

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 2010.

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 2010 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 2011.

In the current period ended 30 September 2011, 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 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
Amendments to FRS 2	Share-based Payment: Group Cash-settled Share-based payment transactions
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 7	Improving Disclosures about Financial Instruments
Amendments to FRS 132	Financial Instruments: Presentation
Amendments to FRS 138	Intangible Assets
IC Interpretation 4	Determining Whether an Arrangement Contains a Lease
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners
IC Interpretation 18	Transfers of Assets from Customers
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Improvements to FRSs (2010)	

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies and presentations of the financial results of the Group, other than the disclosures under the Amendments to FRS 7 which will affect the 2011 annual financial statements.

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

The following revised FRSs, new IC Interpretations and Amendments to FRSs were issued but are not yet effective, and have yet to be adopted by the Group:

FRSs, Amendments to FRSs and Interpretations		Effective for financial periods beginning on or after
FRS 124	Related Party Disclosures	1 January 2012
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012

IC Interpretation 15 is not expected to have any impact on the Financial Statements of the Group as they are not relevant to the operations of the Group.

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 was 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 2011, the issued and paid-up share capital of the Company increased from 1,182,657,772 ordinary shares of RM0.10 each to 1,186,570,397 ordinary shares of RM0.10 each by way of issuance of:

- i. 2,867,625 new ordinary shares of RM0.10 each pursuant to the conversion of 11,470,500 ICCLS of RM0.10 each on the basis of RM0.40 per ordinary share.
- ii. 1,045,000 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

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	Energy Logistics RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
2011						
<u>Revenue</u>						
External sales	867,907	244,493	-	1,833	-	1,114,233
Inter-segment sales	-	-	-	13,989	(13,989)	-
Total revenue	<u>867,907</u>	<u>244,493</u>	<u>-</u>	<u>15,822</u>	<u>(13,989)</u>	<u>1,114,233</u>
<u>Results</u>						
Segment result	79,184	(5,371)	-	(6,895)	-	66,918
Finance income						2,948
Finance cost						(46,187)
Share of result of						
- associated companies	-	-	8,107	-	-	8,107
- jointly controlled entities	(439)	-	-	-	-	(439)
Profit before taxation						<u>31,347</u>
Taxation						<u>(11,324)</u>
Profit after taxation						<u>20,023</u>
2010						
<u>Revenue</u>						
External sales	945,754	293,558	-	16,892	-	1,256,204
Inter-segment sales	-	-	-	70,744	(70,744)	-
Total revenue	<u>945,754</u>	<u>293,558</u>	<u>-</u>	<u>87,636</u>	<u>(70,744)</u>	<u>1,256,204</u>
<u>Results</u>						
Segment result	(7,462)	21,948	-	(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>

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 material events subsequent to the end of the quarter under review.

A11. Changes in composition of the group

- (a) On 12 July 2011, Scomi Engineering Bhd acquired the entire issued and paid-up capital of Scomi Transit Projects Brazil Sdn Bhd ("Scomi Transit Projects Brazil") and Scomi Transit Projects Brazil (Sao Paulo) Sdn Bhd ("Scomi Transit Projects Brazil (Sao Paulo)") for a cash consideration of RM2.00 respectively.

The authorised share capital of Scomi Transit Projects Brazil and Scomi Transit Projects Brazil (Sao Paulo) is RM1,000,000.00 comprising of 1,000,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up.

- (b) On 7 August 2011, Scomi Oiltools (S) Pte Ltd, a subsidiary of the Company, completed the following acquisitions:
- (i) Acquisition of 14,630 Priority Shares of Indonesia Rupiah ("IDR") 50,000.00 each representing 95.0% equity interest in PT Inti Jatam Pura ("IJP") from PT Iroda Mitra Corporation for a total cash consideration of USD0.50; and
 - (ii) Acquisition of 14,630 Ordinary Shares of IDR50,000.00 each representing 95.0% equity interest in PT Multi Jaya Persada ("MJP") from PT Iroda Mitra Corporation for a total cash consideration of USD0.50.
- (c) On 18 August 2011, Scomi Engineering Bhd ("SEB") and its subsidiary Scomi Rail Bhd ("SRB") acquired the entire issued stock capital of Urban Transit Servicos Do Brasil LTDA, a Brazilian company, for a cash consideration of USD6,000.

The stock capital of Urban Transit SErvidos Do Brasil LTDA is R\$320,000.00, (approximately RM598,751) comprising of 320,000 quotas of R\$1.00 each, distributed follows:

- (i) SEB holds 319,999 quotas, with a total par value of R\$319,999.00 (approximately RM598,749); and
- (ii) SRB holds 1 quota, with par value of R\$1.00 (approximately RM1.87).

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	120,444
Various legal claims of subsidiaries	3,003
Share of contingent liabilities in associate	5,980
	<u>129,427</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	13,785	12,837	26,622
Development expenditure	52	5,364	5,416
Others	-	2,965	2,965
Total	13,837	21,166	35,003

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	5,505	9,780	667	15,952
Plant and Machinery	932	3,728	3,341	8,001
Others	1,002	650	-	1,652
Total	7,439	14,158	4,008	25,605

A14. Related Party Transactions

The following are the significant related party transactions:

	3rd Quarter ended 30-Sept-11 RM'000	Year -to-date 30-Sept-10 RM'000
<i>Transactions with an associated company</i>		
- management fee charged	82	245
<i>Transactions with jointly controlled entity</i>		
- management fee charged	-	125
<i>Transactions with a company connected to a Director</i>		
- Purchase of airline ticketing services	792	2,164
- Share registration fee paid to Symphony	32	114

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

B1. Review of performance for the quarter ended 30th September 2011

The Group recorded revenues of RM378.7 million for the current quarter compared to RM367.6 million for the corresponding quarter in 2010 ("Q3 2010"). The revenue was mostly generated by the **Oilfield Services Division** and the **Transport Solutions Division**.

The **Oilfield Services Division** generated revenue of RM301.9 million for the current quarter, representing an increase of RM23.5 million or 8.4% over RM278.4 million recorded in Q3 2010. The increase was mainly due to higher sales in Malaysia, Thailand, Myanmar and Turkmenistan.

Revenue from the **Transport Solutions Division** was RM76.5 million. This was RM0.7 million or 1% lower than the revenue in the previous year's corresponding quarter of RM77.2 million.

The **Energy Logistics Division** continues to perform better with improvements in cost management and operational efficiency.

During the current quarter, the gross profit margins of the **Oilfield Services Division** were affected by higher material costs. For the **Transport Solutions Division**, the project monorail delays, for which it has received Extension of Time, have contributed to higher costs for the quarter. In addition, the Group results were also affected by realized and unrealized foreign exchange losses of RM6.1 million by the **Oilfield Services Division** and RM9.6 million by the **Transport Solutions Division**.

With the lower gross profit margins and foreign exchange losses mentioned above, the Group posted a net loss of RM9.1 million for the current quarter.

B2. Variation of results against preceding quarter

The Group recorded lower revenue of RM378.7 million for the current quarter, as compared to RM398.2 million in the preceding quarter.

The decrease is at both the **Oilfield Services and Transport Solutions Divisions**, more particularly in respect of the lower value of work done in the monorail projects as a result of project delays. The **Energy Logistics Division** continues to perform better with improvements in cost management and operational efficiency.

As explained in section B1 above, the Group results were affected by higher material costs and foreign exchange losses. Consequently, the Group posted a net loss of RM9.1 million for the current quarter.

B3. Current year prospects

The **Oilfield Services Division** is expected to continue to benefit from the increasing drilling activities in the Eastern Hemisphere countries. However, the performance for countries in the Middle East and Western Hemisphere will remain challenging in light of the changing political landscape and uncertain economic outlook.

B3. Current year prospects (continued)

The performance of the **Transport Solutions Division** will continue to be challenging in the next quarter. Nevertheless, the Division is expected to benefit through contributions from its Kuala Lumpur Monorail Fleet Expansion project in Malaysia and the two large projects together with its Consortium partners in Brazil in the ensuing Quarters. The Division will continuously 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 **Energy Logistics Division** is expected to continue doing well for the remaining year.

Notwithstanding the foregoing, the Group's operating results for the current year will be impacted by provisions arising out of the sale of assets that the Group has undertaken and other potential impairment.

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-11 RM`000	Preceding Year Quarter 30-Sep-10 RM`000	Current Year Quarter 30-Sep-11 RM`000	Preceding Year Quarter 30-Sep-10 RM`000
Current tax:				
Malaysian income tax	1,206	17	2,767	646
Foreign tax	4,948	6,417	17,006	23,395
	<u>6,154</u>	<u>6,434</u>	<u>19,773</u>	<u>24,041</u>
Under/(Over)provision of income tax in prior years	<u>(5,615)</u>	<u>346</u>	<u>(6,310)</u>	<u>(11,216)</u>
	539	6,780	13,463	12,825
Deferred tax	<u>(4,995)</u>	<u>(3,898)</u>	<u>(2,139)</u>	<u>(7,038)</u>
Total income tax expense	<u>(4,456)</u>	<u>2,882</u>	<u>11,324</u>	<u>5,787</u>

Domestic current income tax is calculated at the statutory tax rate of 25% (2010: 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 to:-

- i. certain income not subject to tax; and
- ii. over-provision of income tax in prior years.

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-11 RM'000	30-Sept-10 RM'000	30-Sept-11 RM'000	30-Sept-10 RM'000
Purchases (at cost)	-	-	1,389	-
Sale proceeds	-	-	-	-
Gain/(loss) on disposal	-	-	-	-

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

	RM`000
Total investments at cost	3,983
Total investments at carrying value	1,512
Total investments at market value	1,512

B8. Status of corporate proposals

On 1 November 2011, the Board of Directors of SGB announced that:

- (i) Scomi Oiltools, Inc. ("SOINC") had entered into a conditional purchase and sale agreement with National Oilwell Varco, L.P for the disposal by SOINC of certain assets used in connection with its drilling waste management business ("DWM Business") for a total cash consideration of USD25.035 million; and
- (ii) Scomi Oiltools De Mexico, S. De R.L de C.V ("SMEX") had entered into a conditional purchase and sale agreement with National Oilwell Varco Solutions S.A. de C.V. for the disposal by SMEX of certain assets used in connection with its DMW Business for a total cash consideration of USD9.965 million.

SOINC and SMEX are indirect wholly-owned subsidiaries of Scomi Oilfield Limited ("SOL"), which is in turn a direct 76.08%-owned subsidiary of SGB.

The proposed disposal of DWM assets by SOINC and SMEX were completed on 10 and 11 November 2011 respectively.

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-current</u> RM'000	<u>Total</u> RM'000
<u>Borrowings</u>			
Secured	691,953	489,678	1,181,631
<u>Debt securities</u>			
Secured	3,282	1,018	4,300
Unsecured	23	11	34
	<u>695,258</u>	<u>490,707</u>	<u>1,185,965</u>

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

	RM`000
Ringgit Malaysia	898,771
US Dollar	190,041
Sterling Pound	22,974
Indian Rupee	61,841
Singapore Dollar	10
Others	<u>12,328</u>
Total	<u>1,185,965</u>

B10. Derivative financial instruments

Summary of outstanding derivatives as at 30 September 2011 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	75,000	5,304
- 1 year to 3 years	222,000	10,517
- More than 3 years	166,500	(2,376)
Forward foreign exchange contracts		
- Less than 1 year	25,398	(418)

There have been no changes since the end of the previous financial year in respect of the following:

- the types of derivatives financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- the related accounting policies.

B10. Derivative financial instruments (continued)

Fair value changes of financial liabilities

The Group recognised a total net loss of RM1.82 million during the current quarter and RM3.14 million for the financial period to-date arising from the fair value changes on the derivatives financial instruments which are marked to market as at the date of statement of financial position.

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-11	30-Sep-10	30-Sep-11	30-Sep-10
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	(9,125)	(166,488)	15,894	(149,297)
Weighted average number of shares ('000)	1,391,876	1,388,450	1,391,642	1,367,092
Basic earnings per share (sen)	(0.66)	(11.99)	1.14	(10.92)
Diluted earnings per share				
Net profit attributable to shareholders (RM'000)	(9,125)	(166,488)	15,894	(149,297)
Weighted average number of shares ('000)	1,391,876	1,388,450	1,391,642	1,367,092
Dilutive effect of unexercised share option and warrants (RM'000)	2,941	16,466	2,941	16,466
	1,394,817	1,404,916	1,394,583	1,383,558
Diluted earnings per share (sen)	(0.65)	(11.85)	1.14	(10.79)

B14. Realised and Unrealised Profits/Losses Disclosure

The breakdown of retained profits as at reporting date is analysed as follows:

	As at 30-Sep-11 RM'000	As at 31-December-10 RM'000
Total retained profits of company and its subsidiaries:		
- Realised	683,919	649,790
- Unrealised	43,240	55,476
	<hr/> 727,159	<hr/> 705,266
Total share of accumulated losses from associated companies:		
- Realised	(22,018)	(35,109)
- Unrealised	(9,877)	(4,893)
Total share of (accumulated losses)/retained profits from jointly controlled entities:		
- Realised	(19)	4,713
- Unrealised	-	(144)
	<hr/> 695,245	<hr/> 669,833
Less: Consolidation adjustments	(202,299)	(192,816)
Total group retained profits as per consolidated accounts	<hr/> <hr/> 492,946	<hr/> <hr/> 477,017

B15. 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 30 November 2011.