

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 2009.

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 2009 except for the adoption of new standards, amendments to standards and IC Interpretations that are mandatory for the Group for the financial year beginning 1 January 2010.

In the current period ended 31 March 2010, the Group adopted the following new and revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations which are applicable to its financial statements and are relevant to its operations:

FRSs, Amendments to FRSs and Interpretations

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 101 (revised)	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 132	Financial Instruments: Presentation
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 2	Share-based payment: Vesting Conditions and Cancellations
Amendments to FRS 7	Financial Instruments: Disclosures
Amendments to FRS 8	Operating Segments
Amendments to FRS 107	Statement of Cash Flows
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to FRS 110	Events After the Balance Sheet Date
Amendments to FRS 116	Property, Plant and Equipments
Amendments to FRS 117	Leases
Amendments to FRS 118	Revenue
Amendments to FRS 119	Employee Benefits
Amendments to FRS 120	Accounting for Government Grants
Amendments to FRS 123	Borrowing Costs
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 128	Investments in Associates
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies
Amendments to FRS 131	Interest in Joint Ventures
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 134	Interim Financial Reporting
Amendments to FRS 136	Impairment of Assets
Amendments to FRS 138	Intangible Assets
Amendments to FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 140	Investment Property
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 – Group and Treasury Share Transactions
IC Interpretation 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

A1. Basis of preparation of interim financial reports (continued)

Other than for the application of FRS 101 (revised), FRS 139, FRS 8 and Amendments to FRS 117, the application of the above FRSs, Amendments to FRSs and Interpretations did not result in any significant changes in the accounting policies and presentations of the financial results of the Group.

FRS 101 (revised), Presentation of Financial Statements

Prior to the adoption of the revised FRS 101, the components of the financial statements presented consisted of a balance sheet, an income statement, a statement of changes in equity, a cash flow statement and notes to the financial statements. With the adoption of the revised FRS 101, the components of the interim financial statements presented consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The effects of the change in presentation are as follows:

The gains and losses that were recognised directly in equity in the preceding year corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The total comprehensive income for preceding year corresponding period is presented separately and allocation is made to show the amount attributable to owners of the parent and to non-controlling interests. The effects on the comparatives to the Group on adoption of FRS 101 are as follows:

For the period ended 31 March 2009	Income Statement As previously reported RM'000	Effects of adopting FRS 101 RM'000	Statement of comprehensive income As restated RM'000
Profit for the period	14,171	-	14,171
Other comprehensive income	-	18,833	18,833
Total comprehensive income			<u>33,004</u>
Total comprehensive income attributable to:			
Owners of the parents			28,527
Non-controlling interest			4,477
			<u>33,004</u>

The total comprehensive income for the period is presented as a one-line item in the statement of changes in equity.

FRS 139, Financial Instruments: Recognition and Measurement

Prior to the adoption of FRS 139, financial derivatives are recognised on their settlement dates. Outstanding derivatives at the balance sheet date were not recognised. With the adoption of FRS 139, all financial assets and financial liabilities, including derivatives, are recognised at contract dates when, and only when, the Company or any subsidiary becomes a party to the contractual provisions of the instruments.

A1. Basis of preparation of interim financial reports (continued)

With the adoption of FRS 139, financial assets and financial liabilities recognised and unrecognised in the prior financial year are classed into the following categories:

Pre-FRS 139	Post-FRS 139
1 Long-term equity investments	Available-for-sale investments
2 Long-term quoted debt instruments	Held-to-maturity investments
3 Private-debt instruments	Loans and receivables
4 Current investments	Financial assets at fair value through profit or loss
5 Unrecognised derivative assets	Financial assets at fair value through profit or loss
6 Long-term borrowings and bonds	Financial liabilities at amortised cost
7 Unrecognised derivative liabilities	Financial liabilities at fair value through profit or loss

The measurement bases applied to the financial assets and financial liabilities in the prior financial year were changed to conform to the measurement standards of FRS 139 in the current quarter. At initial recognition, all financial assets and financial liabilities are measured at their fair value plus in the case of financial instruments not at fair value through profit or loss, transaction cost directly attributable to the acquisition or issuance of the instruments. Subsequent to their initial recognition, the financial assets and financial liabilities are measured as follows:

Category	Measurement basis
1 Financial instruments at fair value through profit or loss	At fair value through profit or loss
2 Held-to-maturity investments	At amortised cost effective interest method
3 Loans and receivables	At amortised cost effective interest method
4 Available-for-sale investments	At fair value through other comprehensive income, unless fair value be reliably measured, in which case, they are measured at cost
5 Loans and other financial liabilities	At amortised cost effective interest method

Financial assets and financial liabilities designated as hedged items and hedging financial derivatives are accounted for using the specified hedge accounting requirements of FRS 139. All financial assets other than those classified as at fair value through profit or loss are subject to impairment test of FRS 139.

In accordance with FRS 139, the recognition, derecognition, measurement and hedge accounting requirements are applied prospectively from 1 January 2010. The effects of the remeasurement on 1 January 2010 of the financial assets and financial liabilities brought forward from the previous financial year are adjusted to the opening retained profits and other opening reserves as disclosed in the statement of changes in equity.

FRS 8, Operating Segments

The Group determined that the operating segments were the same as the business segments previously identified under FRS 114 Segment Reporting. Adoption of this Standard did not have any effect on the financial position or results of the Group.

A1. Basis of preparation of interim financial reports (continued)

Amendment to FRS 117, Leases

Prior to the adoption of the Amendment to FRS 117, leasehold lands were treated as operating leases. The considerations paid were classified and presented as prepaid lease payment on the statement of financial position. With the adoption of the Amendment to FRS 117, the classification of a leasehold land as a finance lease or an operating lease is based on the extent to which risks and rewards incident to ownership lie. In making this judgment, the Directors have concluded that lands with an unexpired lease period of 50 years or more are finance lease because the present value of the minimum lease payments is substantially equal to the fair value of the land. Accordingly, the Group has changed the classification of long leasehold lands from operating leases to finance leases in the current quarter. This change in classification has no effect to the profit or loss of the current period ended 31 March 2010 or the comparative prior period. The effect of the reclassification to the comparative of the prior year's statement of financial position is as follows:

31 December 2009	As previously reported RM'000	Reclassification RM'000	As restated RM'000
Prepaid land lease payments	7,969	(3,360)	4,609
Property, plant and equipment	577,425	3,360	580,785

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) Share Capital

During the three-month period ended 31 March 2010, the issued and paid-up share capital of the Company increased from 1,086,800,574 ordinary shares of RM0.10 each to 1,132,081,186 ordinary shares of RM0.10 each by way of issuance of:

- i. 44,497,632 new ordinary shares of RM0.10 each pursuant to the conversion of 177,990,530 ICSSLs of RM0.10 each on the basis of RM0.40 per ordinary share.
- ii. 782,000 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.
- iii. 980 new ordinary shares of RM0.10 each pursuant to the exercise of 980 Warrants of RM0.10 each at an exercise price of RM0.40 per warrant.

(b) Treasury Shares

There were no repurchase of the Company's shares during the current quarter.

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 Enhancement RM'000	Energy Logistics RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
2010							
<u>Revenue</u>							
External sales	313,948	128,923	16,038	-	348	-	459,257
Inter-segment sales	39,861	-	-	-	11,014	(50,875)	-
Total revenue	<u>353,809</u>	<u>128,923</u>	<u>16,038</u>	<u>-</u>	<u>11,362</u>	<u>(50,875)</u>	<u>459,257</u>
<u>Results</u>							
Segment result	25,616	13,744	1,896	-	8,473	(10,548)	39,181
Finance income							323
Finance cost							(18,502)
Share of result of							
- associated companies	-	-	-	9,404	-	-	9,404
- jointly controlled entities	-	-	(555)	-	-	-	(555)
Profit before taxation							<u>29,850</u>
Taxation							<u>(10,782)</u>
Profit after taxation							<u>19,068</u>
2009							
<u>Revenue</u>							
External sales	369,627	126,772	8,240	15,849	65	-	520,553
Inter-segment sales	-	-	-	-	528	(528)	-
Total revenue	<u>369,627</u>	<u>126,772</u>	<u>8,240</u>	<u>15,849</u>	<u>593</u>	<u>(528)</u>	<u>520,553</u>
<u>Results</u>							
Segment result	29,832	19,504	(153)	(4,252)	(6,307)	1,377	40,001
Finance income							621
Finance cost							(23,964)
Share of result of							
- associated companies	-	-	-	4,752	-	-	4,752
- jointly controlled entities	-	-	111	-	-	-	111
Profit before taxation							<u>21,521</u>
Taxation							<u>(7,350)</u>
Profit after taxation							<u>14,171</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

There were no materials events subsequent to the end of the quarter under review.

A11. Changes in composition of the group

On 17 May 2010, Scomi Group Bhd ("SGB") incorporated a wholly-owned subsidiary known as Scomi Nigeria Pte LTd ("Scomi Nigeria") in Singapore. The initial issued share capital of Scomi Nigeria is S\$2.00 comprising of 2 ordinary shares.

A12. Contingent liabilities

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

	RM`000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	90,412
Various legal claims of subsidiaries	133
Share of contingent liabilities in associate	14,712
	<u>105,257</u>

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
Property, plant and equipment	3,380	49,263	52,643
Development expenditure	2,909	25,315	28,224
Others	155	14,793	14,948
Total	<u>6,444</u>	<u>89,371</u>	<u>95,815</u>

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	4,335	6,289	2,081	12,705
Plant and Machinery	883	3,412	1,496	5,791
Others	691	908	-	1,599
Total	<u>5,909</u>	<u>10,609</u>	<u>3,577</u>	<u>20,095</u>

A14. Related Party Transactions

The following are the significant related party transactions:

	1st Quarter ended 31-Mar-10 RM'000	Year -to-date 31-Mar-10 RM'000
<i>Transactions with an associated company</i>		
- management fee charged	76	76
<i>Transactions with a company connected to a Director</i>		
- Purchase of airline ticketing services	1,540	1,540

A14. Disposal Group Held for Sale

On 18 May 2010, a subsidiary of the Company, Scomi Engineering Bhd, had entered into a conditional share sale agreement to dispose its subsidiary companies, Scomi OMS Oilfield Holdings Sdn Bhd and Scomi OMS Oilfield Services Pte Ltd (collectively known as the Machine Shop group). This disposal is expected to be completed by the third quarter of 2010, detail as further disclosed in Note B8 (i).

As at 31 March 2010, the assets and liabilities of the Machine Shop group have been presented on the consolidated statement of financial position as a disposal group held for sale.

The major classes of assets and liabilities of the Machine Shop group classified as held for sale are as follow:

	RM'000
Property, plant and equipment	84,022
Intangible assets	184,018
Prepaid land lease payments	2,248
Available-for-sale investments	542
Inventories	11,307
Receivables, deposits and prepayments	38,638
Tax recoverable	911
Short-term deposits, cash and bank balances	8,384
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Asset of disposal group classified as held for sale *	330,070
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Trade and other payables	17,504
Borrowings	19,429
Taxation	3,373
Deferred taxation	1,929
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Liabilities directly associated with the assets classified as held for sale	42,235
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* The assets under the disposal group do not include inter-company balances within Scomi group of RM 65,000 as the amount has been eliminated at group level upon consolidation.

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

B1. Review of performance for the quarter ended 31st March 2010

B1 should be read in conjunction with A8 above.

The Group recorded a turnover of RM459.3 million for the current quarter compared to RM528.2 million for the corresponding quarter in 2009. The revenue was mostly generated by the Oilfield Services Division and the Energy & Logistics Engineering Division.

The Oilfield Services Division generated revenue of RM313.9 million for the current quarter, representing a decrease of RM55.7 million (15%) over RM369.6 million recorded in the corresponding quarter in 2009. The decrease was mainly due to lower sales in the UK, Turkmenistan and the Gulf countries.

Revenue from the Energy & Logistics Engineering Division was RM128.9 million. This was RM2.1 million (2%) higher than the revenue in the previous year's corresponding quarter of RM126.8 million. Higher revenue recognition was recorded in its Rail Unit, partly set-off by lower sales from the Machine Shop unit.

Net profit for the current quarter was RM13.6 million compared to net profit of RM9.5 million in the corresponding quarter last year. The increase in net profit of RM4.1 million was mainly attributable to the contribution from the Energy Logistic division.

B2. Variation of results against preceding quarter

The Group achieved a turnover of RM459.3 million for the current quarter compared to RM484.3 million in the preceding quarter, representing a decrease of RM25 million (5%). The lower revenue was mainly from the Oilfield Services Division. The Energy & Logistics division also recorded lower revenue mainly from its Machine Shop Unit.

Net profit for the current quarter was RM13.5 million against a net loss of RM43.5 million in the preceding quarter which was mainly attributable to our share of loss from our associated company involved in the marine and logistics business whose results were affected due to the adjustment for goodwill impairment.

B3. Current year prospects

The Group's performance in 2010 will largely be driven by the global economic conditions.

The current outlook for **Oilfield Services Division** in 2010 is expected to see improvement from the sharp downcycle of 2009. We expect performance within the Oilfield Services Division to improve on the back of increased activity in North American drilling and an improvement in the overall global offshore rig count, which was evident during the first quarter of 2010. The US market is expected to improve with an average of 1,400 offshore rigs in operation as at middle of first quarter of 2010, which implies a 16% year to year improvement. Meanwhile, international drilling is expected to be active in Africa and in Asia. We anticipate a more active year in 2010, with the re-deployment of rigs and commencement of new development projects, particularly in the Eastern Hemisphere. Nonetheless, the equipment utilization rates and yields are still expected to be relatively flat due to the surplus of equipment in the region. The company continues to keep a positive outlook on the Asian and the Middle Eastern markets with the potential award and commencement of new contracts.

The outlook for **Energy & Logistics Engineering Division** in 2010 is expected to be positive. Contribution from the Rail unit is anticipated to lead the performance of the Group in 2010 as the Group anticipates that the core business driver moving forward will be in the public transportation sector. As cities become increasingly congested and fuel prices rise, the Group's core business in public transportation sector places the Group in a very competitive position to offer its transportation systems and products to new markets throughout the world. The Group is making major inroads in key emerging markets of Middle East, Brazil, China and India. In the Middle East, the Group is eyeing several project opportunities in Jeddah, Medina and Riyadh. Meanwhile, Brazil looks promising as it is a potentially huge market for monorail projects after it secured the rights to host the 2014 World Cup and 2016 Olympics. India continues to offer much potential after Mumbai with the government singling out monorail as the solution for its congested urban centre. The Group will continue to pursue opportunities in monorail projects to establish global presence in this sector and capitalize on the increasing demand and opportunities for global infrastructure development in these countries.

The **Energy Logistics Division** continues to perform as expected in the current challenging environment. The long term fundamentals for both the coal and offshore Oil and Gas sectors remain strong. The Coal division will continue to consolidate its position as valued transportation providers for our partners in Indonesia. Nevertheless, we expect charter rates to remain stable in this region for 2010. With this backdrop, the offshore division is planning to invest in new vessels, where current vessel prices would give acceptable return on investments for the Group. Fleet utilization and operational efficiency will continue to be pursued as part of the strategic thrust to enhance the earnings of the division. Most of our vessels are now on long term charters, therefore we expect utilization rate for the year to improve from financial year 2009.

The **Production Enhancement Division** is expected to drive its business expansion by utilizing the global infrastructure of the Oilfields Services Division. It will continue to focus on research and development to create new patented technologies/applications and environmentally friendly products and services.

Overall, the focus of the Group for this year will be to strengthen the balance sheet with emphasis on reducing debt.

B4. Variance of actual and revenue or profit estimate

The Company has not announced or disclosed any revenue or profit estimate, forecast, projection or internal targets for the group for the period under review.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31-Mar-10 RM`000	Preceding Year Quarter 31-Mar-09 RM`000	Current Year Quarter 31-Mar-10 RM`000	Preceding Year Quarter 31-Mar-09 RM`000
Current tax:				
Malaysian income tax	128	931	128	931
Foreign tax	9,759	6,572	9,759	6,572
	<u>9,887</u>	<u>7,503</u>	<u>9,887</u>	<u>7,503</u>
Under/(Over)provision of income tax in prior years	-	(67)	-	(67)
	<u>9,887</u>	<u>7,436</u>	<u>9,887</u>	<u>7,436</u>
Deferred tax	895	(86)	895	(86)
	<u>10,782</u>	<u>7,350</u>	<u>10,782</u>	<u>7,350</u>
Total income tax expense	<u>10,782</u>	<u>7,350</u>	<u>10,782</u>	<u>7,350</u>

Domestic current income tax is calculated at the statutory tax rate of 25% (2009: 25%) 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. Higher statutory corporate tax rates for certain foreign subsidiaries
- 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.

B7. Quoted and marketable investments

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

	Individual Quarter		Cumulative Quarter	
	31-Mar-10 RM`000	31-Mar-09 RM`000	31-Mar-10 RM`000	31-Mar-09 RM`000
Purchases (at cost)	-	-	-	-
Sale proceeds	-	(1,500)	-	(1,500)
Gain/(loss) on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Details of investments in quoted securities as at the reporting date are as follows:

	RM`000
Total investments at cost	<u>2,594</u>
Total investments at carrying value	<u>189</u>
Total investments at market value	<u>189</u>

B8. Status of corporate proposals

Scomi Group Bhd

The status of utilisation of proceeds raised from the Irredeemable Convertible Secured Loan Stock ("ICSLs") is as follows:

Purpose	Proposed utilisation	Actual utilisation	Intended timeframe	Deviation		Note
	RM'000	RM'000		RM'000	%	
Subscription of SEB's rights issue	61,241	54,782	End March 2010	6,459	10.5	1
Issuance expenses and working capital	90,339	96,133	End April 2010	(5,794)	-6.4	1
	<u>151,580</u>	<u>150,915</u>		<u>665</u>		

Note:

- 1) Actual utilisation completed within the intended timeframe and is within the estimated utilisation amount. Excess funds will be reallocated to working capital in next quarter's announcement.

Proposed Debt Rationalisation

On 31st March 2010, CIMB, on behalf of the Company announced that Scomi Oilfield Limited ("**SOL**"), a 76.08% owned subsidiary of the Company will be undertaking a debt rationalisation exercise to further strengthen its financial position to capitalise on the improving business environment of the oil and gas sector.

Subsequently, on 1st April 2010, CIMB, on behalf of the Company announced to clarify that the improvement in the business environment of the oil and gas sector is viewed by SOL as an opportunity that should be capitalised on and hence, it is essential for SOL to strengthen its financial position.

The exercise will primarily involve the rationalisation of SOL's overall debt profile which would improve the cashflow position of SOL to enable it to capitalise on the abovementioned opportunities, and hence, to improve its liquidity position.

The debt rationalisation exercise is not subject to shareholders approval.

SOL is currently in the midst of finalising the details of the debt rationalisation exercise with its lenders. The expected date for completion of this exercise is within this year.

B8. Status of corporate proposals (continued)

Proposed SEB Rights Issue

On 27 August 2009, Maybank Investment Bank Berhad, announced on behalf of Scomi Engineering Bhd ("**SEB**"), a 69.75% owned subsidiary of the Company that SEB had proposed to undertake a renounceable rights issue of up to RM68,312,059 nominal value of 3-year 4% irredeemable convertible unsecured loan stocks ("**ICULS**") at 100% of its nominal value on the basis of two (2) RM1.00 nominal value of ICULS for every nine (9) existing SEB Shares on an entitlement date to be determined ("**Proposed SEB Rights Issue**").

The Proposed SEB Rights Issue was completed on 23 March 2010, following the admission of RM61,352,936 nominal value of ICULS to the Official List of Bursa Securities, and the listing and quotation of the aforesaid securities on the Main Market of Bursa Malaysia Securities Berhad on 23 March 2010.

Proposed Sale of Machine Shop Business by SEB

On 18 May 2010, Hong Leong Investment Bank Berhad, announced on behalf of Scomi Engineering Bhd ("**SEB**") that SEB had entered into a conditional share sale agreement ("**SSA**") with OMS Holdings Pte Ltd, a wholly owned subsidiary of Sumitomo Corporation Asia Pte Ltd ("**Purchaser**") for the sale of the Company's entire machine shop business of Scomi OMS Oilfield Holdings Sdn Bhd and Scomi OMS Oilfield Services Pte Ltd, both wholly-owned subsidiaries of the SEB ("**Machine Shop group**"), for a total cash consideration of approximately USD101.45 million (subject to adjustments, if any) ("**Proposed Sale**").

The sale consideration of approximately USD101.45 million (subject to adjustments, if any) ("**Consideration**") is payable as follows:

- (a) USD8.80 million, representing approximately 8.67% of the Consideration, has been paid upon signing of the SSA; and
- (b) On completion, the balance amounting to USD92.65 million representing 91.33% of the Consideration shall be paid, of which an amount of USD5.50 million will be set aside into an escrow account and held there for a period of up to 6 months.

The completion of the SSA is conditional upon the following conditions being satisfied on or before 45 days following the date of the SSA (or such later date as the parties may agree):

- (a) Approval of shareholders of SEB in a general meeting to the Proposed Sale;
- (b) Written confirmation from various contractual parties of the machine shop business that have a right to terminate their agreements with the machine shop business, will not exercise their respective rights to terminate their contractual relationships with the machine shop business as a result of the Proposed Sale; and
- (c) SEB delivering to the Purchaser the machine shop subsidiaries' audited financial reports and consolidated accounts of the Machine Shop Group.

The Proposed Sale is expected to be completed by the third quarter of 2010.

B9. Group borrowings and debt securities

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

	Current RM'000	Non- current RM'000	Total RM'000
<u>Borrowings</u>			
Secured	340,336	949,319	1,289,655
<u>Debt securities</u>			
Secured	5,254	7,945	13,199
Unsecured	234	501	735
	<u>345,824</u>	<u>957,765</u>	<u>1,303,589</u>

The group borrowings and debt securities are denominated in the following currencies:

	RM`000
Ringgit Malaysia	443,304
US Dollar	791,750
Sterling Pound	26,358
Indian Rupee	37,961
Singapore Dollar	3,580
Others	636
Total	<u>1,303,589</u>

B10. Derivative financial instruments

Summary of outstanding derivatives as at 31 March 2010 are as follows:

Type of derivatives	Contract/Notional value RM'000	Fair value RM'000
Cross Currency Interest Rate Swaps (CCIRS)		
- Less than 1 year	150,000	2,957
- 1 year to 3 years	463,500	3,360
Forward foreign exchange contracts		
- Less than 1 year	25,255	24,240

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 dividend has been declared for the current quarter under review.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	31-Mar-10	31-Mar-09	31-Mar-10	31-Mar-09
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	13,569	9,510	13,569	9,510
Weighted average number of shares ('000)	1,175,435	1,007,493	1,175,435	1,007,493
Basic earnings per share (sen)	1.15	0.94	1.15	0.94
Diluted earnings per share				
Net profit attributable to shareholders (RM'000)	13,569	9,510	13,569	9,510
Weighted average number of shares ('000)	1,175,435	1,007,493	1,175,435	1,007,493
Dilutive effect of unexercised share option and warrants (RM'000)	18,520	5,291	18,520	5,291
	1,193,955	1,012,784	1,193,955	1,012,784
Diluted earnings per share (sen)	1.14	0.94	1.14	0.94

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 25 May 2010.