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 Assets
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 six-month period ended 30th June 2008, the issued and paid-up share capital of the Company increased from 1,019,705,300 ordinary shares of RM0.10 each to 1,020,481,800 ordinary shares of RM0.10 each by the issuance of 776,500 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 RM1.12 per ordinary share.

(b) Treasury Shares

For the six-month period ended 30th June 2008, the treasury shares of the Company increased from 14,424,200 to 14,425,200 with the repurchased of with the repurchased of 1,000 of its issued ordinary shares from the open market at an average price of RM0.97 per share. The total consideration paid for the repurchase including transactions costs was RM966.28. This shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

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	713,342	228,288	38,323	23,005	951	-	1,003,909
Inter-segment sales	-	-	-	-	20,710	(20,710)	-
Total revenue	713,342	228,287	38,323	23,005	21,661	(20,710)	1,003,909
Results							
Segment result	78,675	24,588	297	3,254	18,698	(15,029)	110,483
Finance income							1,372
Finance cost							(37,083)
Share of result of associated companies	210	-	-	10,675	-	-	10,885
Profit before taxation							85,657
Taxation							(14,770)
Profit after taxation							70,887
2007							
Revenue							
External sales	687,509	178,746	33,254	27,599	1,599	-	928,707
Inter-segment sales	-				19,471	(19,471)	-
Total revenue	687,509	178,746	33,254	27,598	21,070	(19,471)	928,707
Results							
Segment result	82,499	22,720	1,177	616	154,634	(16,296)	245,350
Finance income							3,121
Finance cost							(43,817)
Share of result of associated companies	290	-	-	10,687	-	-	10,977
Profit before taxation							215,631
Taxation							(13,642)
Profit after taxation							201,989

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.

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.

(d) On 7 May 2008, Scomi OMS Oilfield Holdings Sdn Bhd ("SOOHSB"), a subsidiary of Scomi Engineering Bhd, which in turn is a subsidiary of the Company, had incorporated a limited liability company known as Scomi OMS Oilfield Services Arabia Limited ("SOOSAL") in the Kingdom of Saudi Arabia. The share capital of SOOSAL is SR1,500,000 comprising of 1,500 ordinary shares of SR1,000 each of which SOOHSB holds 1,050 shares.

A12. Contingent liabilities

Details of contingent liabilities of the Group as at 30th June 2008 are as follows:

	RM`000
Guarantee relating to borrowings of associates	56
Share of contingent liabilities in associate	7,149
	7,205

A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 30th June 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. *	515	-	515
Property, plant and equipment	97,007	64,770	161,777
Others	18,923	8,413	27,336
Research and development	15,000	26,182	41,182
Total	131,445	99,365	230,810

* 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	9,280	16,396	4,758	30,434
Plant and Machinery	1,030	3,914	5,742	10,686
Others	1,201	1,103	-	2,304
Total	11,511	21,413	10,500	43,424

A14. Related Party Transactions

The following are the significant related party transactions:

	2nd Quarter ended 30-June-08 RM'000	Year -to-date 30-June-08 RM'000
Transactions with companies with common Director(s)		
- chartering of marine vessels	3,495	8,530
Transactions with an associated company		
- management fee charged	475	951
Transactions with a company connected to a Director		
- Purchase of airline ticketing services	1,501	2,364
Transactions with a company connected to a subsidiary's Director		
- Trading arrangement	68,645	121,125

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

B1. Review of performance for the quarter ended 30th June 2008

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM527.2 million for the quarter ended 30th June 2008, compared to RM492.6 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.

Oilfield Services Division generated revenue of RM362.5 million for the quarter ended 30th June 2008, representing an increase of 1.8% or RM6.4 million over the RM356.1 million recorded in corresponding quarter in 2007. The increase was largely a result of the increase in the drilling waste management activities in Algeria and Norway coupled with drilling fluids activities in India and Pakistan.

The Energy & Logistics Engineering Division recorded revenue of RM131.6 million, representing an increase of 30.8% or RM31.0 million over the RM100.6 million recorded in the corresponding quarter in 2007, due principally to improved performance in Machine Shop business and the Rail Business unit.

The Production Enhancement Division recorded revenue of RM25.4 million, representing an increase of 25.1% or RM5.1 million over the RM20.3 million recorded in the corresponding quarter in 2007. The increase came from the commencement of a new project during the year.

Net profit for the current quarter was at RM34.5 million representing an increase of 11.3% from RM31.0 million reported in the corresponding quarter in 2007, after removing the effects of the one off gain from the Group's divestment of 19.9% in Scomi Oilfield Limited ("SOL") that was recognized in June 2007. The favourable variance in net profit is mainly a result of higher operating margin due to cost reduction initiatives and more stringent cost controls.

B2. Variation of results against preceding quarter

The group achieved a turnover of RM527.2 million for the current quarter ended 30th June 2008 compared to RM476.7 million in the preceding quarter ended 31st March 2008, representing an increase of 10.6% or RM50.5million.

Net profit for the current quarter ended 30th June 2008 was RM34.5 million compared to RM21.8 million in the preceding quarter ended 31st March 2008, representing an increase of 58.3% or RM12.7 million, mainly due to more stringent costs controls and monitoring at all Divisions.

B3. Current year prospects

The slowdown in certain key markets for the **Oilfield Services Division** is reflected in the current quarter's profits. However, we are cautiously optimistic that there will be an improvement in the second half performance, mainly arising from the award of new drilling fluids contracts in Middle East and South America. In addition, we expect to see increased equipment sales in Europe and higher rental and service revenues from drilling waste management in the United States. The underlying rig count trend is positive and we expect this to boost drilling activity in the second half of the year.

The **Energy & Logistics Engineering Division** expects the Machine Shop's contribution to continually lead the performance of the Division throughout 2008 with completion of the expansion plan with 3 new facilities in Irian Jaya, Johor Bahru and Saudi Arabia. The Labuan, Brunei, Kemaman and Songkhla facilities had been enhanced and expanded in order to cater for the expected increased activities in the region. Further to the expansion plan, certain products and services, such as casing connectors, which are currently available at selected locations, will be extended to the other machine shop locations as well.

Contribution from the Rail unit will continue with the existing 2 domestic light rail projects for the upgrading of the Electrical & Mechanical systems. The latest generation SUTRA monorail will further strengthen the Rail business both in Malaysia and overseas. At the Coach and Special Purpose Vehicle operations, the manufacturing process has been improved by merging the 2 businesses at the manufacturing facility in Rawang. Revenue is expected to be higher in the Coach business from the export markets and improved prospects from tenders.

Barring unforeseen circumstances, the Division's performance for the current financial year is expected to be satisfactory.

The **Energy Logistics Division** focuses on two core businesses of marine logistics and offshore support services targeting the South East Asia and Middle East regions.

Demand for coal is forecasted to remain strong over the next few years with high production growth anticipated from Indonesia. Operational costs, especially bunker, are expected to have an impact to the performance as prices of crude oil remain volatile and high. Nevertheless, the division has taken measures to mitigate the cost pressure on its operational costs.

The outlook for Offshore Support division is encouraging. Sustained high crude oil prices have resulted in continued high level activities in the offshore exploration and production sector. This trend is encouraging as the Offshore Support division will continue to benefit from high global demand for offshore support vessels which will improve the charter and vessel utilization rates and contribute positively to the Group's earnings. In March and May 2008, two deepwater vessels have been delivered and the Division expects another two by the end of 2008 (via CH Offshore).

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. However, the introduction of new green products into the market is taking longer than expected.

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 30-Jun-08	Preceding Year Quarter 30-Jun-07	Current Year Quarter 30-Jun-08	Preceding Year Quarter 30-Jun-07
	RM`000	RM`000	RM`000	RM`000
Current tax:				
Malaysian income tax	1,297	4,008	1,819	4,339
Foreign tax	6,808	4,158	14,964	9,692
	8,105	8,166	16,783	14,031
Under/(Over)provision of income tax in prior years	801	132	(698)	(516)
	8,906	8,298	16,085	13,515
Deferred tax	20	(3)	(1,315)	127
Total income tax expense	8,926	8,295	14,770	13,642

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Quarter	Current Year Quarter	Preceding Year Quarter
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
	%	%	%	%
Malaysian statutory tax rate	26	27	26	27
Tax effects of:				
- income not subject to tax	2	(22)	(1)	(20)
- different tax rates in other countries	(8)	(1)	(9)	(1)
- under/(over) provision in respect of previous years	1	-	(1)	-
- utilisation of previously unrecognised tax loss/unabsorbed capital allowance	(5)	(2)	(7)	(4)
- Witholding tax	3	-	4	-
- expenses not deductible for tax purposes	1	3	5	4
- share of associate's tax	(3)	(1)	(3)	(1)
- deferred tax assets not recognised	1	-	3	1
Effective tax rate	18	4	17	6

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-June-08	**30-June-07**	**30-June-08**	**30-June-07**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Purchases (at cost)	1,000	10,350	800	3,250
Sale proceeds	-	-	-	-
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	4,457
Total investments at carrying value	2,288
Total investments at market value	1,859

B8. Status of corporate proposal

There were no corporate proposals announced but not completed in the quarter under review.

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	241,287
Long-term Borrowings	894,503
	1,135,790

The group borrowings are denominated in the following currencies:

	RM`000
Ringgit Malaysia	907,715
US Dollar	200,264
Sterling Pound	12,501
Canadian Dollar	14,257
Singapore Dollar	321
Australia Dollar	82
Others	650
Total	1,135,790

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 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.

The Directors had 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). The proposed final dividend was duly approved by shareholders at the Annual General Meeting dated 26th June 2008. Entitlement to the dividend will be determined on the basis of the record of depositors as at 5th September 2008, and payable on 22nd September 2008.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	34,544	171,048	56,356	197,100
Weighted average number of shares in issue ('000)	1,005,794	1,003,613	1,005,666	1,002,905
Basic earnings per share (sen)	3.43	17.04	5.60	19.65
Diluted earnings per share				
Net profit attributable to shareholders (RM'000)	34,544	171,048	56,356	197,100
Weighted average number of shares in issue ('000)	1,005,794	1,003,613	1,005,666	1,002,905
Dilutive effect of unexercised share option (RM'000)	14,316	29,627	14,316	29,626
	1,020,110	1,033,240	1,019,982	1,032,531
Diluted earnings per share (sen)	3.39	16.55	5.53	19.09

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 13th August 2008.