM6.4 million, mainly due to higher non-operational profit from Energy & Logistics Engineering Division in preceding quarter whereby a deferred tax benefits of RM3.5 million was recognised under the Rail unit.

## B3. Current year prospects

Despite the uncertainty and slowdown in key markets for the **Oilfield Services Division** which is reflected in the current quarter's profits, drilling activities are expected to pick-up due to anticipated crude and gas price increases for the remaining balance of the year. This will spur an increase in revenue and profit contributions from Asia, Middle East, Turkmenistan and Europe. The growth of the Oilfield Distribution business in the Middle East is also expected to have a positive impact on performance. In addition, the start up of a machine shop business in Nigeria is expected to provide a further boost to the results, albeit partially offset by the worsening political situation in the country. We also expect to experience difficult market conditions in Canada as well as continued currency devaluation of the USD against most major currencies.

The **Energy & Logistics Engineering Division** expects the Machine Shop division's contribution to increase as a result of the ten (10) machine shops that will be fully operational throughout 2008. The Kemaman and Songkla machine shops will undertake facilities improvement and relocate to larger premises in order to cater for the expected increased activities in the area. New products and services will be introduced in some of the existing locations to contribute to additional revenue.

The coach building unit under Scomi Coach Sdn Bhd is implementing proven improvement initiatives to optimize its production cycle time. The unit is also aggressively pursuing export market and government central business, the two areas of growth identified as having good potential for increasing sales. The Rail unit has secured projects and will aggressively pursue other projects both locally and overseas. The new monorail product, SUTRA, has also seen tremendous interest from our potential customers and will strengthen the monorail project proposals that the Group has submitted both in Malaysia and internationally.

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.

Capitalizing on the strong demand for oil, the offshore support services continue their fleet rationalisation through replacement of older vessels by new vessels with deepwater capabilities. In March 2008, one (1) deepwater vessel has been delivered and the Division expects another three (3) by end 2008 (via CH Offshore). 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

The group has not provided any quarterly profit forecast for the period under review.

## B5. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Year Quarter 31-Mar-08 RM`000 | Preceding Year Quarter 31-Mar-07 RM`000 | Current Year Quarter 31-Mar-08 RM`000 | Preceding Year Quarter 31-Mar-07 RM`000 |
| Current tax: | | | | |
| Malaysian income tax | 522 | 330 | 522 | 330 |
| Foreign tax | 8,156 | 5,535 | 8,156 | 5,535 |
| | 8,678 | 5,865 | 8,678 | 5,865 |
| Under/(Over)provision of Malaysian income tax in prior years | (1,499) | (648) | (1,499) | (648) |
| | 7,179 | 5,217 | 7,179 | 5,217 |
| Deferred tax | (1,335) | 130 | (1,335) | 130 |
| Total income tax expense | 5,844 | 5,347 | 5,844 | 5,347 |

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-Mar-08 % | Preceding Year Quarter 31-Mar-07 % | Current Year Quarter 31-Mar-08 % | Preceding Year Quarter 31-Mar-07 % |
| Malaysian statutory tax rate | 26 | 27 | 26 | 27 |
| Tax effects of: | | | | |
| - income not subject to tax | (5) | (9) | (5) | (9) |
| - different tax rates in other countries | (10) | 4 | (10) | 4 |
| - under/(over) provision in respect of previous years | (4) | (2) | (4) | (2) |
| - utilisation of previously unrecognised tax loss/unabsorbed capital allowance | (10) | (12) | (10) | (12) |
| - Witholding tax | 4 | - | 4 | - |
| - expenses not deductible for tax purposes | 12 | 9 | 12 | 9 |
| - share of associate's tax | (3) | (5) | (3) | (5) |
| - deferred tax assets not recognised | 7 | 4 | 7 | 4 |
| Effective tax rate | 17 | 16 | 17 | 16 |

## 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-Mar-08 | 31-Mar-07 | 31-Mar-08 | 31-Mar-07 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Purchases (at cost) | - | - | - | - |
| Sale proceeds | (200) | (7,100) | (200) | (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 | 3,457 |
| Total investments at carrying value | 1,288 |
| Total investments at market value | 1,012 |

## B8. Status of corporate proposal

**Scomi Group Berhad**

### (a) 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").

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 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 | 84,986 | April 2009 | 5,029 | 5.6 | |
| Currency translation difference | (8,258) | - | - | (8,258) | - | 2 |
| | 342,977 | 342,977 | | - | | |

Note :

1) Actual utilisation completed within the intended timeframe and is within the estimated utilisation amount. Excess funds have been reallocated to working capital.
2) Currency translation difference between date of submission of proposed utilisation and the date of receipt of proceeds.

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

**(b) 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").

The Proposed Disposal was completed on 31 March 2008 with all conditions precedent in the agreement being met.

## 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 | 185,222 |
| Long-term Borrowings | 909,035 |
| | 1,094,257 |

The group borrowings are denominated in the following currencies:

| | RM`000 |
|---|---|
| Ringgit Malaysia | 938,871 |
| US Dollar | 109,724 |
| Sterling Pound | 31,313 |
| Canadian Dollar | 13,746 |
| Singapore Dollar | 364 |
| Australia Dollar | 83 |
| Others | 156 |
| Total | 1,094,257 |

**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 2007.

**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.

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-Mar-08** | **31-Mar-07** | **31-Mar-08** | **31-Mar-07** |
| **Basic earnings per share** | | | | |
| Net profit attributable to shareholders (RM'000) | 21,813 | 26,052 | 21,813 | 26,052 |
| Weighted average number of shares in issue ('000) | 1,005,539 | 1,005,615 | 1,005,539 | 1,005,615 |
| Basic earnings per share (sen) | 2.17 | 2.59 | 2.17 | 2.59 |
| **Diluted earnings per share** | | | | |
| Net profit attributable to shareholders (RM'000) | 21,813 | 26,052 | 21,813 | 26,052 |
| Weighted average number of shares in issue ('000) | 1,005,539 | 1,005,615 | 1,005,539 | 1,005,615 |
| Dilutive effect of unexercised share option (RM'000) | 20,798 | 26,145 | 20,798 | 26,145 |
| | 1,026,336 | 1,031,760 | 1,026,336 | 1,031,760 |
| Diluted earnings per share (sen) | 2.13 | 2.53 | 2.13 | 2.53 |

## 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 22nd May 2008.