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 31 December 2008.

The significant accounting policies adopted for the interim financial statements are consistent with those in the audited financial statements for the year ended 31 December 2008.

At the date of authorisation of these interim financial statements, the following FRSs and Interpretations were issued but not yet effective and have not been applied by the Group:

FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards	1 January 2010
Amendments to FRS 2	Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13	Customer Loyalty Programmes	1 January 2010
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010

The adoption of the above FRSs and Interpretations upon their effective dates are not expected to have any significant impact on the interim financial statements of the Group. The Group is exempted from disclosing the possible impact, if any, to the financial statements upon its initial application of FRS 139.

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 30 June 2009, the issued and paid-up share capital of the Company increased from 1,021,838,800 ordinary shares of RM0.10 each to 1,023,610,800 ordinary shares of RM0.10 each by the issuance of 1,772,000 new ordinary shares of RM0.10 each pursuant to the exercise of options granted under the ESOS at the option price of RM0.17 per ordinary share.

(b) Treasury Shares

For the six-month period ended 30 June 2009, the treasury shares of the Company increased from 14,426,200 to 14,427,200 with the repurchased of 1,000 of its issued ordinary shares from the open market at an average price of RM0.71 per share. The total consideration paid for the repurchase including transactions costs was RM711.21. 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
2009							
Revenue							
External sales	699,666	277,940	42,658	33,442	10,068	-	1,063,774
Inter-segment sales	-	-	-	-	10,722	(10,722)	-
Total revenue	699,666	277,940	42,658	33,442	20,790	(10,722)	1,063,774
Results							
Segment result	66,279	57,051	1,459	(3,071)	138	(22,439)	99,417
Finance income							568
Finance cost							(44,886)
Share of result of associated companies	-	-	-	14,516	-	-	14,516
Profit before taxation							69,615
Taxation							(26,939)
Profit after taxation							42,676
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	228,288	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

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 6 May 2009, Scomi Group Bhd ("SGB") and ITS Tubular Services (Holdings) Ltd ("ITS") entered into a joint venture agreement and subsequently formed a joint venture company named ITS Scomi Pte Limited ("JVCo") in Singapore. The issued and paid up share capital is USD100.00 comprising 100 ordinary shares of USD1.00 each of which SGB holds 25 ordinary shares of USD1.00 each, representing 25% of the issued and paid-up share capital of the JVCo. The balance of 75 ordinary shares of USD1.00 each in the JVCo is held by ITS, representing 75% of the issued and paid-up share capital of the JVCo.

(b) On 16 July 2009, Scomi Chemicals Sdn Bhd ("Scomi Chemicals"), a wholly owned subsidiary of the Company, disposed 300,000 ordinary shares of RM1.00 each in Scomi Sosma Sdn Bhd ("Scomi Sosma") representing 60% of the issued and paid-up share capital of Scomi Sosma to Ombak Elegan Sdn Bhd for a total cash consideration of RM3,900,000 ("the Disposal"). Subsequent to the Disposal, Scomi Sosma ceased to be a subsidiary company of the Group.

A12. Contingent liabilities

Details of contingent liabilities of the Group at the end of the quarter are as follows:

	RM`000
Share of contingent liabilities in associate	16,568

A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements at the end of the quarter are as follows:

	Approved and contracted for RM`000	**Approved but not contracted for RM`000**	**Total RM`000**
Acquisition of shares in a subsidiary	373	-	373
Property, plant and equipment	23,522	25,293	48,815
Development expenditure	3,056	13,596	16,652
Others	-	8,841	8,841
Total	26,951	47,730	74,681

A13. Capital and operating lease commitments (continued)

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	11,231	19,391	3,704	34,326
Plant and Machinery	1,835	6,928	7,758	16,521
Others	2,215	1,698	-	3,913

A14. Related Party Transactions

The following are the significant related party transactions:

	2nd Quarter ended 30-June-09 RM'000	Year -to-date 30-June-09 RM'000
Transactions with companies with common Director(s)		
- chartering of marine vessels	10,869	15,183
Transactions with an associated company		
- management fee charged	71	133
Transactions with a company connected to a Director		
- Purchase of airline ticketing services	1,203	1,636
Transactions with a company connected to a subsidiary's Director		
- Trading arrangement	20,624	44,474

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

B1. Review of performance for the quarter ended 30th June 2009

B1 should be read in conjunction with A8 above.

The Group recorded a turnover of RM535.6 million for the current quarter compared to RM527.2 million for the corresponding quarter in 2008. The major contribution came from the Oilfield Services Division and the Energy & Logistics Engineering Division which collectively generated about 91% of the Group's turnover.

The Oilfield Services Division generated revenue of RM334.7 million for the current quarter, representing a decrease of RM27.8 million (8%) over RM362.5 million recorded in the corresponding quarter in 2008. The decrease was mainly due to the decline in the number of rig counts especially in the Western Hemisphere which was a result of low oil prices and exacerbated by the economic crisis.

Revenue from the Energy & Logistics Engineering Division was RM151.2 million. This was RM19.6 million (15%) higher than the revenue in previous year's corresponding quarter of RM131.6 million. The Logistic Engineering Division recorded higher sales from its Rail unit with the commencement of the Mumbai monorail project. However, the Machine Shop in the Energy Engineering Division registered lower connector sales.

The Production Enhancement Division recorded revenue of RM26.8 million, representing an increase of RM1.4 million (6%) over the RM25.4 million recorded in the corresponding quarter in 2008. This was mainly from the gas separation business.

Net profit for the current quarter was RM20.8 million compared to RM34.5 million in the corresponding quarter last year. The decline in net profit of RM13.7 million (40%) was mainly attributable to the lower contribution from Oilfield Services Division which also incurred significantly higher taxation in the current quarter.

B2. Variation of results against preceding quarter

The Group achieved a turnover of RM535.6 million for the current quarter compared to RM528.2 million in the preceding quarter, representing an increase of RM7.4 million (1%). The increase in revenue was substantially generated from the Energy & Logistics Engineering Division.

Net profit for the current quarter was RM20.8 million against RM9.5 million in the preceding quarter. The increase of RM11.3 million (119%) was attributable to the higher share of profit contribution from an associate company involved in the marine and logistics business, improved profit margins and lower finance costs.

B3. Current year prospects

The Group's performance in 2009 will continue to be affected by the current negative global economic conditions.

The **Oilfield Services Division's** performance for the current quarter continued to be challenged by the decline in global drilling activity due to the low oil prices. This trend is expected to continue for the second half of this year as international oil majors & large independents control their capital expenditure. The USA has been dramatically affected in the last eight to nine months with over 50% reduction in rig count. The rest of the international [pmarket has also been impacted by the reduced oil price, although to a lesser extent. This Division's performance is cushioned by favourable contribution from Asia due to continued drilling activities in the region.

The **Energy & Logistics Engineering Division** will continue to contribute positively to the Group in 2009. The Rail unit is anticipated to lead the performance of the Group in 2009 with the Mumbai monorail project. This Division's core business driver is the public transportation sector with increasing demand by urban communities for efficient, reliable and cost effective transportation solutions. The rapid income growth and urbanization in emerging markets such as China, India, Gulf States, Brazil and Indonesia will lead to increasing opportunities for global infrastructure in these countries. The Machine Shop, is expanding its existing facilities in Indonesia and Thailand, and has new machine shop facilities in Saudi. Although the machine shop business is facing the challenges of a decline in drilling activities in the oil and gas sector, it is optimizing operations and processes at its machine shops to control overheads and costs to ensure sustainability.

The marine business of the **Energy Logistics Division** has been affected by the current global economic slowdown, especially the large LPG tanker, dry bulk, container and crude tanker shipping segments. On the other hand, the offshore support market remains relatively resilient in South East Asia and the Division is leveraging on this and the lower vessel prices by investing in new vessels and securing long term contracts. The existing long term contracts will continue to be major earnings contributor and the focus on optimizing fleet utilization and cost management will ensure steady contribution from the coal barging business. Higher contribution is expected from the Offshore Support Vessel (OSV) business in the second half of this year with the delivery of an accommodation barge in early June 2009. With five new deepwater vessels in its fleet following the completion of its fleet renewal program, associated company, CH Offshore Ltd ("CHO") will continue to deliver strong performance for the future growth of this Division. The company is expected to take delivery of the final two deepwater vessels in November 2009 and February 2010.

The **Production Enhancement Division** remains focused on developing technologies and applications with investment in research and development to enhance capability and create new patented and environmentally friendly products and services. Although this Division is currently relatively small compared to the other divisions, the gas separation business has made good progress despite the current sluggish global economy. The Division is actively pursuing new business opportunities.

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 Ouarter 30-Jun-09 RM`000	**Preceding Year Ouarter 30-Jun-08 RM`000**	**Current Year Ouarter 30-Jun-09 RM`000**	**Preceding Year Ouarter 30-Jun-08 RM`000**
Current tax:				
Malaysian income tax	941	1,297	1,922	1,819
Foreign tax	12,757	6,808	19,329	14,964
	13,698	8,105	21,251	16,783
Under/(Over)provision of income tax in prior years	(46)	801	(112)	(698)
	13,652	8,906	21,139	16,085
Deferred tax	5,886	20	5,800	(1,315)
Total income tax expense	19,538	8,926	26,939	14,770

Domestic current income tax is calculated at the statutory tax rate of 25% (2008: 26%) of the taxable profit for the year. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate of the Group for the current quarter was higher mainly due:-

i. unrecognised deferred tax assets arising during the year; and

ii. non-deductibility of certain expenses for tax purposes.

B6. Unquoted investments and/or properties

There were no disposals of unquoted investments or properties during the period under review except as disclosed under Note A11(b).

B7. Quoted and marketable investments

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

	Individual Quarter		Cumulative Quarter	
	30-June-09 RM'000	30-June-08 RM'000	30-June-09 RM'000	30-June-08 RM'000
Purchases (at cost)	-	1,000	-	800
Sale proceeds	-	-	(1,500)	-
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	2,957
Total investments at carrying value	571
Total investments at market value	426

B8. Status of corporate proposal

Proposed Rights Issue

On 5 December 2008, CIMB Investment Bank Berhad ("CIMB"), on behalf of the Company announced that SGB proposed to undertake a renounceable rights issue of up to 554,418,350 new ordinary shares of RM0.10 each in SGB ("Rights Shares") on the basis of one (1) Rights Share for every two (2) SGB Shares held at an issue price of RM0.30 per Rights Share **("Proposed Rights Issue")**. The minimum amount to be raised from the Proposed Rights Issue is RM120 million ("Minimum Subscription Level").

On 4 March 2009, CIMB, on behalf of the Company announced that the Board of Directors of the Company had decided to extend the timeframe to submit the application to the SC in relation to the Proposed Rights Issue and proposed mandatory take-over exemption. The deferment will amongst others facilitate time for the Board of Directors to revisit the proposals when market sentiment has improved.

On 13 August 2009, CIMB, on behalf of the Company announced a revision to the earlier Proposed Rights Issue. The Proposed Rights Issue has been revised to a proposed renounceable rights issue of up to RM165,669,555 nominal value of three (3) year 4% Ireedemable Convertible Secured Loan Stock **("ICSLS")** at 100% of its nominal value together with up to 220,892,740 free detachable Warrants on the basis of fifteen (15) RM0.10 nominal value ICSLS together with two (2) free Warrants for every ten (10) SGB ordinary shares held on an entitlement date to be determined and announced later. The minimum amount to be raised from the Proposed Rights Issue has also been revised to RM90 million.

Proposed Disposal of Scomi Oilserve

On 2 June 2009, the Company announced that it entered into a Share Sale Agreement ("SSA") with TL Geotechnics Sdn Bhd ("TL Geotechnics") to dispose 1,200,000 ordinary shares of RM1.00 each ("Sale Shares") in Scomi Oilserve Sdn Bhd ("Scomi Oilserve") representing 60% of the issued-and paid up share capital of Scomi Oilserve to TL Geotechnics at a total cash consideration of RM8.48 million ("Proposed Disposal"). TL Geotechnics is a wholly-owned subsidiary of SapuraCrest Petroleum Berhad ("SCPB"), which in turn is currently the 40% shareholder of Scomi Oilserve.

In addition, pursuant to the terms of the SSA, on completion of the Proposal Disposal, Scomi Oilserve shall settle RM4.02 million of shareholders advances owing to SGB ("Settlement of Shareholders Advances"), which would result in SGB receiving total cash proceeds of RM12.5 million.

The Proposed Disposal is expected to be completed in the 3rd quarter of financial year ending 31 December 2009.

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	271,979
Long-term Borrowings	985,853
	1,257,832

The group borrowings are denominated in the following currencies:

	RM`000
Ringgit Malaysia	1,001,432
US Dollar	185,835
Sterling Pound	46,147
Canadian Dollar	13,473
Singapore Dollar	1,507
Others	9,438
Total	1,257,832

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 August 2009 (being 7 days from the date of issuance of the quarterly report) ranges from USD5.0million to USD10.0million with remaining maturity period ranging from August to October 2009.

B10. Off balance sheet financial instruments (continued)

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 2008.

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 single-tier tax exempt dividend in respect of the financial year ended 31 December 2008 of 5% per share, amounting to a dividend payable of approximately RM5,043,863 (2007: 12.5% less income tax of 26%, amounted to RM9,298,850). The proposed final dividend was duly approved by shareholders at the Annual General Meeting dated 15 June 2009. Entitlement to the dividend will be determined on the basis of the record of depositors as at 28 August 2009, and payable on 11 September 2009.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30-Jun-09	**30-Jun-08**	**30-Jun-09**	**30-Jun-08**
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	20,853	34,544	30,363	56,356
Weighted average number of shares in issue ('000)	1,008,094	1,005,794	1,008,094	1,005,666
Basic earnings per share (sen)	2.07	3.43	3.01	5.60
Diluted earnings per share				
Net profit attributable to shareholders (RM'000)	20,853	34,544	30,363	56,356
Weighted average number of shares in issue ('000)	1,008,094	1,005,794	1,008,094	1,005,666
Dilutive effect of unexercised share option (RM'000)	6,553	14,316	6,553	14,316
	1,014,647	1,020,110	1,014,647	1,019,982
Diluted earnings per share (sen)	2.06	3.39	2.99	5.53

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 13 August 2009.