

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 Statement
- FRS 111 Construction Contracts
- FRS 118 Revenue
- Amendmend to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance
- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IC Interpretation 2 Member's 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

Deferred FRS 139 – Financial Instruments : Recognition and Measurement. The effective date of this standard has yet to be determined by the Malaysian Accounting Standards Board ("MASB").

The adoption of the above standards, amendments to published standards and interpretations to existing standards does not have a significant financial impact on the Group.

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 six-month period ended 30 June 2008, the issued and paid-up share capital of the Company increased from 274,871,567 ordinary shares of RM1.00 each to 275,680,067 ordinary shares of RM1.00 each by the issuance of 808,500 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 six-month period ended 30 June 2008, the treasury shares of the Company increase from 1,000 to 102,000 with the repurchased 101,000 of its issued ordinary shares of RM1 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 RM85,717 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	0.834	83,867
Total	101,000				85,717

A7. Dividend Paid

There was no dividend paid during the quarter under review and the financial year-to-date.

A8. Segmental Information

	3-month ended		YTD 6-month ended	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Revenue from continuing operations:				
Machine Shop	70,753	63,423	132,318	123,720
Coach / Special Purpose Vehicles	34,281	34,895	59,636	50,443
Rail	26,550	600	34,688	1,200
Total revenue from continuing operations	131,584	98,918	226,642	175,363
Revenue from discontinued operations (Note A11)	-	1,661	1,646	3,383
Total	131,584	100,579	228,288	178,746
Segment Results				
Results from continuing operations:				
Machine Shop	6,829	8,032	15,935	17,746
Coach / Special Purpose Vehicles	(74)	524	(245)	5
Rail	3,672	541	5,342	641
Total results from continuing operations	10,427	9,097	21,032	18,392
Results from discontinued operations (Note A11)	-	(90)	(662)	(341)
Total results from operations	10,427	9,007	20,370	18,051
Unallocated corporate expenses	(1,442)	776	(5,179)	(1,168)
Gain on disposal of a subsidiary	-	-	2,011	-
Total	8,985	9,783	17,202	16,883

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

There were no significant events subsequent to the end of current quarter.

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 RM3,800,000 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 RM2,011,000; 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 SR1,050,000 (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 second half of 2008.

A12. Contingent Liabilities

There were no changes in contingent liabilities since the last annual balance sheet date as at 31 December 2007.

A13. Capital and Operating Lease Commitments

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

	30.6.08	31.12.07
	RM '000	RM '000
Approved and contracted for		
- Property, plant and equipment	35,901	35,986
- Others	15,000	-
	50,901	35,986
Approved but not contracted for		
- Property, plant and equipment	33,777	40,448
- Others	26,182	46,000
	59,959	86,448
Total	110,860	122,434

A13. Capital and Operating Lease Commitments (continue)

(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:

	30.6.08 RM '000	31.12.07 RM '000
Later than 1 year	405	917
Later than 2 years and not later than 5 years	5,334	2,575
Later than 5 years	-	2,562
Total	<u>5,739</u>	<u>6,054</u>

A14. Significant related party transactions

The following are the significant related party transactions:

	3-month ended	YTD 6-month ended
	30.6.08 RM'000	30.6.08 RM'000
Administrative service fee paid /payable to holding company	<u>1,482</u>	<u>2,964</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 revenue of RM131.6 million for the quarter ended 30 June 2008 against RM98.9 million in the corresponding quarter of 2007. This represents an increase of 33.0% due principally to the increased revenue from the Rail and Machine Shop business.

The Group net profit of RM9.0 million for the quarter ended 30 June 2008 was however 8.1% lower compared to RM9.8 million registered in the corresponding quarter of 2007 mainly due to the impact of the weakening US Dollar against Ringgit Malaysia, higher overheads and finance costs as well as higher tax for the current quarter.

B2. Results against Preceding Quarter

The Group revenue of RM131.6 million for the current quarter registered an improvement of 38.4% compared to RM95.1 million in the preceding quarter ended 31 March 2008 mainly due to increased revenue from the Rail and Machine Shop business.

The Group net profit of RM9.0 million recorded an increase of 9.4% compared to RM8.2 million in the preceding quarter mainly attributed to higher contribution from the Rail and Machine Shop business from improved revenue.

Excluding the gain on disposal of SCOTS of RM2.0 million included in the preceding quarter, Group net profit for the current quarter registered an increase of 44.5% against the preceding quarter.

B3. Current year prospects

Machine Shop Division will continue to lead the performance of the Group throughout 2008 with completion of the expansion plan with 3 new facilities in Irian Jaya, Johor Bahru and Saudi Arabia. The Labuan, Brunei, Kemaman and Songkhla facilities had been enhanced and expanded in order to cater for the expected increased activities in the region. Further to the expansion plan, certain products and services, such as casing connectors, which are currently available at selected locations, will be extended to the other machine shop locations as well.

Contribution from the Rail unit will continue with the existing light rail projects. The current projects involved are upgrading the Electrical & Mechanical systems and Bogie assembly.

The latest generation SUTRA monorail will further strengthen the Rail business both in Malaysia and overseas. This division is currently developing and marketing its monorail and is building a new state-of-the art manufacturing facility which would cater for the increased production requirement. The facility will also be equipped to further expand the research and development works on the monorail.

B3. Current year prospects (continue)

At the Coach and Special Purpose Vehicle operations, the manufacturing process has been improved by merging the 2 businesses at the manufacturing facility in Rawang. Revenue is expected to be higher in the Coach business from both the local and export markets.

Barring unforeseen circumstances, the Group's performance for the current financial year is expected to be satisfactory.

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 6-month ended	
	30.6.08	30.6.07	30.6.08	30.6.07
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current tax				
Malaysian income tax	1,218	464	1,377	592
Foreign tax	1,665	1,765	3,928	3,469
	<u>2,883</u>	<u>2,229</u>	<u>5,305</u>	<u>4,061</u>
Deferred tax	-	-	-	-
Income tax expense	<u>2,883</u>	<u>2,229</u>	<u>5,305</u>	<u>4,061</u>
Under/(over) provision of tax	-	-	-	-
Total	<u>2,883</u>	<u>2,229</u>	<u>5,305</u>	<u>4,061</u>
Discontinued operations				
Current tax				
Malaysian income tax	-	67	-	148
Total	<u>2,883</u>	<u>2,296</u>	<u>5,305</u>	<u>4,209</u>

Domestic current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the taxable profit for the period/year. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The lower effective tax rate of 23% (2007: 19%) 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 and gain on disposal of SCOTS which is not subject to income 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 June 2008 are as follows:

Non-current assets	30.6.08 RM '000	31.12.07 RM '000
Quoted shares		
- at cost	2,594	2,594
- at carrying/book value	425	425
- at market value	170	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 as are as follows:

	30.6.08 RM '000	31.12.07 RM '000
Secured		
Short term borrowings	69,271	42,879
Long term borrowings	9,894	10,055
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Total borrowings	79,165	52,934

Borrowings are denominated in the following currencies:

	As at 30.6.08 RM'000 equivalent	As at 30.12.07 RM'000 equivalent
United States Dollars	9,949	9,930
Ringgit Malaysia	68,977	42,656
Singapore Dollars	239	348
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Total Borrowings	79,165	52,934

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

At the Annual General Meeting held on 23 June 2008, the shareholders approved a final tax exempt dividend in respect of the financial year ended 31 December 2007 of 5% per share, amounting to a dividend payable of approximately RM13,744,000 (2006: RM8,118,827). On 11 August 2008, the Company announced that the entitlement date would be 26 August 2008 and the dividend payment date would be 10 September 2008.

The Directors do not propose any interim dividend for the current quarter.

B13. Earnings per share

The computations for earnings per share are as follows:

	3-month ended		YTD 6-month ended	
	30.6.08 RM'000	30.6.07 RM'000	30.6.08 RM'000	30.6.07 RM'000
Profit from continuing operations attributable to ordinary equity holders of the company	8,885	9,606	17,694	16,968
Loss from discontinued operations attributable to ordinary equity holders of the company	-	(90)	(662)	(341)
Profit attributable to ordinary equity holder of the Company	<u>8,885</u>	<u>9,516</u>	<u>17,032</u>	<u>16,627</u>
Weighted average number of shares in issue ('000)	274,853	271,447	275,555	271,178
Dilutive effect of unexercised share option ('000)	-	20,596	-	20,461
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>274,853</u>	<u>292,043</u>	<u>275,555</u>	<u>291,639</u>

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

Profit from continuing operations	3.23	3.54	6.42	6.26
Loss from discontinued operations	-	(0.03)	(0.24)	(0.13)
Profit for the period	<u>3.23</u>	<u>3.51</u>	<u>6.18</u>	<u>6.13</u>

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

Profit from continuing operations	-	3.29	-	5.82
Loss from discontinued operations	-	(0.03)	-	(0.12)
Profit for the period	<u>-</u>	<u>3.26</u>	<u>-</u>	<u>5.70</u>

Note:-

There is no dilution in the earning 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 11 August 2008 by the Board of Directors.