

## PART A: EXPLANATORY NOTES AS PER FRS 134

### A1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention. The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2006.

The significant accounting policies, methods of computation and basis of consolidation applied in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2006 except for the adoption of the new/revised Financial Reporting Standards ("FRS") effective for the financial period beginning 1 January 2007:

FRS 117	Leases
FRS 124	Related party disclosures

The principal effects of the change in accounting policy resulting from the adoption of FRS 117 is summarized below:-

#### FRS 117 : Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The upfront payments made for the leasehold land represent prepaid lease payments and are amortised on a straight line basis over the lease term. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and, as disclosed in Note A2, certain comparative amounts as at 31 December 2006 have been restated.

### A2. Comparative Figures

The following comparative amounts have been restated due to the adoption of new FRS:-

<b>As at 31 December 2006</b>	<b>As previously stated RM'000</b>	<b>Reclassification FRS 117 RM'000</b>	<b>As restated RM'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	89,712	(4,182)	85,530
Prepaid lease payments	-	4,182	4,182

### **A3 Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2006 was not qualified.

### **A4. Seasonal or Cyclical Factors**

The operations of the Group were not significantly affected by any major seasonal or cyclical factors during the current quarter under review and financial year-to-date.

### **A5. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cashflows during the current quarter under review and financial year-to-date.

### **A6. Material Changes in Estimates**

There were no changes in estimates that have a material effect in the quarter under review and financial year-to-date.

### **A7. Debt and Equity Securities**

Other than as disclosed below, there were no issuance, cancellation, share buy-back, resale of shares bought back and repayment of debt and equity securities by the Company:-

#### **(a) Employee Share Options Scheme ("ESOS")**

During the current quarter, the issued and paid-up share capital of the Company increased from 272,223,567 ordinary shares of RM1.00 each to 274,711,567 ordinary shares of RM1.00 each by the issuance of 2,488,000 new ordinary shares of RM1.00 each at the subscription prices of RM1.00 and RM1.18 per new share, as applicable, pursuant to the ESOS of the Company.

During the financial year-to-date, the issued and paid-up share capital of the Company increased from 270,627,567 ordinary shares of RM1.00 each to 274,711,567 ordinary shares of RM1.00 each by the issuance of 4,084,000 new ordinary shares of RM1.00 each at the subscription prices of RM1.00 and RM1.18 per new share, as applicable, pursuant to the ESOS of the Company.

#### **(b) Treasury Shares**

During the current quarter, the Company repurchased 1,000 of its issued ordinary shares from the open market at RM1.93 per share. The total consideration paid for the repurchase including transaction costs was RM1,946 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

### **A8. Dividend Paid**

A final tax exempt dividend of 3 sen per share in respect of the financial year ended 31 December 2006, amounting to RM8,230,172, was paid on 12 September 2007.

## A9. Segmental Information

	3 months ended		YTD 9 months ended	
	30.09.07	30.09.06	30.09.07	30.09.06
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
Revenue from continuing operations:				
Machine Shop	53,757	52,616	177,477	135,770
Logistics Engineering	13,713	5,897	26,531	23,916
Bus/monorail	21,161	24,476	59,986	24,476
Total revenue from continuing operations	88,631	82,989	263,994	184,162
Revenue from discontinued operations (Note A13)	1,668	2,119	5,051	6,182
<b>Total</b>	<b>90,299</b>	<b>85,108</b>	<b>269,045</b>	<b>190,344</b>

### Segment Results

Results from continuing operations:				
Machine Shop	8,635	8,962	26,381	23,435
Logistics Engineering	811	(852)	(228)	(933)
Bus/monorail	1,685	722	3,403	722
Total results from continuing operations	11,131	8,832	29,556	23,224
Results from discontinued operations (Note A13)	(440)	161	(781)	483
Total results from operations	10,691	8,993	28,775	23,707
Unallocated corporate expenses	(604)	(2,307)	(1,805)	(4,150)
<b>Total</b>	<b>10,087</b>	<b>6,686</b>	<b>26,970</b>	<b>19,557</b>

## A10. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment as the Group does not adopt a revaluation policy on property, plant and equipment.

## A11. Significant events completed subsequent to the quarter under review.

There were no significant events completed subsequent to the quarter under review.

## A12. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date except for the following:-

- On 3 April 2007, the Company completed the acquisition of an additional 40% equity interest in subsidiary company, Scomi Transportation Systems Sdn Bhd (formerly known as MTrans Transportation Systems Sdn Bhd), comprising 10,400,002 ordinary shares of RM1.00 each for a consideration of RM25 million.
- On 20 June 2007, the Company completed the acquisition of the balance 9% equity interest in Scomi Transportation Systems Sdn Bhd (formerly known as MTrans Transportation Systems Sdn Bhd), comprising 2,340,000 ordinary shares of RM 1.00 each for a consideration of RM5.625 million following which Scomi Transportation Systems Sdn Bhd (formerly known as MTrans Transportation Systems Sdn Bhd) became a wholly owned subsidiary of the Group.

### A13. Discontinued Operations

On 20 March 2007, the Company entered into a share sale agreement to dispose its subsidiary company Scomi Transportation Solutions Sdn Bhd ("SCOTS"), which in turn holds a wholly-owned subsidiary Asian Rent A-Car Sdn Bhd (collectively known as the "SCOTS Group"), as further disclosed in note B8 (a). The subsidiary companies are engaged in the business of the provision of motor vehicles for "Hire and Drive" and fleet management which are both non-core businesses of the Group. The status of this proposed disposal is disclosed in Note B8 (a).

The SCOTS Group has accordingly been classified as a disposal group held for sale. The revenue, results and cashflows of the SCOTS Group were as follows:-

	<b>3 months ended</b>		<b>YTD 9 months ended</b>	
	30.09.07	30.09.06	30.09.07	30.09.06
	RM'000	RM'000	RM'000	RM'000
Revenue	1,668	2,119	5,051	6,182
(Loss)/Profit before tax	(352)	169	(545)	491
Income tax expense	(88)	(8)	(236)	(8)
(Loss)/Profit for the period	(440)	161	(781)	483
Cash flows from operating activities	465	1,684	2,346	3,565
Cash flows from investing activities	223	52	408	237
Cash flows from financing activities	(1,105)	(1,403)	(2,649)	(2,947)
Total cash flows	(417)	333	105	855

The major classes of assets and liabilities of the SCOTS group classified as held for sale as at 30 September 2007 are as follows:

<b>ASSETS</b>	<b>RM'000</b>
Property, plant and equipment	11,077
Goodwill on consolidation	6,381
Receivables, deposits and prepayments	1,175
Tax recoverable	515
Deferred tax assets	279
Deposits with licensed banks	488
Cash and bank balances	450
<b>Assets of disposal group classified as held for sale</b>	<b>20,365</b>
<b>LIABILITIES</b>	
Trade and other payables	736
Amounts due from ultimate holding and related companies	(309)
Borrowings	474
Hire purchase creditors	9,760
Current tax liabilities	186
<b>Liabilities directly associated with the assets classified as held for sale</b>	<b>10,847</b>
<b>Net assets attributable to disposal group classified as held for sale</b>	<b>9,518</b>

**Note:** The liabilities under the disposal group do not include intercompany balances of RM6,280,000 with the Scomi Engineering Bhd's group of companies which are eliminated at Group level upon consolidation.

#### **A14. Contingent Liabilities**

There were no changes in contingent liabilities since the last annual balance sheet date as at 31 December 2006.

#### **A15. Capital Commitments**

The capital commitments not provided for in the financial statements as at 30 September 2007 are as follows:

	<b>RM '000</b>
Approved and contracted for	
- Property, plant and equipment	14,060
Approved but not contracted for	
- Property, plant and equipment	23,245
Total	<u>37,305</u>

#### **A16. Significant related party transactions**

The following are the significant related party transactions:

	<b>3 months ended 30.09.07 RM'000</b>	<b>YTD 9 months ended 30.09.07 RM'000</b>
Administrative service fee payable to holding company	1,085	3,279
Interest income received from a related company	-	153
	<u>          </u>	<u>          </u>

Save as disclosed above, there was no other significant related party transaction in the quarter under review.

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

### **B1. Review of Performance for the Quarter**

The Group recorded a turnover of RM90.30 million for the quarter ended 30 September 2007 against RM85.11 million in the corresponding quarter in 2006. This represents an increase of 6% due principally to the improved performance of the Machine Shop and Logistic Engineering units .

### **B2. Results against Preceding Quarter**

The Group achieved a net profit of RM10.09 million for the quarter ended 30 September 2007 compared to RM9.78 million in the preceding quarter ended 30 June 2007. The increase was due to the higher revenue and contribution principally from the Machine Shop and Logistic Engineering units.

### **B3. Current year prospects**

The turnover for the Machine Shop Division is expected to improve due to the anticipated contributions from the new machine shops in Irian Jaya (commenced June 2007), Saudi Arabia and Johor Bharu. The Singapore, Labuan and Brunei machine shop expansions, in November 2006, June 2007 and September 2007 respectively, have also provided additional capacity to tap the increasing opportunities from the buoyant oil and gas market. At the same time, going forward, the continued new order from Saudi Aramco has contributed significantly to the order book for this division.

The 100% equity interest held in Scomi Transportation Systems Sdn Bhd (formerly known as Mtrans Transportation Systems Sdn Bhd) will increase contribution to the Group's results principally from the Bus business. The Bus unit is expected to register a higher turnover in the next quarter due to the anticipated delivery of buses which will include refurbished, intercity and export buses.

The completion of the prototype of the new generation monorail train also provides the monorail unit with a new technologically superior product of international standard. This will strengthen the monorail project proposals that the Group will submit both in Malaysia and internationally.

### **B4. Profit Forecast or Profit Guarantee**

This section is not applicable as no Profit Forecast or Profit Guarantee was published or issued.

## B5. Income Tax Expense

	3 months ended		YTD 9 months ended	
	30.09.07	30.09.06	30.09.07	30.09.06
	RM'000	RM'000	RM'000	RM'000
<b>Continuing operations</b>				
Current tax				
Malaysian income tax	352	505	944	829
Foreign tax	2,926	2,032	6,395	5,857
	<u>3,278</u>	<u>2,537</u>	<u>7,339</u>	<u>6,686</u>
Deferred tax	-	704	-	520
Income tax expense	<u>3,278</u>	<u>3,241</u>	<u>7,339</u>	<u>7,206</u>
Under/(over) provision of tax	377	(486)	377	(486)
Total	<u>3,655</u>	<u>2,755</u>	<u>7,716</u>	<u>6,720</u>
<b>Discontinued operations</b>				
Current tax				
Malaysian income tax	33	8	181	8
Underprovision of tax	55	-	55	-
Total	<u>88</u>	<u>8</u>	<u>236</u>	<u>8</u>

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the taxable profit for the period. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The lower effective tax rate of 23% for the current quarter and also 21% for the year-to-date is mainly due to the lower income tax rate of 18% (2006: 20%) applicable to a major subsidiary company operating in Singapore. The effective tax rate for the previous quarter and also the previous year-to-date was higher than the statutory tax rate contributed by tax losses and unabsorbed capital allowances under certain subsidiaries.

## B6. Unquoted Investments and Properties

There were no sales of unquoted investments and properties during the quarter under review.

## B7. Quoted and Marketable Investments

Investments in quoted securities as at 30 September 2007 are as follows:

Non-current assets	RM'000
Quoted shares	
- at cost	2,594
- at carrying/book value	788
- at market value	<u>524</u>
<b>Current assets</b>	
Investment in a money market fund	
- at cost	700
- at market value	<u>700</u>

## **B8. Corporate Proposals**

Status of Corporate Proposals Announced

- (a) Proposed disposal of 500,000 ordinary shares of RM1.00 each in Scomi Transportation Solutions Sdn Bhd ("SCOTS"), representing 100% of the issued and paid-up share capital of SCOTS, for a total consideration of RM3.8 million, to ALD International Group Holdings GmbH ("ALDI")**

On 20 March 2007, the Company had entered into a Share Sale Agreement to dispose of 500,000 ordinary shares of RM1.00 each in Scomi Transportation Solutions Sdn Bhd, representing 100% of the issued and paid-up share capital of the company, for a total sale consideration of RM3.8 million to be satisfied in cash ("Proposed Disposal"). SCOTS has a wholly-owned subsidiary, Asian Rent-A-Car Sdn Bhd (collectively known as the "SCOTS Group").

On 9 July 2007, the Company entered into a novation agreement with ALDI and ALD Automotive Sdn Bhd ("ALDA") ("Novation Agreement") pursuant to the Share Sale Agreement between ALDI (as the purchaser) and SEB (as the vendor) dated 20 March 2007 ("Novation").

The parties to the Novation agreed to vary the Share Sale Agreement and amended the definition of the "Cut-Off-Date" to mean the date falling six (6) months from 20 March 2007, being the final date for obtaining all the necessary approvals and fulfilling the necessary conditions, subject to such extension as the parties may mutually agree.

The completion of the sale is also subject to the net equity in the SCOTS Group on completion date being at least zero or in the event the net equity is negative, the Company shall reimburse SCOTS an amount sufficient so that the net equity is at least zero.

Approval of the Foreign Investment Committee was obtained on 1 August 2007.

On 23 October 2007, SEB and ALDA signed a supplemental letter to the Share Sale Agreement and the Novation Agreement, to extend the "Cut-Off Date" to fulfill the conditions precedent from 20 September 2007 to 20 December 2007.

The proposed disposal is currently pending the approval from the Ministry of Tourism and the Commercial Vehicle Licensing Board for the change in shareholding structure of SCOTS.

- (b) Proposed share premium reduction**

On 23 February 2007, the Company announced that it intends to reduce its share premium account pursuant to Section 64 of the Companies Act, 1965 by up to RM35.883 million, and utilise the credit arising therefrom to reduce the accumulated losses of the Company ("Proposal").

The Proposed Share Premium Reduction was approved by the Company's shareholders at the Extraordinary General Meeting held on 21 June 2007. The application to the High Court of Malaya ("Court") was filed and on 5 October 2007, the Court granted an order to dispense with the need to hold a creditors' enquiry and fixed 14 December 2007 for the hearing of the Petition where the sanction of the High Court is sought in relation to the Proposal.



**(c) Proposed purchase of own shares by the Company of up to 10% of the total issued and paid-up share capital of the Company**

On 19 April 2007, the Company announced its intention to seek the approval of its shareholders on the proposed purchase of own shares by the Company of up to ten percent (10%) of the total issued and paid-up share capital of the Company.

The proposal was approved by the shareholders at the Extraordinary General Meeting held on 21 June 2007. On 17 August 2007, the Company purchased 1000 ordinary shares at RM 1.93 each.

**(d) Acquisition of subsidiary company**

Scomi Coach Sdn Bhd (formerly known as MTrans Bus Sdn Bhd), a wholly-owned subsidiary of SEB, had on 10 August 2007 acquired 100% equity interest in Scomi Coach Marketing Sdn Bhd (formerly known as Potensi Serakan Sdn Bhd), comprising twenty five thousand (25,000) ordinary shares of RM1.00 each, for a total purchase consideration of RM2.00. The subsidiary is currently dormant and is intended to be the marketing agent for road transport equipment and products.

**B9. Borrowings (Secured)**

The group borrowings including hire purchase creditors as at 30 September 2007 are as follows:

**Secured**

	RM'000
Short term borrowings	37,221
Long term borrowings	<u>10,228</u>
	47,449
Borrowings under disposal group	<u>10,234</u>
Total	<u>57,683</u>

Borrowings are denominated in the following currencies:

	<u>USD'000</u>	<u>SGD'000</u>	<u>RM'000</u>	<b>As at 30.09.07 : RM'000 equivalent</b>
USD	3,500	-	-	11,970
Ringgit Malaysia	-	-	45,282	45,282
Singapore Dollar	-	211	-	431
Total	<u>3,500</u>	<u>211</u>	<u>45,282</u>	<u>57,683</u>

**B10. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this report.

## B11. Changes in Material Litigation

Neither the company, nor any of its subsidiaries, is engaged in any litigation or arbitration, either as a plaintiff or defendant, which has a material 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 proceedings, which might materially and adversely affect the financial position or business of the company or any of its subsidiaries.

## B12. Dividend Payable

No interim dividend has been declared for the current quarter.

## B13. Earnings per share

### (a) Basic

The computations for earnings per share are as follows:

	3 months ended		YTD 9 months ended	
	30.09.07 RM'000	30.09.06 RM'000	30.09.07 RM'000	30.09.06 RM'000
Profit from continuing operations attributable to ordinary equity holders of the Company	10,442	6,289	27,410	18,838
(Loss)/Profit from discontinued operations attributable to ordinary equity holders of the Company	(440)	161	(781)	483
Profit attributable to ordinary equity holders of the Company	10,002	6,450	26,629	19,321
Weighted average number of ordinary shares in issue ('000)	273,733	270,480	272,039	265,824
Basic earnings per share (sen) for:				
Profit from continuing operations	3.81	2.33	10.08	7.09
(Loss)/Profit from discontinued operations	(0.16)	0.05	(0.29)	0.18
Profit for the period	3.65	2.38	9.79	7.27

### B13. Earnings per share

#### (b) Diluted

The computations for diluted earnings per share are as follows:

	3 months ended		YTD 9 months ended	
	30.09.07 RM'000	30.09.06 RM'000	30.09.07 RM'000	30.09.06 RM'000
Profit from continuing operations attributable to ordinary equity holders of the Company	10,442	6,289	27,410	18,838
(Loss)/Profit from discontinued operations attributable to ordinary equity holders of the Company	(440)	161	(781)	483
Profit attributable to ordinary equity holders of the Company	10,002	6,450	26,629	19,321
Weighted average number of ordinary shares in issue ('000)	273,733	270,480	272,039	265,824
Dilutive effect of unexercised share options ('000)	18,403	8,454	18,232	7,061
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	292,136	278,934	290,271	272,885
Diluted earnings per share (sen) for:				
Profit from continuing operations	3.57	2.25	9.44	6.90
(Loss)/Profit from discontinued operations	(0.15)	0.06	(0.27)	0.18
Profit for the period	3.42	2.31	9.17	7.08

### B14. Authorisation for Issue

The interim financial statements were authorised for issue on 13 November 2007 by the Board of Directors.

