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 Malaysian Financial Reporting Standard ("MFRS") 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 2011.

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 2011. In 2012, the Group is adopting the new International Financial Reporting Standards ("IFRS") compliant framework, MFRS. In adopting the new framework, the Group is applying MFRS 1 "First-time adoption of MFRS" which provides for certain optional exemptions and certain mandatory exceptions for first time adopters.

(a) Adoption of New and Revised MFRSs, IC Interpretation and Amendments – FY2012

Effective from 1 January 2012:

MFRS 1	First-time Adoption of MFRS
MFRS 124 (revised)	Related Party Disclosures
Amendment to MFRS 112	Income Taxes
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendment to IC Interpretation 14	MFRS 119 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and Their Interaction
Amendment to MRFS 7	Financial Instruments: Disclosures on Transfers of Financial Assets

Adoption of the above standards, amendments to published standards and interpretations to existing standards did not result in any significant changes in the accounting policies.

(b) Adoption of New and Revised MFRS, IC Interpretations and Amendments to MFRS that were issued but not yet effective

MFRS 9	Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities (effective 1 January 2015)
MFRS 13	Fair Value Measurement (effective 1 January 2013)
Amendment to MFRS 101	Financial Statement Presentation (effective 1 July 2012)
Amendment to MFRS 119	Employee Benefits (effective 1 January 2013)
Amendment to MFRS 132	Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014)

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

In the current period ended 30 June 2012, the Group has early adopted the following MFRS which is applicable to its financial statements and considers Scomi Group Berhad as its holding company. The following MFRSs are applicable for the Group's financial period beginning 1 January 2013 which the Group has early adopted:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures

The initial application of the Standard is not expected to have a material impact to the financial statements of the Group.

A2. Seasonal or Cyclical Factors

The Group's results were not materially affected by any major seasonal or cyclical factors.

A3. 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.

A4. 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, assessment of penalties and indirect taxes payable, construction contracts profits and capitalised development expenditure.

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

A5. Issuance and Repayment of Debt and Equity Securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Company during the period under review.

A6. Dividends Paid

No dividends were paid during the period under review.

A7. Segmental Information

	3-mths ended		YTD 6-mths ended	
	30.6.12	30.6.11	30.6.12	30.6.11
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Rail	92,469	77,099	153,179	145,305
Coach and SPV	10,484	11,689	22,782	22,670
Revenue	102,953	88,788	175,961	167,975
Segment Results				
Rail	(5,340)	4,423	(2,642)	3,510
Coach and SPV	(838)	(1,022)	(2,049)	(2,368)
Corporate expenses	(1,459)	560	(2,897)	111
(Loss)/Profit before taxation	(7,637)	3,961	(7,588)	1,253
Tax expense	(322)	(3,116)	(299)	(2,880)
(Loss)/Profit for the financial period	(7,959)	845	(7,887)	(1,627)

A8. Material Events Subsequent to the End of the Period

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

A9. Changes in Composition of the Group

Other than as disclosed below, there were no changes in the composition of the Group during the period under review:-

On 18 April 2012, the Company together with Montagens e Projetos Especiais SA ("MPE") and Brasell Gestao Empresarial, LTDA ("Brasell") applied for the registration of a limited liability Joint Venture Company ("JVC") in the State of Amazonas, Brazil known as 'Quark Fabricacao de Equipamentos Ferroviarios e Services de Engenharia Ltda'.

The capital shall be of R$1,000,000.00, divided into 1,000,000 quotas, at par value R$1.00 each, to be paid in the Brazilian currency or in assets susceptible to pecuniary assessment, within 36 months from registration. The investment in the JVC shall be funded by capital contribution by SEB (40% equity), MPE (55% equity) and Brasell (5%) in proportion to their respective equity holding.

The JVC's scope will be to carry out, in general, manufacturing, assembly and marketing of monorail rolling stock, providing rail related engineering services such as maintenance, repair, assembly and installation, and, marketing rail related systems and services.

A10. Contingent Liabilities

The contingent liabilities of the Group as at 30 June 2012 are as follows:-

	30.6.12 RM'000	31.12.11 RM'000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	123,002	121,968

A11. Capital and Operating Lease Commitments

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

	30.6.12 RM'000	31.12.11 RM'000
Approved and contracted for		
- Property, plant and equipment	885	-
	885	-
Approved but not contracted for		
- Property, plant and equipment	8,605	10,549
- Development costs	3,031	3,612
	11,636	14,161
Total	12,521	14,161

(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:

	30.6.12 RM'000	31.12.11 RM'000
Due within 1 year	2,454	2,444
Due within 1 and 2 years	1,177	2,485
Due later than 2 years	-	29
Total	3,631	4,958

A12. Significant Related Party Transactions

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

	3-mths ended 30.6.12 RM'000	YTD 6-mths ended 30.6.12 RM'000
Transactions with a company connected to a Director		
- provision of airline ticketing services	629	952

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

B1. Review of Performance

B1 should be read in conjunction with A7 above.

The Group's revenue for the current quarter of RM102.9 million was higher by RM14.1 million as compared to the corresponding quarter of RM88.8 million. The Group's revenue for the financial year to date of RM175.9 million was higher by RM8.0m as compared to the corresponding period of RM167.9 million. Higher revenue was mainly due to higher work done on the KL monorail fleet expansion project.

The Group however posted a loss before tax for the current quarter of RM7.6 million as compared to the corresponding quarter profit before tax of RM3.9 million. As for financial year to date, loss before tax was RM7.6 million as compared to the corresponding period profit before tax of RM1.3 million. Losses were mainly in relation to higher unrealised foreign exchange losses from translation of receivables on Mumbai project as a result of further weakening of the Indian Rupees ("INR") against Ringgit Malaysia ("RM").

Performance of each operating segment are analysed below:

(a) Rail segment

Revenue for the current quarter improved to RM92.5 million from RM77.1 million in the previous year corresponding quarter, higher by RM15.4 million. Revenue for the financial year to date improved to RM153.2 million from the corresponding period of RM145.3 million, higher by RM7.9 million. Higher revenue was mainly due to higher value of work done on KL monorail fleet expansion project and revenue contribution from Rail Engineering Services.

The segment however posted a loss before tax for the current quarter of RM5.3 million as compared to the corresponding quarter profit before tax of RM4.4 million. As for the financial year to date, the segment's loss before tax was RM2.6 million against the corresponding period profit before tax of RM3.5 million. The segment's results were impacted by unrealised foreign exchange losses mainly from translation of receivables on Mumbai project as a result of the weaker INR.

Excluding the unrealised foreign exchange losses, the segment registered a profit before tax for the current quarter of RM6.3 million against corresponding quarter profit before tax of RM5.3 million, higher by RM1.0 million mainly due to lower operating expenses. As for year to date, the segment posted a profit before tax of RM8.4 million as compared to corresponding period profit before tax of RM10.8 million, lower by RM2.4 million mainly due to lower projects' margins. Projects' margins were affected by project cost and revenue revisions, adjusted during the previous financial year end, mainly from Mumbai monorail delays and declining value of the INR against RM.

(b) Coach and Special Purpose Vehicle ("SPV") segment

Revenue for the current quarter declined to RM10.5 million from RM11.7 million in the corresponding quarter, lower by RM1.2 million mainly due to lower SPV sales. Revenue for financial year to date was maintained at RM22.7 million as compared to the corresponding period.

The segment however posted a lower loss before taxation for the current quarter of RM0.8 million as compared to the corresponding quarter loss of RM1.0 million. As for the financial year to date, loss before taxation was RM2.0 million as compared to the corresponding period loss of RM2.4 million. Lower losses were mainly due to lower overheads at Coach and SPV businesses.

B2. Results against Preceding Quarter

The Group posted a loss before tax for the current quarter of RM7.6 million as compared to the immediate preceding quarter profit before tax of RM0.05 million. Loss in the current quarter was due to unrealised foreign exchange losses mainly from translation of Mumbai receivables due to the weaker INR.

Excluding the unrealised foreign exchange losses, current quarter posted a profit before tax of RM4.0 million as compared to immediate preceding quarter loss before tax of RM0.5 million mainly due to higher contribution from KL monorail fleet expansion and Brazil Line 17 projects as a result of higher value of work done.

B3. Prospects

The Rail segment continues to focus on project execution for its KL and Brazil monorail projects and will target to complete its portion of work on the Mumbai monorail project.

As for Coach and SPV segment, Management has been focusing on stringent costs management whilst taking measures to move the business forward and building up its order book.

The Board expects the Group performance in the second half of 2012 to be satisfactory as its business performance is expected to improve with contribution from KL and Brazil monorail projects while Mumbai monorail project remains challenging as INR remains weak.

Notwithstanding the above, the Group will continuously pursue opportunities in monorail projects and actively bid for new monorail projects especially in Malaysia, Brazil and India to capitalize on the increasing demand for infrastructure development in these countries.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense

	3-mths ended		YTD 6-mths ended	
	30.6.12	30.6.11	30.6.12	30.6.11
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	430	680	433	753
Foreign tax	(10)	1,040	-	1,851
	420	1,720	433	2,604
Over provision of tax	(225)	-	(389)	-
	195	1,720	44	2,604
Deferred tax	127	1,396	255	276
Total tax expense	322	3,116	299	2,880

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 tax expense for the period was mainly due to reversal of deferred tax assets.

B6. Status of Corporate Proposal

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

B7. Group Borrowings

The group borrowings are as follows:

Secured	**30.6.12 RM'000**	**31.12.11 RM'000**
Non –Current		
Term loans	49,976	-
Finance lease liabilities	446	482
Revolving credits	25,739	-
	76,161	482
Current		
Bank overdrafts	110,754	116,320
Others:		
-Term loans	6,000	37,290
-Bankers' acceptances	4,221	4,128
-Trust receipt	85,957	69,191
-Finance lease liabilities	65	61
-Revolving credits	111,692	80,226
	318,689	307,216
Total		
Bank overdrafts	110,754	116,320
Term loans	55,976	37,290
Bankers' acceptances	4,221	4,128
Trust receipt	85,957	69,191
Finance lease liabilities	511	543
Revolving credits	137,431	80,226
Total borrowings	394,850	307,698

The group borrowings are denominated in the following currencies:

	30.6.12 RM'000 equivalent	**31.12.11 RM'000 equivalent**
Ringgit Malaysia	280,109	225,196
US Dollar	55,527	19,290
Indian Rupee	59,214	63,212
	394,850	307,698

As at 31 December 2011, a subsidiary company did not fulfill a financial covenant ratio during the financial year, resulting in the reclassification of the long term portion amounting to RM58 million from non-current liabilities to current liabilities. Indulgence was obtained from the bank subsequent to the financial year ended 31 December 2011.

As at 30 June 2012, further to the indulgence being obtained, long term portion of the borrowings was reclassified from current liabilities to non-current liabilities.

B8. 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.

B9. Dividend Declared

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

B10. Basic (Loss)/Earnings Per Share

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

	3-mths ended		**YTD 6-mths ended**	
	30.6.12	30.6.11	30.6.12	30.6.11
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period	(7,959)	845	(7,887)	(1,627)
Weighted average no. of shares in issue ('000)	337,387	341,958	337,387	341,958
Basic (loss)/earnings per share (sen)	(2.36)	0.25	(2.34)	(0.48)

There was no dilution in the earnings per share of the Company as at 30 June 2012 as the market price of the Company's ordinary shares was anti-dilutive, since the market price was lower than the exercise price.

B11. Current Status of the Matter Giving Rise to Qualification of Financial Statements

The preceding annual financial statement was not qualified.

B12. Additional Information:

The following items are included in the statement of comprehensive income:-

	3-mths ended 30.6.12 RM'000	YTD 6-mths ended 30.6.12 RM'000
Loss before taxation is stated after crediting:-		
- Interest income	866	1,788
- Other income/(expense) including investment income	(264)	486
- Gain on financial liabilities at fair value	32	32
Loss before taxation is stated after charging:-		
- Interest expense	5,867	12,894
- Depreciation and amortization	2,223	3,667
- Unrealised foreign exchange losses	11,597	11,083
- Realised foreign exchange losses	2,409	3,425

Note : The finance costs included within cost of sales amounted to RM5,341,000 and RM11,083,000 for the quarter and year to date respectively.

There were no provision for and write off of receivables and inventories, gain or loss on disposal of quoted or unquoted investments or properties, impairment assets and exceptional items.

B13. Realised and Unrealised Accumulated Losses

	As at	
	30.6.12 RM'000	31.12.11 RM'000
Total accumulated losses of the Company and its subsidiaries :		
Realised	38,508	54,217
Unrealised	32,545	25,637
	71,053	79,854
Less : Consolidation adjustments	14,545	(2,143)
Total Group accumulated losses	85,598	77,711

B14. 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 30 August 2012.