

## **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 June 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.

## **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:

<b>FRSs, Amendments to FRSs and Interpretations</b>	<b>Effective for financial periods beginning on or after</b>
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 six-month period ended 30 June 2011, the issued and paid-up share capital of the Company increased from 1,182,657,772 ordinary shares of RM0.10 each to 1,185,457,272 ordinary shares of RM0.10 each by way of issuance of:

- i. 1,935,500 new ordinary shares of RM0.10 each pursuant to the conversion of 7,742,000 ICCLS of RM0.10 each on the basis of RM0.40 per ordinary share.
- ii. 864,000 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**

	<b>Oilfield Services RM'000</b>	<b>Transport Solutions RM'000</b>	<b>Energy Logistics RM'000</b>	<b>Investment Holding RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
<b><u>2011</u></b>						
<u>Revenue</u>						
External sales	566,022	167,974	-	1,567	-	735,563
Inter-segment sales	-	-	-	13,003	(13,003)	-
Total revenue	<u>566,022</u>	<u>167,974</u>	<u>-</u>	<u>14,570</u>	<u>(13,003)</u>	<u>735,563</u>
<u>Results</u>						
Segment result	68,079	4,570	-	(1,669)	-	70,980
Finance income						702
Finance cost						(28,360)
Share of result of						
- associated companies	-	-	4,769	-	-	4,769
- jointly controlled entities	(439)	-	-	-	-	(439)
Profit before taxation						<u>47,652</u>
Taxation						<u>(15,780)</u>
Profit after taxation						<u>31,872</u>
<b><u>2010</u></b>						
<u>Revenue</u>						
External sales	667,316	216,350	-	4,890	-	888,556
Inter-segment sales	72,616	-	-	12,469	(85,085)	-
Total revenue	<u>739,932</u>	<u>216,350</u>	<u>-</u>	<u>17,359</u>	<u>(85,085)</u>	<u>888,556</u>
<u>Results</u>						
Segment result	17,918	64,434	-	3,198	(57,785)	27,765
Finance income						1,090
Finance cost						(38,500)
Share of result of						
- associated companies	-	-	32,855	-	-	32,855
- jointly controlled entities	(1,801)	-	-	-	-	(1,801)
Profit before taxation						<u>21,409</u>
Taxation						<u>(2,905)</u>
Profit after taxation						<u>18,504</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**

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.

#### **A12. Contingent liabilities**

Details of contingent liabilities of the Group at the end of the quarter are as follows:

	<b>RM`000</b>
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	122,713
Various legal claims of subsidiaries	4,186
Share of contingent liabilities in associate	14,825
	<u>141,724</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:

	<b>Approved and contracted for RM`000</b>	<b>Approved but not contracted for RM`000</b>	<b>Total RM`000</b>
Property, plant and equipment	6,049	12,828	18,877
Development expenditure	52	5,580	5,632
Others	<u>15</u>	<u>4,762</u>	<u>4,777</u>
Total	<u>6,116</u>	<u>23,170</u>	<u>29,286</u>

**A13. Capital and operating lease commitments (continued)**

Operating lease commitments:

<b>Future minimum lease rental payable</b>	<b>Due within 1 year RM'000</b>	<b>Due within 1 &amp; 5 years RM'000</b>	<b>Due after 5 years RM'000</b>	<b>Total RM'000</b>
Property	4,731	10,109	658	15,498
Plant and Machinery	886	3,544	3,408	7,838
Others	1,015	626	-	1,641
<b>Total</b>	<b>6,632</b>	<b>14,279</b>	<b>4,066</b>	<b>24,977</b>

**A14. Related Party Transactions**

The following are the significant related party transactions:

	<b>2nd Quarter ended 30-June-11 RM'000</b>	<b>Year -to-date 30-June-10 RM'000</b>
<i>Transactions with an associated company</i>		
- management fee charged	82	163
<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	743	1,372
- Share registration fee paid to Symphony	31	81

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

**B1. Review of performance for the quarter ended 30<sup>th</sup> June 2011**

The Group recorded lower revenues of RM398.2 million for the current quarter, as compared to RM429.3 million in the corresponding quarter in 2010 ("Q2 2010").

The decrease was principally in respect of the Group's Oilfield Services Division which reported lower revenues in its Middle East and Western Hemisphere, particularly Europe, operations. In addition, the lower revenues were also due to the weakened US Dollar, which had depreciated by approximately 10% against Malaysia Ringgit, since Q2 2010.

Revenues from the Transport Solutions Division in the current quarter were at similar level as in Q2 2010, despite the loss of revenues from the Machine Shop operations which were disposed in June 2010. This is due to higher revenues from the Rail operations.

Despite the lower revenues, the Group achieved higher net profits of RM15.0 million, as compared RM3.6 million in the corresponding quarter. The increase is attributable principally to better performance reported by the Oilfield Services Division.

**B2. Variation of results against preceding quarter**

The Group recorded higher revenues of RM398.2 million for the current quarter, as compared to RM337.4 million in the preceding quarter ("Q1 2011").

The increase is at both the Oilfield Services and Transport Solutions Divisions, more particularly in respect of the operations in Malaysia and its neighbouring countries such as Thailand, Indonesia, China and Australia.

Following the higher revenues, the Group achieved higher net profits of RM15.0 million as compared RM10.0 million in Q1 2011.

**B3. Current year prospects**

The Group is cautiously optimistic of improved earnings for the current year on the back of the projected increase in drilling activities in Malaysia and its neighbouring countries, where the Group's Oilfield Services Division will likely benefit.

In addition, the Group also expects better performance from its Transport Solutions Division arising from better cost management and contributions from its Kuala Lumpur Monorail Fleet Expansion project in Malaysia. The Group has secured two large projects together with its Consortium partners in Brazil and 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 Group continues to focus on project execution and stronger cost management to achieve better performance.

**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-Jun-11 RM`000	Preceding Year Quarter 30-Jun-10 RM`000	Current Year Quarter 30-Jun-11 RM`000	Preceding Year Quarter 30-Jun-10 RM`000
Current tax:				
Malaysian income tax	728	501	1,561	629
Foreign tax	6,500	7,219	12,058	16,978
	<u>7,228</u>	<u>7,720</u>	<u>13,619</u>	<u>17,607</u>
Under/(Over)provision of income tax in prior years	(658)	(11,562)	(695)	(11,562)
	<u>6,570</u>	<u>(3,842)</u>	<u>12,924</u>	<u>6,045</u>
Deferred tax	3,976	(4,035)	2,856	(3,140)
	<u>3,976</u>	<u>(4,035)</u>	<u>2,856</u>	<u>(3,140)</u>
Total income tax expense	<u>10,546</u>	<u>(7,877)</u>	<u>15,780</u>	<u>2,905</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 higher mainly due:-

- i. non-deductibility of certain expenses for tax purposes; and
- ii. unrecognised deferred tax assets arising during the year.

## 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-June-11 RM'000	30-June-10 RM'000	30-June-11 RM'000	30-June-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	<u>3,983</u>
Total investments at carrying value	<u>1,516</u>
Total investments at market value	<u>1,549</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:

	<b>Current RM'000</b>	<b>Non- current RM'000</b>	<b>Total RM'000</b>
<u>Borrowings</u>			
Secured	514,355	587,170	1,101,525
<u>Debt securities</u>			
Secured	3,497	1,929	5,426
Unsecured	27	20	47
	<u>517,879</u>	<u>589,119</u>	<u>1,106,998</u>

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

	<b>RM`000</b>
Ringgit Malaysia	869,034
US Dollar	174,653
Sterling Pound	22,853
Indian Rupee	37,125
Singapore Dollar	12
Others	3,321
Total	<u>1,106,998</u>

## B10. Derivative financial instruments

Summary of outstanding derivatives as at 30 June 2011 are as follows:

<b>Type of derivatives</b>	<b>Contract/Notional value RM'000</b>	<b>Fair value RM'000</b>
Cross Currency Interest Rate Swaps (CCIRS)		
- Less than 1 year	75,000	7,886
- 1 year to 3 years	222,000	15,945
- More than 3 years	166,500	678
Forward foreign exchange contracts		
- Less than 1 year	29,576	1,078

**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-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
<b>Basic earnings per share</b>				
Net profit attributable to shareholders (RM'000)	14,994	3,622	25,019	17,191
Weighted average number of shares ('000)	1,391,693	1,390,436	1,391,523	1,369,015
Basic earnings per share (sen)	1.08	0.26	1.80	1.26
<b>Diluted earnings per share</b>				
Net profit attributable to shareholders (RM'000)	14,994	3,622	25,019	17,191
Weighted average number of shares ('000)	1,391,693	1,390,436	1,391,523	1,369,015
Dilutive effect of unexercised share option and warrants (RM'000)	3,137	19,172	3,137	19,172
	1,394,830	1,409,608	1,394,661	1,388,187
Diluted earnings per share (sen)	1.08	0.26	1.79	1.24

**B14. Realised and Unrealised Profits/Losses Disclosure**

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

	<b>As at 30-June-11 RM'000</b>	<b>As at 31-December-10 RM'000</b>
Total retained profits of company and its subsidiaries:		
- Realised	687,518	649,790
- Unrealised	50,265	55,476
	<hr/> 737,783	<hr/> 705,266
Total share of accumulated losses from associated companies:		
- Realised	(25,351)	(35,109)
- Unrealised	(9,882)	(4,893)
Total share of (accumulated losses)/retained profits from jointly controlled entities:		
- Realised	(19)	4,713
- Unrealised	-	(144)
	<hr/> 702,531	<hr/> 669,833
Less: Consolidation adjustments	(200,460)	(192,816)
Total group retained profits as per consolidated accounts	<hr/> <hr/> 502,071	<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 23 August 2011.