

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

At the date of authorisation of these interim financial statements, the Group has not yet applied FRS139 Financial Instruments: Recognition and Measurement, which is effective from 1 January 2010. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS139.

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 nine-month period ended 30th September 2008, the issued and paid-up share capital of the Company increased from 1,019,705,300 ordinary shares of RM0.10 each to 1,021,764,800 ordinary shares of RM0.10 each by the issuance of 2,059,500 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 nine-month period ended 30th September 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

	2008	2007
	RM'000	RM'000
Interim dividend of 7.5% less income tax of 27% in respect of financial year ending 31 December 2007	-	5,506
Final dividend of 15% less income tax of 27% in respect of financial year ending 31 December 2006	-	11,036
Final dividend of 12.5% less income tax of 26% in respect of financial year ending 31 December 2007	9,317	-
Total dividend paid	<u>9,317</u>	<u>16,542</u>

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							
<u>Revenue</u>							
External sales	1,106,278	320,224	48,683	31,700	1,338	-	1,508,223
Inter-segment sales	-	-	-	-	24,020	(24,020)	-
Total revenue	<u>1,106,278</u>	<u>320,223</u>	<u>48,683</u>	<u>31,700</u>	<u>25,358</u>	<u>(24,020)</u>	<u>1,508,223</u>
<u>Results</u>							
Segment result	95,430	29,757	(15)	9,349	34,077	(19,108)	149,490
Finance income							1,822
Finance cost							(55,738)
Share of result of associated companies	265	-	-	19,405	-	-	19,670
Profit before taxation							<u>115,244</u>
Taxation							(19,373)
Profit after taxation							<u><u>95,871</u></u>
2007							
<u>Revenue</u>							
External sales	1,063,493	269,045	54,246	43,944	2,400	-	1,433,128
Inter-segment sales	-				22,763	(22,763)	-
Total revenue	<u>1,063,493</u>	<u>269,045</u>	<u>54,246</u>	<u>43,943</u>	<u>25,163</u>	<u>(22,763)</u>	<u>1,433,128</u>
<u>Results</u>							
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
Profit before taxation							<u>262,242</u>
Taxation							(18,892)
Profit after taxation							<u><u>243,350</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. Subsequent Events

On 20 October 2008, Scomi Engineering Bhd ("SEB"), a subsidiary of the Company, announced that it had received a letter of intent from Mumbai Metropolitan Region Development Authority dated 17 October 2008, confirming the acceptance of the Consortium's (comprising SEB and Larsen & Toubro Ltd) final bid for the Design, Development, Construction, Operation and Maintenance of Monorail System ("Project") in the Mumbai Metropolitan.

On 10 November 2008, the Company announced that it had received a Letter of Acceptance dated 7 November 2008 from the MMRDA of India for the award of Contract for the Project to the Consortium.

The scope of works of the Contract is divided as follows:-

- (a) design, development, construction/manufacture/supply, testing & commissioning of the system including safety certification for commercial operations within 30 months from the date of issue of the Letter of Acceptance; and
- (b) operation and maintenance of the system for 3 years after the commissioning of the system.

The lump sum contract price for the design, development, construction, manufacture, supply, testing and commissioning of the Monorail System awarded to the Consortium is INR2,460 crores (equivalent to RM1,846 million at the spot rate of INR/MYR of 0.750) exclusive of all taxes, duties and service tax. Based upon the Company's scope of works, the value of the award to the Company is INR1,097 crores (equivalent to RM823 million at the spot rate of INR/MYR of 0.750)

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.

A11. Changes in composition of the group (continue)

- (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.
- (e) On 3 September 2008, Scomi Oiltools Bermuda Limited, an indirect subsidiary of the Company, had acquired 3,000 shares of RO1.00 each in Scomi Oiltools Oman LLC (formerly known as KMC Oiltools Oman LLC), from Zubair Oil & Gas LLC, for a total cash consideration of RO19,200 (Rial Omani: Nineteen Thousand and Two Hundred Only) pursuant to which the Company's effective interest in Scomi Oiltools Oman LLC has increased from 39.25% to 40.85%.
- (f) Pursuant to the completion of the transfer of shares in Scomi Anticor S.A. ("SASA") in respect of the first and second tranche of the second Share Sale Agreement between Scomi Sosma Sdn Bhd ("Scomi Sosma"), a wholly owned subsidiary of Scomi Chemicals Sdn Bhd, and Pascal Groffe and Didier Groffe, the equity stake held by Scomi Sosma in SASA has increased to 93.33%.

A12. Contingent liabilities

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

	RM `000
Guarantee relating to borrowings of associates	-
Share of contingent liabilities in associate	6,535
	<u>6,535</u>

A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 30th September 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. *	247	-	247
Property, plant and equipment	116,618	41,773	158,391
Others	-	861	861
Research and development	<u>500</u>	<u>13,968</u>	<u>14,468</u>
Total	<u>117,365</u>	<u>56,602</u>	<u>173,967</u>

- * This is the balance of minimum €50,000 as stated in the share sale and variation agreements dated 31 August 2006 and 26 October 2007, respectively, to acquire the remaining 6.67% shareholding in Scomi Anticor S.A. (formerly known as Anticor Chimie S.A.) by July 2009. During the quarter under review, 6.66% shareholding had been acquired as disclosed in note A11 (f).

A13. Capital and operating lease commitments (continue)

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	8,938	18,095	6,958	33,991
Plant and Machinery	1,053	4,028	4,867	9,948
Others	1,270	1,031	-	2,301
Total	11,261	23,154	11,825	46,240

A14. Related Party Transactions

The following are the significant related party transactions:

	3rd Quarter ended 30-September-08 RM'000	Year -to-date 30-September-08 RM'000
<i>Transactions with companies with common Director(s)</i>		
- chartering of marine vessels	4,665	13,195
<i>Transactions with an associated company</i>		
- management fee charged	388	1,339
<i>Transactions with a company connected to a Director</i>		
- Purchase of airline ticketing services	1,197	3,561
<i>Transactions with a company connected to a subsidiary's Director</i>		
- Trading arrangement	49,485	170,610

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

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

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM504.3 million for the quarter ended 30th September 2008, compared to RM504.4 million for the corresponding quarter in 2007, with approximately 96% of the turnover contributed by two key divisions, namely, Oilfield Services Division and the Energy & Logistics Engineering Division.

Oilfield Services Division generated revenue of RM392.9 million for the quarter ended 30th September 2008, representing an increase of 4.5% or RM16.9 million over the RM376.0 million recorded in corresponding quarter in 2007. The increase was largely a result of the increase in the drilling waste management activities in India, Malaysia and Myanmar.

The Energy & Logistics Engineering Division recorded revenue of RM91.9 million, representing an increase of 1.8% or RM1.6 million over the RM90.3 million recorded in the corresponding quarter in 2007, contributed by higher sales from the Energy Engineering Division, but partly offset by lower sales from the Logistics Engineering Division.

The Production Enhancement Division recorded revenue of RM10.4 million, representing a decrease of 50.5% or RM10.6 million over the RM21.0 million recorded in the corresponding quarter in 2007. The decrease is mainly due to completion of existing projects in the last quarter whereas contributions from new projects on hand will not be significant until the end of the year.

Net profit for the current quarter was at RM19.3 million representing a decrease of 39.3% from RM31.8 million reported in the corresponding quarter in 2007. The reduction in net profit is mainly a result of reduced margin arising from higher material, handling and logistic charges, overheads and foreign exchange loss incurred from the impact of the strengthening USD against RM during the quarter under review.

B2. Variation of results against preceding quarter

The group achieved a turnover of RM504.3 million for the current quarter ended 30th September 2008 compared to RM527.2 million in the preceding quarter ended 30th June 2008, representing a decrease of 4.3% or RM22.9 million.

Net profit for the current quarter ended 30th September 2008 was RM19.3 million compared to RM34.5 million in the preceding quarter ended 30th June 2008, representing a decrease of 44.1% or RM15.2 million, mainly due to the sudden slow down in global market and RM devaluation against USD, resulting in lower revenue as well as margin erosion.

B3. Current year prospects

The continuing slowdown in global markets is reflected in the current quarter's profits for the **Oilfield Services Division**. We expect this trend to continue over the remainder of the year although there will be some improvement in the last quarter and an expected increase in equipment sales in Europe. In addition, we expect to see higher rental and service revenues from drilling waste management in the United States with activity levels returning to normal following the hurricane season.

The **Energy & Logistics Engineering Division** expects weak consumer sentiment as a result of increased inflationary pressure, higher interest rates and tightening credit to weigh down the Division's performance. Machine Shop business will continue to lead the performance of the Group in the remaining quarter of 2008 with the new facilities in Irian Jaya and Johor Bahru in full operations. Margins will however continue to be dampened by declining sales and higher operating costs as business conditions remain challenging.

The existing light rail projects which involve the upgrading of the Electrical & Mechanical systems and Bogie assembly will continue to contribute to Rail business throughout 2008. With its current international recognition, the rail unit will aggressively pursue more overseas projects. At the Coach and Special Purpose Vehicle operations, the manufacturing process has been improved and the management will continue to undertake cost reduction measures for greater efficiency to cushion the impact of increasing overheads and declining margins.

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.

Unlike the bulk and tanker sector, our Energy Logistics operations have not been significantly impacted by the ongoing financial market crisis. As most of the contracts are long term (1-4 years), rates are fixed as customers are both oil majors and established coal producers. Nevertheless the effect of the crisis is expected to filter to our operation within the next 3-6 months.

The Marine Logistics division involved in coal transportation in Indonesia are on fixed long term contracts. The challenge for the division is to ensure we operate efficiently by maximizing vessel utilization and optimize running cost. The reduction in bunker prices will benefit the division in the longer term.

Despite the downward trend in the crude oil price, the outlook for Offshore Support services remained positive. This operation continues to contribute positively to the Group's earnings.

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 environmental products into the market is taking longer than expected. There are also delays in start up of certain projects.

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-Sep-08 RM`000	Preceding Year Quarter 30-Sep-07 RM`000	Current Year Quarter 30-Sep-08 RM`000	Preceding Year Quarter 30-Sep-07 RM`000
Current tax:				
Malaysian income tax	1,720	(2,774)	3,539	1,564
Foreign tax	4,460	10,264	19,424	19,956
	<u>6,180</u>	<u>7,490</u>	<u>22,963</u>	<u>21,520</u>
Under/(Over)provision of income tax in prior years	(571)	(462)	(1,269)	(978)
	<u>5,609</u>	<u>7,028</u>	<u>21,694</u>	<u>20,542</u>
Deferred tax	(1,006)	(1,778)	(2,321)	(1,650)
Total income tax expense	<u>4,603</u>	<u>5,250</u>	<u>19,373</u>	<u>18,892</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 30-Sep-08 %	Preceding Year Quarter 30-Sep-07 %	Current Year Quarter 30-Sep-08 %	Preceding Year Quarter 30-Sep-07 %
Malaysian statutory tax rate	26	27	26	27
Tax effects of:				
- income not subject to tax	(36)	(6)	(10)	(18)
- different tax rates in other countries	22	(7)	(1)	(2)
- under/(over) provision in respect of previous years	(5)	(1)	(2)	-
- utilisation of previously unrecognised tax loss/unabsorbed capital allowance	2	(13)	(5)	(4)
- Withholding tax	5	-	4	-
- expenses not deductible for tax purposes	7	16	6	6
- share of associate's tax	(8)	(4)	(4)	(2)
- deferred tax assets not recognised	3	(1)	3	-
Effective tax rate	<u>16</u>	<u>11</u>	<u>17</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	
	30-Sept-08	30-Sept-07	30-Sept-08	30-Sept-07
	RM'000	RM'000	RM'000	RM'000
Purchases (at cost)	-	-	800	-
Sale proceeds	-	(10,300)	-	(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	4,457
Total investments at carrying value	2,288
Total investments at market value	1,885

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:

<u>Group Borrowings</u>	RM'000
Short-term Borrowings	245,742
Long-term Borrowings	970,245
	<u>1,215,987</u>

The group borrowings are denominated in the following currencies:

	RM`000
Ringgit Malaysia	961,473
US Dollar	226,174
Sterling Pound	12,609
Canadian Dollar	14,557
Singapore Dollar	275
Australia Dollar	69
Others	830
Total	<u>1,215,987</u>

B10. Off balance sheet financial instruments

Financial Instruments

The following are the Group's off balance sheet financial instruments for the quarter under review:

- (a) 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	

- (b) The Group has entered into some USD/MYR Target Redemption Forward (TRF) contracts as hedges for USD sales to manage exposure to fluctuations in USD exchange rates against MYR. The balance of the notional amount of the TRF as at 6 November 2008 (being 7 days from the date of issuance of the quarterly report) ranges from USD27.5million to USD55.0million with maturity period ranging from November 2008 to October 2009.

Credit and Market Risk

The credit risk to the aforesaid financial instruments is the credit risk of the financial institution, being the counterparty of the financial instruments, although such risk is remote given that these financial instruments 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, nor for the TRF.

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.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30-Sep-08	30-Sep-07	30-Sep-08	30-Sep-07
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	19,332	31,781	75,688	228,881
Weighted average number of shares in issue ('000)	1,006,654	1,007,974	1,005,997	1,004,613
Basic earnings per share (sen)	1.92	3.15	7.52	22.78
Diluted earnings per share				
Net profit attributable to shareholders (RM'000)	19,332	31,781	75,688	228,881
Weighted average number of shares in issue ('000)	1,006,654	1,007,974	1,005,997	1,004,613
Dilutive effect of unexercised share option (RM'000)	10,667	32,717	10,667	32,380
	1,017,321	1,040,691	1,016,664	1,036,993
Diluted earnings per share (sen)	1.90	3.05	7.44	22.07

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 November 2008.