

PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation

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 2007.

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 2007 except for the adoption of the revised Financial Reporting Standards ("FRS") and interpretations to existing standards which are effective for the Group's financial period beginning on or after 1 January 2008 as follows:

- FRS 107 Cash Flow Statements
- FRS 111 Construction Contracts
- FRS 118 Revenue
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in Foreign Operation
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 Members' Shares in Cooperative Entities and Similar Instruments
- IC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IC Interpretation 6 Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment
- IC Interpretation 7 Applying the Restatement Approach under FRS 129₂₀₀₄ Financial Reporting in Hyperinflationary Economies
- IC Interpretation 8 Scope of FRS 2

The adoption of the above Standards, Amendment to published standards and Interpretations to existing standards has no significant financial impact on the Group.

The effective date for FRS 139 "Financial Instruments: Recognition and Measurement", has now been determined by the Malaysian Accounting Standards Board ("MASB") to be from 1 January 2010. The Group is exempted from disclosing the possible impact of FRS 139 in accordance with FRS 108 "Accounting Policies, Change in Accounting Estimates and Errors" prior to its effective date.

A2. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2007 was not qualified.

A3. 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 ("YTD").

A4. Unusual Items

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

A5. Material Changes in Estimates

There were no changes in estimates that have a material effect in the quarter under review and financial YTD.

A6. 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 period ended 30 September 2008, the issued and paid-up share capital of the Company increased from 274,871,567 ordinary shares of RM1.00 each to 275,694,067 ordinary shares of RM1.00 each by the issuance of 822,500 new ordinary shares of RM1.00 each at subscription price of RM1.00 per new share, pursuant to the ESOS of the Company.

(b) Treasury Shares

During the period ended 30 September 2008, the treasury shares of the Company increased from 1,000 to 117,800 with the repurchased of 116,800 of its issued ordinary shares of RM1.00 each from the open market at an average price of RM0.85 per share. The total consideration paid for the repurchase including transaction costs was RM97,277 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, details of which are as follows:-

Date	No. of Treasury Shares Purchased	Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	Total Cost (RM)
Feb 2008	1,000	1.808	1.808	1.808	1,850
Jun 2008	100,000	0.950	0.775	0.837	83,867
Jul 2008	15,800	0.736	0.700	0.718	11,560
Total	116,800				97,277

A7. Dividend Paid

A final tax exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2007 amounting RM13,778,813 was paid on 10 September 2008.

A8. Segmental Information

	3-month ended		YTD 9-month ended	
	30.9.08	30.9.07	30.9.08	30.9.07
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Energy Engineering	62,338	53,757	194,656	177,477
Logistics Engineering	29,598	34,874	123,922	86,517
Total revenue from continuing operations	91,936	88,631	318,578	263,994
Revenue from discontinued operations (Note A11)	-	1,668	1,646	5,051
Total	91,936	90,299	320,224	269,045
Segment Results				
Results from continuing operations:				
Energy Engineering	1,628	8,635	17,563	26,381
Logistics Engineering	(432)	2,496	4,664	3,175
Total results from continuing operations	1,196	11,131	22,228	29,556
Results from discontinued operations (Note A11)	-	(440)	(662)	(781)
Total results from operations	1,196	10,691	21,566	28,775
Corporate expenses	3,330	(604)	(1,848)	(1,805)
Gain on disposal of subsidiaries	-	-	2,011	-
Total	4,526	10,087	21,729	26,970

A9. 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.

A10. Significant events subsequent to the quarter under review

On 20 October 2008, the Company announced that it had received a Letter of Intent from Mumbai Metropolitan Region Development Authority ("MMRDA") of India dated 17 October 2008, confirming the acceptance of the Consortium's (comprising the Company and its consortium partner, Larsen & Toubro Ltd ("L&T") with L&T designated as the Consortium Leader) final bid for the Design, Development, Construction, Operation and Maintenance of Monorail System ("Project") in the Mumbai Metropolitan.

A10. Significant events subsequent to the quarter under review (continue)

On 10 November 2008, the Company announced that it had received a Letter of Acceptance dated 7 November 2008 from the MMRDA of India for the award of Contract for the Project to the Consortium.

The scope of works of the Contract is divided as follows:-

- (a) design, development, construction/manufacture/supply, testing & commissioning of the system including safety certification for commercial operations within 30 months from the date of issue of the Letter of Acceptance; and
- (b) operation and maintenance of the system for 3 years after the commissioning of the system.

The lump sum contract price for the design, development, construction, manufacture, supply, testing and commissioning of the Monorail System awarded to the Consortium is INR2,460 crores (equivalent to RM1,846 million at the spot rate of INR/MYR of 0.750) exclusive of all taxes, duties and service tax. Based upon the Company's scope of works, the value of the award to the Company is INR1,097 crores (equivalent to RM823 million at the spot rate of INR/MYR of 0.750)

A11. Changes in Composition of the Group

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

- (i) On 20 March 2007, the Company had entered into a share sale agreement to dispose 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 be satisfied in cash. SCOTS has a wholly-owned subsidiary, Asian Rent-A-Car Sdn Bhd (collectively known as the "SCOTS group").

The subsidiary companies were engaged in the provision of motor vehicles for "Hire and Drive" and fleet management which were both non-core businesses of the Group. The SCOTS group was accordingly classified in the previous financial year as a disposal group held for sale, with its results classified under discontinued operations.

The disposal of the SCOTS group was completed on 31 March 2008 with all conditions precedent in the sale agreement being met. The gain realised at Group level upon disposal of the subsidiary amounted to RM2.0 million; and

- (ii) On 7 May 2008, the Company had incorporated a subsidiary company, Scomi OMS Oilfield Services Arabia Limited ("SOOSAL"), in the Kingdom of Saudi Arabia. The subsidiary company is 70% held by the Group through a wholly-owned subsidiary, Scomi OMS Oilfield Holdings Sdn Bhd ("SOOHSB"), where SOOHSB subscribed for 1,050 ordinary shares of SR1,000 each in SOOSAL for cash amounting to SR1.05 million (equivalent to RM889,840). The principal activity of SOOSAL is intended to be the manufacturing of casing connectors, slip joint pipes, pup joints, cross-overs and other tubular accessories. It is expected to commence operation during the last quarter of 2008.

A12. Contingent Liabilities (unsecured)

The contingent liability of the Company as at 30 September 2008 is as follows:-

	30.9.08 RM'000	31.12.07 RM'000
Guarantees given to financial institutions for facilities granted to subsidiaries	<u>245,625</u>	<u>110,108</u>

A13. Capital and Operating Lease Commitments

(a) The capital commitments not provided for in the financial statements are as follows:

	30.9.08 RM'000	31.12.07 RM'000
Approved and contracted for		
- Property, plant and equipment	31,540	35,986
- Others	500	-
	<u>32,040</u>	<u>35,986</u>
Approved but not contracted for		
- Property, plant and equipment	23,675	40,448
- Others	13,968	46,000
	<u>37,643</u>	<u>86,448</u>
Total	<u>69,683</u>	<u>122,434</u>

(b) The Group has entered into non-cancellable operating lease agreements for property, plant and equipment. Commitments for future minimum lease payments are as follows:

	30.9.08 RM'000	31.12.07 RM'000
Later than 1 year	1,421	917
Later than 2 years and not later than 5 years	1,472	2,575
Later than 5 years	2,818	2,562
Total	<u>5,711</u>	<u>6,054</u>

A14. Significant related party transactions

The following is the Group's significant related party transaction:

	3-month ended 30.9.08 RM'000	YTD 9-month ended 30.9.08 RM'000
- Administrative service fee paid /payable to holding company	<u>1,048</u>	<u>4,020</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 revenue of RM91.9 million for the quarter ended 30 September 2008 against RM88.6 million in the corresponding quarter of 2007. This represents a marginal increase of 3.7% contributed by higher sales of the Energy Engineering Division, partly offset by lower sales of the Logistics Engineering Division.

The Group net profit of RM4.5 million for the quarter ended 30 September 2008 was however 55.1% lower compared to RM10.1 million registered in the corresponding quarter of 2007 principally due to reduced margin arising from higher handling and logistic charges, higher overheads and foreign exchange loss incurred from the impact of the strengthening USD against RM during the quarter under review.

B2. Results against Preceding Quarter

The Group recorded revenue of RM91.9 million for the current quarter compared to RM131.6 million in the preceding quarter ended 30 June 2008, a decrease of 30.1%, due to lower sales generated from both divisions. Decline in the Logistics Engineering Division sales was mainly due to lower Rail and Coach sales while Energy Engineering Division lower sales was due to reduced casing connector sales from Machine Shop business.

The Group net profit for the current quarter of RM4.5 million was 49.6% lower compared to RM9.0 million in the preceding quarter mainly due to lower revenue, higher overheads and foreign exchange loss incurred from the strengthening of USD against RM.

B3. Current year prospects

Weak consumer sentiment as a result of increased inflationary pressure, higher interest rates and tightening credit is expected to weigh down the overall Group's performance.

The Energy Engineering business will continue to lead the performance of the Group in the remaining quarter of 2008 with the new facilities in Irian Jaya and Johor Bahru in full operations. Margins will however continue to be dampened by declining sales and higher operating costs as business remains challenging.

For the Logistics Engineering business, the existing light rail projects which involve the upgrading of the Electrical & Mechanical systems and Bogie assembly will continue to contribute positively throughout 2008. Meanwhile, the Group is actively marketing its monorail system overseas.

B3. Current year prospects (continue)

The management will continue to undertake cost reduction measures to cushion the impact of increasing overheads and declining margins. In addition, in improving efficiency and achieving cost optimization, the Logistics Engineering business has consolidated its manufacturing processes.

The Board expects the Group's business to remain challenging amidst difficult operating conditions. The Group will continue to maintain its cost saving measures to sustain its profitability and remain competitive.

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-month ended		YTD 9-month ended	
	30.9.08	30.9.07	30.9.08	30.9.07
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current tax				
Malaysian income tax	855	352	2,232	944
Foreign tax	262	2,926	4,190	6,395
	<u>1,117</u>	<u>3,278</u>	<u>6,422</u>	<u>7,339</u>
Under/(over) provision of tax	(795)	377	(795)	377
Income tax expense	<u>322</u>	<u>3,655</u>	<u>5,627</u>	<u>7,716</u>
Deferred tax	(995)	-	(995)	-
Total	<u>(673)</u>	<u>3,655</u>	<u>4,632</u>	<u>7,716</u>
Discontinued operations				
Current tax				
Malaysian income tax	-	33	-	181
Under provision of tax		55		55
Total	<u>-</u>	<u>88</u>	<u>-</u>	<u>236</u>
Total income tax expense	<u>(673)</u>	<u>3,743</u>	<u>4,632</u>	<u>7,952</u>

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) 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 17% (2007: 22%) for the financial YTD is mainly due to the lower income tax rate of 18% (2007: 18%) applicable to a major subsidiary company operating in Singapore, combined with the gain on disposal of SCOTS which is not subject to income tax, over provision of tax and reversal of deferred tax.

B6. Unquoted Investments and Properties

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

B7. Quoted and Marketable Investments

Investments in quoted securities as at 30 September 2008 are as follows:

Non-current assets	30.9.08	31.12.07
	RM'000	RM'000
Quoted shares		
- at cost	2,594	2,594
- at carrying/book value	425	425
- at market value	236	425
	<hr/>	<hr/>
Unquoted shares	541	541
	<hr/>	<hr/>
Current assets		
Investment in a money market fund		
- at cost	1,500	700
- at market value	1,500	700
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B8. Corporate Proposals

There were no corporate proposals announced but not completed as at the date of issue of this report.

B9. Borrowings (Secured)

The group borrowings which include hire purchase creditors are as follows:

	30.9.08	31.12.07
	RM'000	RM'000
Secured		
Short term borrowings	47,364	42,879
Long term borrowings	33,415	10,055
	<hr/>	<hr/>
Total borrowings	80,779	52,934
	<hr/>	<hr/>

Borrowings are denominated in the following currencies:

	As at 30.9.08	As at 30.12.07
	RM'000	RM'000
	<u>equivalent</u>	<u>equivalent</u>
United States Dollars	16,333	9,930
Ringgit Malaysia	64,249	42,656
Singapore Dollars	196	348
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Total Borrowings	80,779	52,934
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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

The computations for earnings per share are as follows:

	3-month ended		YTD 9-month ended	
	30.9.08	30.9.07	30.9.08	30.9.07
	RM'000	RM'000	RM'000	RM'000
Profit from continuing operations attributable to ordinary equity holders of the Company	4,376	10,442	22,071	27,410
Loss from discontinued operations attributable to ordinary equity holders of the Company	-	(440)	(662)	(781)
Profit attributable to ordinary equity holder of the Company	<u>4,376</u>	<u>10,002</u>	<u>21,409</u>	<u>26,629</u>
Weighted average number of shares in issue ('000)	274,868	273,733	275,562	272,039
Dilutive effect of unexercised share option ('000)	-	18,403	-	18,232
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>274,868</u>	<u>292,136</u>	<u>275,562</u>	<u>290,271</u>

(a) Basic Earnings per share (sen) for:

Profit from continuing operations	1.59	3.81	8.01	10.08
Loss from discontinued operations	-	(0.16)	(0.24)	(0.29)
Profit for the period	<u>1.59</u>	<u>3.65</u>	<u>7.77</u>	<u>9.79</u>

(b) Diluted earnings per share (sen) for:

Profit from continuing operations	-	3.57	-	9.44
Loss from discontinued operations	-	(0.15)	-	(0.27)
Profit for the period	<u>-</u>	<u>3.42</u>	<u>-</u>	<u>9.17</u>

Note:-

There is no dilution in the earnings per share of the Company as the market price of the Company's ordinary shares as at Balance Sheet date is lower than the exercise price.

B14. Authorisation for Issue

The interim financial statements were authorised for issue on 12 November 2008 by the Board of Directors.