

**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 ("FRSs") 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 the following new FRSs, Amendments to FRSs and Interpretations with effect from 1 January 2011.

Adoption of FRSs, Amendments to FRSs and IC Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3 (revised)	Business Combinations
FRS 127 (revised)	Consolidated and Separate Financial Statements
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters
Amendment to FRS 2	Share-based Payment: Group cash-settled share-based payment transactions
Amendment to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to FRS 7	Financial Instruments: Disclosures and FRS 1 First-time adoption of financial reporting standards required enhanced disclosures
Amendment to FRS 132	Financial Instruments: Presentation
Amendment 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	Distribution of non-cash assets to owners
IC Interpretation 18	Transfers of assets from customers
Amendment to IC Interpretation 9	Reassessment of Embedded Derivatives
Improvements to FRSs (2010)	

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

FRSs, Amendments to FRSs and IC Interpretations issued but not yet effective

FRS 124 (revised)	Related Party Disclosure (effective from 1 January 2012)
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2011)
Amendments to IC Interpretation 14	The limit on a defined benefit assets, minimum funding requirements and their interaction (effective 1 July 2011)

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

The preceding year annual financial statements were not subject to any qualification.

## **A3. Seasonal or 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 unusual and/or extraordinary items affecting assets, liabilities, equity, net income or cash flows during the period 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, deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances and, assessment of penalties and indirect taxes payable.

There was 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 issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Company:-

### **(a) Share Capital**

During the period ended 30 June 2011, the issued and paid-up share capital of the Company increased from 285,969,224 ordinary shares of RM1.00 each to 285,992,024 ordinary shares of RM1.00 each by the issuance of 22,800 new ordinary shares of RM1.00 each pursuant to the conversion of Irredeemable Convertible Unsecured Loan Stock ("ICULS").

### **(b) Treasury Shares**

There were no repurchase of the Company's shares during the period.

## **A7. Dividends Paid**

No dividends were paid during the period.

## A8. Segmental Information

	3-mths ended		YTD 6-mths ended	
	30.06.11 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.10 RM'000
<b>Segment Revenue</b>				
Revenue from continuing operations:				
Rail	77,099	41,239	145,305	127,057
Coach and Special Purpose Vehicles	11,689	20,755	22,670	38,492
Total revenue from continuing operations	88,788	61,994	167,975	165,549
Revenue from discontinued operations	-	25,434	-	50,801
<b>Revenue</b>	<b>88,788</b>	<b>87,428</b>	<b>167,975</b>	<b>216,350</b>
<b>Segment Results</b>				
Profit/(Loss) from continuing operations:				
Rail	1,544	(14,803)	936	(5,925)
Coach and Special Purpose Vehicles	(1,259)	(2,110)	(2,667)	(4,115)
Profit/(Loss) from continuing operations	285	(16,913)	(1,731)	(10,040)
(Loss)/Profit from discontinued operations	-	(489)	-	2,506
Profit/(Loss) from operations	285	(17,401)	(1,731)	(7,534)
Corporate expenses	560	(2,244)	104	(4,048)
Gain on disposal of subsidiaries	-	22,330	-	22,330
<b>Profit/(Loss)</b>	<b>845</b>	<b>2,685</b>	<b>(1,627)</b>	<b>10,748</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 Period

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

## A11. Changes in Composition of the Group

On 12 July 2011, The Company acquired the entire issued and paid-up capital of Scomi Transit Projects Brazil Sdn Bhd and Scomi Transit Projects Brazil (Sao Paulo) for a cash consideration of RM2.00 respectively.

## A12. Contingent Liabilities

The contingent liabilities of the Group as at 30 June 2011 are as follows:-

	30.06.11 RM'000	31.12.10 RM'000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	122,713	100,365

### A13. Capital and Operating Lease Commitments

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

	<b>30.06.11</b> <b>RM'000</b>	<b>31.12.10</b> <b>RM'000</b>
Approved and contracted for		
- Property, plant and equipment	92	-
- Development costs	52	49
	144	49
Approved but not contracted for		
- Property, plant and equipment	11,984	12,508
- Development costs	5,580	5,583
	17,564	18,091
Total	<u>17,708</u>	<u>18,140</u>

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

	<b>30.06.11</b> <b>RM'000</b>
Due within 1 year	1,414
Due within 1 and 2 years	1,414
Due within 2 and 3 years	748
	<u>3,576</u>

### A14. Significant Related Party Transactions

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

	<b>3-mths</b> <b>ended</b> <b>30.06.11</b> <b>RM'000</b>	<b>YTD</b> <b>6-mths</b> <b>ended</b> <b>30.06.11</b> <b>RM'000</b>
Transactions with holding company		
- management fee payable	449	898
Transactions with a company connected to a Director		
- provision of airline ticketing services	376	654

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

### **B1. Review of Performance for the Quarter**

B1 should be read in conjunction with A8 above.

The Group recorded revenue of RM88.8 million for the current quarter as compared to the previous year's corresponding quarter of RM62.0 million (excluding revenue from discontinued operations), higher by RM26.8 million or 43%.

Revenue from the Rail Division was RM77.1 million for the current quarter as compared to RM41.2 million for the previous year's corresponding quarter, higher by RM35.9 million or 87%. The increase was mainly due to recognition of work done from its new monorail projects.

Revenue from the Coach and Special Purpose Vehicles Division was RM11.7 million, RM9.1 million or 44% lower compared to the previous year's corresponding quarter of RM20.8 million mainly due to lower coach sales.

Net profit for the current quarter was RM0.8 million as compared to a net loss of RM19.6 million (excluding the gain on disposal of the machine shop business of RM22.3 million) in the previous year's corresponding quarter. The improved performance was due to contribution from its new monorail projects and previous year's corresponding quarter was impacted by project cost revision.

### **B2. Results against Preceding Quarter**

The Group recorded higher revenue of RM88.8 million for the current quarter compared to RM79.2 million in the preceding quarter, higher by RM9.6 million or 12% mainly due to higher value of work done from its monorail projects.

Net profit for the current quarter was RM0.8 million against a net loss of RM2.5 million in the preceding quarter which was affected largely by the unrealised foreign exchange losses from translation of accrued receivables arising from further weakening of the Indian Rupees against Ringgit Malaysia.

### **B3. Current Year Prospects**

Barring any unforeseen circumstances, the outlook of the Group for the second half of 2011 is anticipated to be positive as its business performance is expected to improve with contribution from the KL Monorail project and new monorail projects.

The Group 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.

**B4. Profit Forecast or Profit Guarantee**

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

**B5. Tax Expense/(Credit)**

	<b>3-mths ended</b>		<b>YTD 6-mths ended</b>	
	30.06.11 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.10 RM'000
<b>Continuing operations</b>				
Current tax				
Malaysian income tax	680	99	753	99
Foreign tax	1,040	(1,468)	1,851	-
	<u>1,720</u>	<u>(1,369)</u>	<u>2,604</u>	<u>99</u>
Deferred tax	1,396	(639)	276	(44)
Total from continuing operations	<u>3,116</u>	<u>(2,008)</u>	<u>2,880</u>	<u>55</u>
<b>Discontinued operations</b>				
Current tax				
Malaysian income tax	-	128	-	255
Foreign tax	-	601	-	1,337
	<u>-</u>	<u>729</u>	<u>-</u>	<u>1,592</u>
Deferred tax	-	189	-	489
Total from discontinued operations	<u>-</u>	<u>918</u>	<u>-</u>	<u>2,081</u>
Total income tax expense/(credit)	<u>3,116</u>	<u>(1,090)</u>	<u>2,880</u>	<u>2,136</u>

Domestic current income tax is calculated at the statutory tax rate of 25% (2010: 25%) of the taxable profit for the period. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate for the quarter/period was high mainly due to the losses incurred by the Company and a subsidiary which was not set-off against taxable profit made by other subsidiaries as well as higher statutory corporate tax rate of 34% for a subsidiary company in India.

**B6. Unquoted Investments and/or Properties**

There were no disposals of unquoted investments and/or 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 2011 are as follows:

	<b>30.06.11</b>	<b>31.12.10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>		
Quoted shares		
- at cost	2,594	2,594
- at carrying/book value	160	127
- at market value	160	127
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## B8. Status of Corporate Proposal

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

## B9. Group Borrowings and Debt Securities

The group borrowings and debt securities are as follows:

	<b>30.06.11</b>	<b>31.12.10</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Current</u></b>		
Borrowings	146,554	143,582
Debt securities	2,063	2,053
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	148,617	145,635
<b><u>Non-current</u></b>		
Borrowings	44,000	46,562
Debt securities	1,488	2,566
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	45,488	49,128
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	194,105	194,763
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The group borrowings and debt securities are denominated in the following currencies:

	<b>30.06.11</b>	<b>31.12.10</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b><u>equivalent</u></b>	<b><u>equivalent</u></b>
Ringgit Malaysia	156,980	157,505
Indian Rupee	37,125	37,258
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	194,105	194,763
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## **B10. Derivative 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.

Forward foreign exchange contracts are recognised on the contract dates and are measured at fair value with changes in fair value recognised in profit or loss.

The outstanding forward foreign exchange contract as at 30 June 2011 is as follows:-

<b>Type of Derivatives</b>	<b>Contract/ Notional Value RM'000</b>	<b>Fair Value RM'000</b>	<b>Gain/(Loss) RM'000</b>
Forward foreign exchange contracts			
- Less than 1 year	9,008	9,057	(49)

## **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 Declared**

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



**B13. Earnings/(Loss) Per Share**

The computations for earnings/(loss) per share are as follows:

	<b>3-mths ended</b>		<b>YTD 6-mths ended</b>	
	30.06.11 RM'000	30.06.10 RM'000	30.06.11 RM'000	30.06.10 RM'000
Profit/(Loss) from continuing operations attributable to owners of the Company	845	3,174	(1,627)	8,242
(Loss)/Profit from discontinued operations attributable to owners of the Company	-	(267)	-	2,776
	<u>845</u>	<u>2,907</u>	<u>(1,627)</u>	<u>11,018</u>
Weighted average no. of shares in issue ('000)	341,958	337,619	341,958	309,917
Dilutive effect of unexercised share option ('000)	-	2,595	-	2,595
Adjusted weighted average no. of ordinary shares in issue and issuable ('000)	<u>341,958</u>	<u>340,214</u>	<u>341,958</u>	<u>312,512</u>
<b>(a) Basic earnings/(loss) per share (sen)</b>				
- continuing operations	0.25	0.94	(0.48)	2.66
- discontinued operations	-	(0.08)	-	0.90
	<u>0.25</u>	<u>0.86</u>	<u>(0.48)</u>	<u>3.56</u>
<b>(b) Diluted earnings/(loss) per share (sen)</b>				
- continuing operations	-	0.93	-	2.64
- discontinued operations	-	(0.08)	-	0.89
	<u>-</u>	<u>0.85</u>	<u>-</u>	<u>3.53</u>

There was no dilution in the earnings per share of the Company as at 30 June 2011 as the market price of the Company's ordinary shares was anti-dilutive, since the market price was lower than the exercise price.

**B14. Realised and Unrealised Retained Profits**

The realised and unrealised retained profits of the Group are as follows:

	As at	
	30.06.11 RM'000	31.12.10 RM'000
Total retained profits of the Company and its subsidiaries :		
Realised	15,015	10,236
Unrealised	(11,985)	(4,503)
	<u>3,030</u>	<u>5,733</u>
Less : Consolidation adjustments	(762)	(1,838)
Total Group retained profits	<u>2,268</u>	<u>3,895</u>

**B15. Authorisation 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.