

SCOMI ENGINEERING BHD (111633-M)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30-Jun-09 RM'000 Unaudited	30-Jun-08 RM'000 Unaudited	30-Jun-09 RM'000 Unaudited	30-Jun-08 RM'000 Unaudited
Continuing Operations				
Revenue	151,169	131,584	277,940	226,642
Cost of sales	(104,253)	(106,891)	(197,833)	(182,491)
Gross Profit	46,916	24,693	80,107	44,151
Other income	(559)	(873)	1,359	2,520
Operating expenses	(16,565)	(10,777)	(29,832)	(21,257)
Finance costs	(509)	(1,175)	(2,449)	(2,245)
Profit before taxation	29,283	11,868	49,185	23,169
Taxation	(10,018)	(2,883)	(12,166)	(5,305)
Profit for the period from continuing operations	19,265	8,985	37,019	17,864
Discontinued Operations				
Loss for the period from discontinued operations	-	-	-	(662)
Profit for the period	19,265	8,985	37,019	17,202
Attributable to :				
Equity holders of the parent	19,215	8,885	36,923	17,032
Minority interest	50	100	96	170
Profit for the period	19,265	8,985	37,019	17,202
Earnings per share attributable to equity holders of the parent:				
<u>Basic earnings per ordinary share (sen)</u>				
- For profit from continuing operations	6.97	3.23	13.40	6.42
- For loss from discontinued operations	-	-	-	(0.24)
	6.97	3.23	13.40	6.18
<u>Diluted earnings per ordinary share (sen)</u>				
- For profit from continuing operations	6.93	-	13.31	-
- For loss from discontinued operations	-	-	-	-
	6.93	-	13.31	-

Note: The detailed calculations for the Basic and Diluted earnings per share are shown in Note B13.

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Report for the year ended 31st December 2008 and the accompanying explanatory notes attached to the interim financial statements.

SCOMI ENGINEERING BHD (111633-M)
(Incorporated in Malaysia)

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS AS AT 30 JUNE 2009

	As at 30-Jun-09 RM'000 Unaudited	As at 31-Dec-08 RM'000 Audited
ASSETS		
Non-current Assets		
Property, plant & equipment	144,621	131,456
Other investments	749	749
Intangible assets	270,293	268,063
Prepaid lease payments	5,905	5,937
Deferred tax assets	1,586	7,406
Total non-current assets	423,154	413,611
Current Assets		
Other investments	-	1,500
Inventories	54,739	50,070
Trade and other receivables	246,731	159,113
Tax recoverable	2,747	2,548
Amounts due from related corporations	-	343
Amount due from ultimate holding company	76	-
Short-term deposits, cash and bank balances	35,130	23,071
Total current assets	339,423	236,645
Total assets	762,577	650,256
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	275,694	275,694
Treasury shares	(101)	(100)
Reserves	159,666	135,164
Minority interest	435,259 695	410,758 599
Total equity	435,954	411,357
Non-current Liabilities		
Borrowings (interest bearing)	40,454	33,353
Deferred tax liabilities	3,706	4,047
Total non-current liabilities	44,160	37,400
Current Liabilities		
Trade and other payables	180,150	118,237
Deferred government grant	431	431
Amounts due to related corporations	3,514	767
Amount due to ultimate holding company	-	483
Borrowings (interest bearing)	75,297	71,865
Current tax liabilities	9,292	9,716
Dividend payable	13,779	-
Total current liabilities	282,463	201,499
Total liabilities	326,623	238,899
TOTAL EQUITY AND LIABILITIES	762,577	650,256
Net assets per share attributable to equity holders of the parent (RM)	1.58	1.49

The Condensed Consolidated Balance Sheets should be read in conjunction with the Audited Financial Report for the year ended 31st December 2008 and the accompanying explanatory notes attached to the interim financial statements.

SCOMI ENGINEERING BERHAD (111633-M)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009**

	30-Jun-09 RM'000 Unaudited	30-Jun-08 RM'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation from:		
Continuing operations	49,185	23,169
Discontinued operations	-	(662)
	<u>49,185</u>	<u>22,507</u>
Adjustments for:		
Non-cash items	5,208	1,889
Interest expense	2,449	2,437
Interest income	(49)	(225)
Operating profit before changes in working capital	<u>56,793</u>	<u>26,608</u>
Changes in working capital:		
Increase in current assets	(82,193)	(115,656)
Increase in current liabilities	61,353	102,651
Cash flow from operating activities	<u>35,953</u>	<u>13,603</u>
Tax paid	(7,436)	(9,572)
Interest paid	(2,059)	(2,212)
Net cash flow from operating activities	<u>26,458</u>	<u>1,819</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of subsidiary, net of cash in subsidiary disposed	-	3,178
Purchase of property, plant and equipment	(18,134)	(15,322)
Upliftment/(placement) in money market fund	1,500	(800)
Interest received	49	-
Proceeds from disposal of property, plant and equipment	268	298
Development expenditure incurred	(8,327)	(5,410)
Net cash flow used in investing activities	<u>(24,644)</u>	<u>(18,056)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares		
- exercise of ESOS	-	809
Treasury shares purchased	(1)	(86)
Net (repayment) / drawdown of borrowings	(5,345)	18,181
Net (settlement) / drawdown of trade facilities	(11,921)	1,115
Short term deposits (pledged) / released as securities for bank facilities	(1,621)	352
Net cash flow (used in) / from financing activities	<u>(18,888)</u>	<u>20,371</u>
Net change in cash and cash equivalents	(17,074)	4,134
Currency translation differences	264	(188)
Cash and cash equivalents at the beginning of the period	<u>(2,073)</u>	<u>12,251</u>
Cash and cash equivalents at the end of the period	<u>(18,883)</u>	<u>16,197</u>
<u>Cash and cash equivalents comprise:</u>		
Deposits placed with licensed banks	10,492	8,225
Cash and bank balances	24,638	19,170
Bank overdrafts	(49,967)	(10,503)
	<u>(14,837)</u>	<u>16,892</u>
Deposits with licensed banks pledged as security for bank facilities	(4,046)	(695)
	<u>(18,883)</u>	<u>16,197</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Report for the year ended 31st December 2008 and the accompanying explanatory notes attached to the interim financial statements.

SCOMI ENGINEERING BERHAD (111633-M)
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2009**

<-----Attributable to equity holders of the parent----->

	Share capital RM'000	Treasury shares RM'000	Share premium RM'000	Merger relief reserve RM'000	Currency exchange reserve RM'000	Share option and capital contribution reserves RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
6-month ended 30 June 2009										
At 1 January 2009	275,694	(100)	45,598	21,260	(7,358)	3,830	71,834	410,758	599	411,357
Employee Share Options Scheme (ESOS) - options granted	-	-	-	-	-	376	-	376	-	376
Treasury shares purchased	-	(1)	-	-	-	-	-	(1)	-	(1)
Currency translation differences arising during the period	-	-	-	-	982	-	-	982	-	982
Dividend payable	-	-	-	-	-	-	(13,779)	(13,779)	-	(13,779)
Net profit for the period	-	-	-	-	-	-	36,923	36,923	96	37,019
At 30 June 2009	275,694	(101)	45,598	21,260	(6,376)	4,206	94,978	435,259	695	435,954
6-month ended 30 June 2008										
At 1 January 2008	274,871	(2)	45,435	21,260	(10,086)	2,991	73,177	407,646	262	407,908
Employee Share Options Scheme (ESOS) - shares issued	809	-	-	-	-	-	-	809	-	809
- transfer from share option reserve on exercise of share options	-	-	160	-	-	(160)	-	-	-	-
- options granted	-	-	-	-	-	449	-	449	-	449
Treasury shares purchased	-	(86)	-	-	-	-	-	(86)	-	(86)
Currency translation differences arising during the period	-	-	-	-	(329)	-	-	(329)	-	(329)
Amount recognised directly in equity in relation to disposal of subsidiary company	-	-	-	-	-	-	750	750	-	750
Dividend payable	-	-	-	-	-	-	(13,744)	(13,744)	-	(13,744)
Net profit for the period	-	-	-	-	-	-	17,032	17,032	170	17,202
At 30 June 2008	275,680	(88)	45,595	21,260	(10,415)	3,280	77,215	412,527	432	412,959

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Report for the year ended 31st December 2008 and the accompanying explanatory notes attached to the interim financial statements.

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 and Interpretations were issued but not yet effective and have not been early adopted by the Group:

		Effective for the financial periods beginning on or after
FRS 4	Insurance Contracts	1 January 2010
FRS 7	Financial Instruments: Disclosures	1 January 2010
FRS 8	Operating Segments	1 July 2009
FRS 139	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9	Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10	Interim Financial Reporting and Impairment	1 January 2010

The adoption of the above 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 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

During the six-month period ended 30 June 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.

Other than as disclosed above, there were no issuances, cancellations, repurchases, resale of shares bought back and repayment of debt and equity securities by the Company during the period under review.

A7. Dividends Paid

There was no dividend paid during the period under review.

A8. Segmental Information

	3-month ended		YTD 6-month ended	
	30.06.09 RM'000	30.06.08 RM'000	30.06.09 RM'000	30.06.08 RM'000
Segment Revenue				
Revenue from continuing operations:				
Energy Engineering	55,374	70,753	104,954	132,318
Logistics Engineering	95,795	60,831	172,986	94,324
Total revenue from continuing operations	151,169	131,584	277,940	226,642
Revenue from discontinued operations	-	-	-	1,646
Total	151,169	131,584	277,940	228,288
Segment Results				
Results from continuing operations:				
Energy Engineering	8,644	6,829	16,472	15,935
Logistics Engineering	12,096	3,598	21,364	5,097
Total results from continuing operations	20,740	10,427	37,836	21,032
Results from discontinued operations	-	-	-	(662)
Total results from operations	20,740	10,427	37,836	20,370
Unallocated corporate expenses	(1,475)	(1,442)	(817)	(5,179)
Gain on disposal of subsidiary	-	-	-	2,011
Total	19,265	8,985	37,019	17,202

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 June 2009 are as follows:-

	30.06.09 RM'000	31.12.08 RM'000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	<u>91,891</u>	<u>91,666</u>

A13. Capital and Operating Lease Commitments

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

	30.06.09 RM'000	30.12.08 RM'000
Approved and contracted for		
- Property, plant and equipment	17,995	22,094
- Development costs	3,056	10
	<u>21,051</u>	<u>22,104</u>
Approved but not contracted for		
- Property, plant and equipment	22,023	16,529
- Development costs	13,596	14,783
	<u>35,619</u>	<u>31,312</u>
Total	<u><u>56,670</u></u>	<u><u>53,416</u></u>

(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 June 2009 are as follows:

	RM'000
Later than 1 year	509
Later than 2 years and not later than 5 years	1,802
Later than 5 years	2,201
Total	<u><u>4,512</u></u>

A14. Significant related party transactions

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

	3-month ended 30.06.09 RM'000	YTD 6-month ended 30.06.09 RM'000
- Administrative service fee paid /payable to holding company	322	612
- Airline ticketing services provided by Lintas Travel And Tours Sdn Bhd, a company connected to a Director.	562	902

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 RM151.2 million for the 2nd quarter ended 30 June 2009 against RM131.6 million in the corresponding quarter of 2008. This represents an increase of 14.9% mainly contributed by higher Rail sales of the Logistic Engineering Division from commencement of monorail project, partly offset by lower Machine Shop sales of the Energy Engineering Division from lower connector sales.

The Group registered a net profit of RM19.3 million for the current quarter compared to RM9.0 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.

For the first half year ended 30 June 2009, revenue for the Group increased 22.6% to RM277.9 million and net profit improved to RM37.0 million from RM17.2 million in the corresponding period last year due to higher contribution from the Rail unit with commencement of monorail project.

B2. Results against Immediate Preceding Quarter

The Group achieved revenue for the current quarter of RM151.2 million compared to RM126.8 million in the immediate preceding quarter, an increase of 19.2% due substantially to higher sales from the Rail unit and Machine Shops.

Net profit for the current quarter was RM19.3 million against RM17.8 million in the immediate preceding quarter, representing an increase of 8.5% due mainly to higher revenue recognition and improvement in margins in the current quarter.

B3. Current year prospects

The Energy Engineering business will continue to contribute positively to the Group in 2009 with the new machine shop facilities in Saudi and expansion of existing facilities in Indonesia and Thailand. The global economic downturn will however lead to shrinking drilling activities in the oil and gas sector, which will inevitably affect the Machine Shop unit during the year. To ensure sustainability, the division is optimizing operations and processes at its machine shops to control overheads and costs.

For Logistics Engineering business, contribution from the Rail unit is anticipated to lead the performance of the Group in 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 emerging markets such as China, India, Gulf States, Brazil and Indonesia will lead to increasing demand and opportunities for global infrastructure development in these countries. Recognized as one of the three integrated monorail system providers in the world, the Group will aggressively pursue these projects, locally and overseas, to capitalize on the increasing demand for public transportation solutions.

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 6-month ended	
	30.06.09 RM'000	30.06.08 RM'000	30.06.09 RM'000	30.06.08 RM'000
Current tax				
Malaysian income tax	95	1,218	437	1,377
Foreign tax	4,466	1,665	6,272	3,928
Total tax expense	4,561	2,883	6,709	5,305
Over provision of tax	(45)	-	(45)	-
	4,516	2,883	6,664	5,305
Deferred tax	5,502	-	5,502	-
Total income tax expense	10,018	2,883	12,166	5,305

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.

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 June 2009 are as follows:

Non-current assets	30.06.09 RM'000	31.12.08 RM'000
Quoted shares		
- at cost	2,594	2,594
- at carrying/book value	207	207
- at market value	226	207
Unquoted shares	542	542
Current assets		
Investment in a money market fund		
- at cost	-	1,500
- at market value	-	1,500

B8. Corporate Proposals

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

B9. Group Borrowings (Secured)

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

	30.06.09 RM'000	31.12.08 RM'000
Secured		
Short term borrowings	75,297	71,865
Long term borrowings	40,454	33,353
Total group borrowings	115,751	105,218

Group Borrowings are denominated in the following currencies:

	30.06.09 RM'000 equivalent	31.12.08 RM'000 equivalent
Ringgit Malaysia	103,131	88,034
US Dollar	12,585	17,038
Singapore Dollar	35	146
Total group borrowings	115,751	105,218

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 5 August 2009, the amounts of forward foreign exchange contracts that were entered into as hedges for payables and receivables were equivalent to RM8.0 million and RM26.5 million respectively. These amounts represent the future cash flows under contracts to purchase and sell 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

At the Annual General Meeting held on 5 June 2009, the shareholders approved final tax exempt dividend in respect of the financial year ended 31 December 2008 of 5% per share (2007: 5% per share), amounting to a dividend payable of approximately RM13,779,000 (2007: RM13,778,813). Entitlement to the dividend will be determined on the basis of the record of depositors as at 20 August 2009, to be paid on 4 September 2009.

B12. Dividend Payable (continued)

No interim dividend has been declared for the period under review.

B13. Earnings per share

The computations for earnings per share are as follows:

	3-month ended		YTD 6-month ended	
	30.06.09	30.06.08	30.06.09	30.06.08
	RM'000	RM'000	RM'000	RM'000
Profit from continuing operations attributable to ordinary equity holders of the Company	19,215	8,885	36,923	17,694
Loss from discontinued operations attributable to ordinary equity holders of the Company	-	-	-	(662)
Profit attributable to ordinary equity holder of the Company	<u>19,215</u>	<u>8,885</u>	<u>36,923</u>	<u>17,032</u>
Weighted average number of shares in issue ('000)	275,575	274,853	275,575	275,555
Adjustment for:				
- share options ('000)	1,821	-	1,796	-
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	<u>277,396</u>	<u>274,853</u>	<u>277,371</u>	<u>275,555</u>

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

Profit from continuing operations	6.97	3.23	13.40	6.42
Loss from discontinued operations	-	-	-	(0.24)
Profit for the period	<u>6.97</u>	<u>3.23</u>	<u>13.40</u>	<u>6.18</u>

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

Profit from continuing operations	6.93	-	13.31	-
Loss from discontinued operations	-	-	-	-
Profit for the period	<u>6.93</u>	<u>-</u>	<u>13.31</u>	<u>-</u>

For the period ended 30 June 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 June 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 12 August 2009.