

**PART A: EXPLANATORY NOTES AS PER FRS 134**

**A1. Basis of Preparation of Interim Financial Reports**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("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 2008.

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 2008.

The following FRSs, Amendments to FRSs and Interpretations were issued but not yet effective and have not been early adopted by the Group:

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
FRS 101 Presentation of Financial Statements	1 January 2010
FRS 123 Borrowing Costs	1 January 2010
FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 1 First-time Adoption of Financial Reporting Standards	1 January 2010
Amendment to FRS 2 Share-based Payment: Vesting Conditions and Cancellations	1 January 2010
Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
Amendment to FRS 7 Financial Instruments: Disclosures	1 January 2010
Amendment to FRS 8 Operating Segments	1 January 2010
Amendment to FRS 107 Statement of Cash Flows	1 January 2010
Amendment to FRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2010
Amendment to FRS 110 Events after the Reporting Period	1 January 2010
Amendment to FRS 116 Property, Plant and Equipment	1 January 2010
Amendment to FRS 117 Leases	1 January 2010
Amendment to FRS 118 Revenue	1 January 2010
Amendment to FRS 119 Employee Benefits	1 January 2010
Amendment to FRS 120 Accounting for Government Grants and Disclosure of Government Assistance	1 January 2010

## **A1. Basis of Preparation of Interim Financial Reports (continued)**

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
Amendment to FRS 123 Borrowing Costs	1 January 2010
Amendment to FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendment to FRS 128 Investment in Associates	1 January 2010
Amendment to FRS 129 Financial Reporting in Hyperinflationary Economies	1 January 2010
Amendment to FRS 131 Interest in Joint Ventures	1 January 2010
Amendment to FRS 132 Financial Instruments: Presentation	1 January 2010
Amendment to FRS 134 Interim Financial Reporting	1 January 2010
Amendment to FRS 136 Impairment of Assets	1 January 2010
Amendment to FRS 138 Intangible Assets	1 January 2010
Amendment to FRS 139 Financial Instruments: Recognition and Measurement	1 January 2010
Amendment to FRS 140 Investment Property	1 January 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11 FRS 2 – Group and Treasury Share Transactions	1 January 2010
IC Interpretation 13 Customer Loyalty Programmes	1 January 2010
IC Interpretation 14 FRS 119 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	1 January 2010
Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010

The adoption of the above FRSs, Amendments to FRSs and Interpretations upon their effective dates is not expected to have any significant impact on the financial statements of the Group. The Group is exempted from disclosing the possible impact, if any, arising from the initial application of FRS 7 and FRS 139 on the financial statements of the Group.

## **A2. Qualification of Financial Statements**

The financial statements for the year ended 31 December 2008 were not subject to any qualification.

**A3. Seasonal or Cyclical Factors**

The operations of the Group were not significantly affected by any major seasonal or cyclical factors during the period under review.

**A4. Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cashflows during the period under review.

**A5. Material Changes in Estimates**

There were no material changes in estimates reported in the period under review.

**A6. Issuance and Repayment of 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 nine-month period ended 30 September 2009, the issued and paid-up share capital of the Company increased from 275,694,067 ordinary shares of RM1.00 each to 275,882,867 ordinary shares of RM1.00 each by the issuance of 188,800 new ordinary shares of RM1.00 each at subscription price of RM1.00 per ordinary share, pursuant to the exercise of options granted under the ESOS of the Company.

**(b) Treasury Shares**

During the nine-month period ended 30 September 2009, the Treasury Shares of the Company increased from 118,800 to 119,800 with the repurchase of 1,000 of its issued ordinary shares of RM1.00 each from the open market at a price of RM0.96 per share. The total consideration paid for the repurchase including transaction costs was RM1,001 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.

**A7. Dividends Paid**

A final tax exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2008 amounting RM13,779,213 was paid on 4 September 2009.

## A8. Segmental Information

	<b>3-month ended</b>		<b>YTD 9-month ended</b>	
	30.09.09 RM'000	30.09.08 RM'000	30.09.09 RM'000	30.09.08 RM'000
<b>Segment Revenue</b>				
Revenue from continuing operations:				
Energy Engineering	43,616	62,338	148,570	194,656
Logistics Engineering	78,644	29,598	251,631	123,922
Total revenue from continuing operations	122,260	91,936	400,201	318,578
Revenue from discontinued operations	-	-	-	1,646
<b>Total</b>	<b>122,260</b>	<b>91,936</b>	<b>400,201</b>	<b>320,224</b>
<b>Segment Results</b>				
Results from continuing operations:				
Energy Engineering	6,417	1,628	22,890	17,563
Logistics Engineering	5,917	(432)	27,280	4,665
Total results from continuing operations	12,334	1,196	50,170	22,228
Results from discontinued operations	-	-	-	(662)
Total results from operations	12,334	1,196	50,170	21,566
Corporate expenses	(442)	3,330	(1,258)	(1,848)
Gain on disposal of subsidiary	-	-	-	2,011
<b>Total</b>	<b>11,892</b>	<b>4,526</b>	<b>48,912</b>	<b>21,729</b>

## 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. Significant events subsequent to the end of the interim period

There were no significant events subsequent to the end of the period under review.

## A11. Changes in Composition of the Group

There were no changes in the composition of the Group during the period under review.

## A12. Contingent Liabilities

The contingent liabilities of the Group as at 30 September 2009 are as follows:-

	<b>30.09.09</b> <b>RM'000</b>	<b>31.12.08</b> <b>RM'000</b>
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	92,061	91,666

### A13. Capital and Operating Lease Commitments

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

	<b>30.09.09</b> <b>RM'000</b>	<b>30.12.08</b> <b>RM'000</b>
Approved and contracted for		
- Property, plant and equipment	10,333	22,094
- Development costs	2,271	10
	12,604	22,104
Approved but not contracted for		
- Property, plant and equipment	14,330	16,529
- Development costs	12,749	14,783
	27,079	31,312
Total	39,683	53,416

(b) The Group has entered into non-cancellable operating lease agreements for property, plant and equipment. Commitments for future minimum lease payments as at 30 September 2009 are as follows:

	<b>RM'000</b>
Later than 1 year	403
Later than 2 years and not later than 5 years	1,837
Later than 5 years	2,101
Total	4,341

### A14. Significant related party transactions

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

	<b>3-month</b> <b>ended</b> <b>30.09.09</b> <b>RM'000</b>	<b>YTD</b> <b>9-month</b> <b>ended</b> <b>30.09.09</b> <b>RM'000</b>
Transactions with holding company		
- management fee charged	227	841
Transactions with a company connected to a Director		
- purchase of airline ticketing services	407	1,309

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

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

**B1. Review of Performance**

The Group recorded revenue of RM122.3 million for the 3<sup>rd</sup> quarter ended 30 September 2009 against RM91.9 million in the corresponding quarter of 2008, representing an increase of 33.0%. The Logistic Engineering Division recorded higher sales from its Rail unit with the commencement of monorail project. The Machine Shop in the Energy Engineering Division however registered lower revenue from reduced connector sales.

The Group registered a net profit of RM11.9 million for the current quarter compared to RM4.5 million in the corresponding quarter of 2008. The significantly higher net profit for the quarter was largely a result of contribution from the Rail unit as well as improved margin from the Machine Shop unit.

For the period ended 30 September 2009, revenue for the Group increased 25.0% to RM400.2 million and net profit improved to RM48.9 million from RM21.7 million in the corresponding period last year due mainly to strong contributions from the Rail business.

**B2. Results against Immediate Preceding Quarter**

The Group recorded lower revenue for the current quarter of RM122.3 million compared to RM151.2 million in the immediate preceding quarter, a decrease of 19.1% due primarily to weaker connector sales from Machine Shop and lower revenue recognition from the Rail projects.

Net profit for the current quarter was RM11.9 million against RM19.3 million in the immediate preceding quarter, representing a decrease of 38.3% due mainly to lower revenue recognition.

**B3. Current year prospects**

The recent global economic downturn which led to shrinking drilling activities in the oil and gas sector, had affected the Energy Engineering business during the period under review. However, the Energy Engineering business is expected to continue to contribute positively to the Group in the remaining quarter of 2009 with the expansion of existing facility in Indonesia and relocation of Australia and Thailand machine shops to bigger and enhanced facilities. Recognising the challenges ahead, the Energy Engineering business is optimizing operations and processes at its machine shops to control overheads and costs. To further boost its business, the Energy Engineering business is investing in research and development of new connector in an effort to expand the market coverage in the casing and connectors market.

### B3. Current year prospects (continued)

For Logistics Engineering business, contribution from the Rail unit will continue to lead the performance of the Group throughout 2009. With the worldwide increase in demand for efficient, reliable and cost effective transportation solutions, the Group anticipates that the core business driver from 2009 onwards will be in the public transportation sector. The rapid income growth and urbanization in key emerging markets of China, India, Brazil, Indonesia and the Gulf States will lead to increasing demand and opportunities for global infrastructure development in these countries. Leveraging on Rail unit's knowledge and skills in the field of transportation engineering solutions and integrations, the Group will continuously pursue opportunities in monorail projects and establish a global presence in this sector.

### B4. Profit Forecast or Profit Guarantee

The Group has not provided any profit forecast or profit guarantee.

### B5. Income Tax Expense

	3-month ended		YTD 9-month ended	
	30.09.09	30.09.08	30.09.09	30.09.08
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	8	855	445	2,232
Foreign tax	(345)	262	5,927	4,190
Total tax expense	(337)	1,117	6,372	6,422
(Over)/Under provision of tax	31	(795)	(14)	(795)
	(306)	322	6,358	5,627
Deferred tax	(2,733)	(995)	2,769	(995)
Total income tax expense	(3,039)	(673)	9,127	4,632

Domestic current income tax is calculated at the statutory tax rate of 25% (2008: 26%) 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 16% (2008: 17%) for the period under review is mainly due to unutilised capital allowance and tax losses of certain subsidiaries and the lower income tax rate of 18% (2008: 18%) applicable to a major subsidiary in Singapore.

### B6. Unquoted Investments and Properties

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

## B7. Quoted and Marketable Investments

There were no purchases or disposals of quoted securities during the period under review. Investments in quoted securities as at 30 September 2009 are as follows:

<b>Non-current assets</b>	<b>30.09.09 RM'000</b>	<b>31.12.08 RM'000</b>
Quoted shares		
- at cost	2,594	2,594
- at carrying/book value	207	207
- at market value	217	207
	<hr/>	<hr/>
Unquoted shares	542	542
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<b>Current assets</b>		
Investment in a money market fund		
- at cost	-	1,500
- at market value	-	1,500
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## B8. Status of Corporate Proposal

On 27 August 2009, Maybank Investment Bank Berhad ("Maybank IB"), on behalf of the Company announced that Scomi Engineering Bhd ("SEB") proposed to undertake a renounceable rights issue of up to RM68,312,059 nominal value of 3-year 4% irredeemable convertible unsecured loan stock ("ICULS") at 100% of its nominal value on the basis of two (2) RM1.00 nominal value of ICULS for every nine (9) existing ordinary shares of RM1.00 each held in SEB ("Proposed Rights Issue").

On 30 October 2009, Maybank IB, on behalf of the Company announced that the Securities Commission has vide its letter dated on the same date approved the Proposed Rights Issue.

The Proposed Rights Issue is expected to be completed in the first quarter of the financial year ending 31 December 2010.

## B9. Group Borrowings - Secured

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

	<b>30.09.09 RM'000</b>	<b>31.12.08 RM'000</b>
<b>Secured</b>		
Short term borrowings	139,577	71,865
Long term borrowings	40,985	33,353
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Total group borrowings	180,562	105,218



## **B9. Group Borrowings – Secured (continued)**

Group Borrowings are denominated in the following currencies:

	<b>30.09.09</b> <b>RM'000</b> <b><u>equivalent</u></b>	<b>31.12.08</b> <b>RM'000</b> <b><u>equivalent</u></b>
Ringgit Malaysia	162,662	88,034
US Dollar	13,591	17,038
Singapore Dollar	-	146
Indian Rupees	4,309	-
Total group borrowings	<u>180,562</u>	<u>105,218</u>

## **B10. Off Balance Sheet Financial Instruments**

Forward foreign exchange contracts are entered into by the Group in currencies other than the functional currency to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

All exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period the forward foreign exchange contract is settled.

As at 30 October 2009, the amounts of forward foreign exchange contracts that were entered into as hedges for payables were equivalent to RM30.4 million. This amount represents the future cash flows under contracts to purchase the foreign currencies. The maturity periods of these forward contracts are less than six (6) months.

## **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 period under review.

### B13. Earnings per share

The computations for earnings per share are as follows:

	<b>3-month ended</b>		<b>YTD 9-month ended</b>	
	30.09.09 RM'000	30.09.08 RM'000	30.09.09 RM'000	30.09.08 RM'000
Profit from continuing operations attributable to ordinary equity holders of the Company	11,892	4,376	48,815	22,071
Loss from discontinued operations attributable to ordinary equity holders of the Company	-	-	-	(662)
Profit attributable to ordinary equity holder of the Company	<u>11,892</u>	<u>4,376</u>	<u>48,815</u>	<u>21,409</u>
Weighted average number of shares in issue ('000)	275,638	274,868	275,596	275,562
Adjustment for:				
- share options ('000)	1,377	-	1,390	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>277,015</u>	<u>274,868</u>	<u>276,986</u>	<u>275,562</u>

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

Profit from continuing operations	4.31	1.59	17.71	8.01
Loss from discontinued operations	-	-	-	(0.24)
Profit for the period	<u>4.31</u>	<u>1.59</u>	<u>17.71</u>	<u>7.77</u>

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

Profit from continuing operations	4.29	-	17.62	-
Loss from discontinued operations	-	-	-	-
Profit for the period	<u>4.29</u>	<u>-</u>	<u>17.62</u>	<u>-</u>

For the period ended 30 September 2008, there was no dilution in the earnings per share of the Company. The market price of the Company's ordinary shares as at 30 September 2008 was anti-dilutive since the market price was lower than the exercise price.

### B14. Authorisation for Issue

The interim financial statements were authorised for issue in accordance with a resolution of the Board of Director on 4 November 2009.