

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 30 September 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

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has elected to present the statement of comprehensive income in single statement. The adoption of this standard does not have any impact on the financial position and results of the Group.

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.

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

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

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.

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 30 September 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 nine-month period ended 30 September 2010, the issued and paid-up share capital of the Company increased from 1,086,800,574 ordinary shares of RM0.10 each to 1,177,370,421 ordinary shares of RM0.10 each by way of issuance of:

- i. 89,411,867 new ordinary shares of RM0.10 each pursuant to the conversion of 357,647,470 ICCLS of RM0.10 each on the basis of RM0.40 per ordinary share.
- ii. 1,157,000 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	Transport Solutions 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	913,828	293,558	31,926	-	16,892	-	1,256,204
Inter-segment sales	-	-	-	-	70,744	(70,744)	-
Total revenue	<u>913,828</u>	<u>293,558</u>	<u>31,926</u>	<u>-</u>	<u>87,636</u>	<u>(70,744)</u>	<u>1,256,204</u>
<u>Results</u>							
Segment result	2,798	21,948	(10,260)	-	(6,640)	-	7,846
Finance income							2,293
Finance cost							(58,910)
Share of result of							
- associated companies	-	-	-	(88,665)	-	-	(88,665)
- jointly controlled entities	-	-	(2,255)	-	-	-	(2,255)
Profit before taxation							<u>(139,691)</u>
Taxation							<u>(5,787)</u>
Profit after taxation							<u>(145,478)</u>
2009							
<u>Revenue</u>							
External sales	1,010,522	400,201	36,563	40,450	166	-	1,487,902
Inter-segment sales	-	-	-	-	11,144	(11,144)	-
Total revenue	<u>1,010,522</u>	<u>400,201</u>	<u>36,563</u>	<u>40,450</u>	<u>11,310</u>	<u>(11,144)</u>	<u>1,487,902</u>
<u>Results</u>							
Segment result	91,917	61,719	(151)	(2,250)	(23,046)	-	128,189
Finance income							880
Finance cost							(58,015)
Share of result of							
- associated companies	-	-	-	25,497	-	-	25,497
- jointly controlled entities	-	-	3,286	-	-	-	3,286
Profit before taxation							<u>99,837</u>
Taxation							<u>(29,187)</u>
Profit after taxation							<u>70,650</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

- (a) 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.
- (b) On 9 June 2010, SGB completed its acquisition of 10,000 ordinary shares of N20.00 each representing 2.0% equity interest in Oiltools Africa Limited ("OAL") from Scomi Oiltools Bermuda Limited ("SOBL") for a total cash consideration of USD350,000.
- (c) On 9 June 2010, Scomi Nigeria completed the following acquisitions:
- (i) 490,000 ordinary shares of N20.00 each in OAL representing 98.0% of the entire issued ordinary shares of OAL from Scomi Oiltools (Africa) Limited ("SOAL") for a total cash consideration of USD17,150,000;
 - (ii) 249,500 ordinary shares ordinary shares of N20.00 each in Titan Tubulars Nigeria Limited ("TITAN") representing 49.9% of the entire issued ordinary shares of TITAN from SOBL for a total cash consideration of USD3,460,000; and
 - (iii) 1,000 ordinary shares ordinary shares of N20.00 each in TITAN representing 0.2% of the entire issued ordinary shares of TITAN from Wasco Oil Service Company Nigeria Limited for a total cash consideration of USD40,000.
- (d) On 30 June 2010, Scomi Engineering Bhd ("SEB"), a subsidiary of the Company, completed its disposal of Scomi OMS Oilfield Holdings Sdn Bhd and Scomi OMS Oilfield Services Pte Ltd (collectively known as the Machine Shop group).
- (e) On 19 July 2010, Scomi Engineering Bhd ("SEB"), a subsidiary of the Company, incorporated a wholly owned subsidiary company, Scomi Transit Projects Sdn Bhd ("STP"), with an authorized capital of RM1,000,000 and paid-up capital of RM100,000.

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	89,639
Various claims against subsidiaries	9,038
Share of contingent liabilities in associate	16,781
	<u>115,458</u>

Other than the above, Scomi Oiltools de Venezuela S.A, a wholly owned subsidiary of Scomi Oilfield Limited is defending a litigation claims brought on by several ex-employees on the termination of employment contracts. Based on the assessment by Directors of Scomi Oilfield Limited in consultation with legal counsel, no significant provision is required as the outcome of each case is uncertain at this juncture and the contingent amount is insignificant to the Group.

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	4,670	31,813	36,483
Development expenditure	2,915	10,172	13,087
Others	108	6,487	6,595
Total	<u>7,693</u>	<u>48,472</u>	<u>56,165</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	4,726	6,665	664	12,055
Plant and Machinery	838	3,352	1,048	5,238
Others	972	622	-	1,594
Total	<u>6,536</u>	<u>10,639</u>	<u>1,712</u>	<u>18,887</u>

A14. Related Party Transactions

The following are the significant related party transactions:

	3rd Quarter ended 30-Sept-10 RM'000	Year -to-date 30-Sept-10 RM'000
<i>Transactions with an associated company</i>		
- management fee charged	77	228
<i>Transactions with jointly controlled entity</i>		
- management fee charged	389	1,209
<i>Transactions with a company connected to a Director</i>		
- Purchase of airline ticketing services	901	2,761
- Share registration fee paid to Symphony	106	297

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

B1. Review of performance for the quarter ended 30th September 2010

B1 should be read in conjunction with A8 above.

The Group recorded a turnover of RM367.6 million for the current quarter compared to RM448.5 million for the corresponding quarter in 2009. The revenue was mostly generated by the **Oilfield Services Division** and the **Transport Solutions Division**.

The **Oilfield Services Division** generated revenue of RM269.5 million for the current quarter, representing a decrease of RM31.4 million or 10% over RM300.9 million recorded in the corresponding quarter in 2009. The decrease was mainly due to lower sales in UK, Middle East and India, whilst Russia and Asia countries performed fairly well. The weakening of USD against most currencies has also substantially impacted the revenue reported for the period.

Revenue from the **Transport Solutions Division** was RM77.2 million. This was RM45.1 million or 37% lower than the revenue in the previous year's corresponding quarter of RM122.3 million mainly due to lost revenue subsequent to the disposal of Machine Shop in the preceding quarter. Excluding the Machine Shop revenue in the corresponding quarter in 2009, the decrease for current quarter would have been 2% mainly due to lower Coach sales, and lower revenue recognised from the rail division.

The cabotage law in the regional markets has also hindered the **Energy Logistics Division's** progress as it faces challenges to deploy new vessels into these markets. It is for that reason that the Division has entered into a master framework agreement with an Indonesian partner to reduce its equity interest in its coal logistics and offshore businesses in Indonesia. This transaction resulted in the need to remeasure the disposal group to its fair value in the current quarter with a provision being made amounting to RM109.7 million. However, the Division will receive approximately RM550 million in cash upon completion of the transaction.

With the abovementioned provision and other provisions for potential impairment and costs amounting to RM52.6 million, net loss for the current quarter was RM166.5 million compared to net profit of RM23.0 million in the corresponding quarter last year.

Excluding these adjustments, net loss for the quarter would have been RM4.2 million. Operationally, the decrease was mainly attributable to the nature of cyclical revenue recognition in the rail division, weaker US Dollar against other major currencies, lower profit from the **Energy Logistics Division** due to the abovementioned issues, and the hyper inflationary impact in Venezuela.

B2. Variation of results against preceding quarter

The Group achieved a turnover of RM367.6 million for the current quarter compared to RM429.3 million in the preceding quarter, representing a decrease of RM61.7 million or 14%.

Net loss for the current quarter was RM166.5 million against a net profit of RM3.6 million in the preceding quarter.

B3. Current year prospects

The Group's performance in 2010 continues to be driven by the global economic conditions.

The **Oilfield Services Division** anticipates a slower pick up in its business performance. Although the Drilling Waste Management segment has witnessed gradual improvement in utilization rate of equipments, the recovery of rental rates is less encouraging due to the lagging effect of the excess equipment which is being put back to work especially in the previously weaker markets in the Western Hemisphere. Nonetheless, the Drilling Fluids segment is expected to remain stable for the rest of the year with strong growth potential. Asia will continue to outperform other markets.

The **Transport Solutions Division** will pursue opportunities in monorail projects especially in Malaysia, Brazil and India to capitalize on the increasing demand and opportunities for infrastructure development in these countries. The Division continues to focus on project execution and implement measures to reduce cost and increase efficiency. The Division's outlook for the remainder of 2010 remains challenging.

The **Energy Logistics Division** continues to operate its existing fleet in current contracts both in Malaysia and Indonesia and has benefitted from the strong economies of both countries. Vessel utilization for both offshore and coal production are expected to remain at a healthy level. The repositioning in Indonesia with the introduction of the new Indonesian partner is expected to provide a better platform for the long term growth of the business in Indonesia.

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 30-Sep-10 RM`000	Preceding Year Quarter 30-Sep-09 RM`000	Current Year Quarter 30-Sep-10 RM`000	Preceding Year Quarter 30-Sep-09 RM`000
Current tax:				
Malaysian income tax	17	797	646	2,319
Foreign tax	6,417	4,626	23,395	23,955
	<u>6,434</u>	<u>5,423</u>	<u>24,041</u>	<u>26,274</u>
Under/(Over)provision of income tax in prior years	346	(47)	(11,216)	(159)
	<u>6,780</u>	<u>5,376</u>	<u>12,825</u>	<u>26,115</u>
Deferred tax	<u>(3,898)</u>	<u>(2,728)</u>	<u>(7,038)</u>	<u>3,072</u>
Total income tax expense	<u>2,882</u>	<u>2,648</u>	<u>5,787</u>	<u>29,187</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 lower mainly due:-

- non-deductibility of certain expenses for tax purposes; and
- losses in subsidiaries and associate which were not available for tax relief.

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-10 RM'000	30-Sept-09 RM'000	30-Sept-10 RM'000	30-Sept-09 RM'000
Purchases (at cost)	-	-	-	-
Sale proceeds	-	-	-	(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>151</u>
Total investments at market value	<u>151</u>

B8. Status of corporate proposals

There were no corporate proposals announced but not completed as at the reporting date.

B9. Group borrowings and debt securities

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

	<u>Current</u> RM'000	<u>Non-</u> <u>current</u> RM'000	<u>Total</u> RM'000
<u>Borrowings</u>			
Secured	544,527	695,839	1,240,366
<u>Debt securities</u>			
Secured	5,031	3,006	8,037
Unsecured	31	61	92
	<u>549,589</u>	<u>698,906</u>	<u>1,248,495</u>

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

	RM`000
Ringgit Malaysia	402,658
US Dollar	782,762
Sterling Pound	25,285
Indian Rupee	37,392
Others	398
Total	<u>1,248,495</u>

B10. Derivative financial instruments

Summary of outstanding derivatives as at 30 September 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	(520)
- 1 year to 3 years	463,500	17,929
Forward foreign exchange contracts		
- Less than 1 year	521	552

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	
	30-Sep-10	30-Sep-09	30-Sep-10	30-Sep-09
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	(166,488)	22,975	(149,297)	53,338
Weighted average number of shares ('000)	1,388,450	1,010,029	1,367,092	1,008,746
Basic earnings per share (sen)	(11.99)	2.27	(10.92)	5.29
Diluted earnings per share				
Net profit attributable to shareholders (RM'000)	(166,488)	22,975	(149,297)	53,338
Weighted average number of shares ('000)	1,388,450	1,010,029	1,367,092	1,008,746
Dilutive effect of unexercised share option and warrants (RM'000)	16,466	6,493	16,466	6,493
	1,404,916	1,016,522	1,383,558	1,015,239
Diluted earnings per share (sen)	(11.85)	2.26	(10.79)	5.25

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 26 November 2010.