

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 were 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 September 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 9-mths ended	
	30.09.11 RM'000	30.09.10 RM'000	30.09.11 RM'000	30.09.10 RM'000
Segment Revenue				
Revenue from continuing operations:				
Rail	68,466	64,617	213,771	191,674
Coach and Special Purpose Vehicles	8,052	12,591	30,722	51,083
Total revenue from continuing operations	76,518	77,208	244,493	242,757
Revenue from discontinued operations	-	-	-	50,801
Revenue	76,518	77,208	244,493	293,558
Segment Results				
(Loss)/Profit from continuing operations:				
Rail	(3,577)	9,265	(2,641)	3,341
Coach and Special Purpose Vehicles	(1,511)	(3,278)	(4,178)	(7,394)
(Loss)/Profit from continuing operations	(5,088)	5,987	(6,819)	(4,053)
Profit from discontinued operations	-	-	-	2,506
(Loss)/Profit from operations	(5,088)	5,987	(6,819)	(1,547)
Corporate expenses	(2,392)	(4,642)	(2,288)	(8,690)
Gain on disposal of subsidiaries	-	-	-	22,330
(Loss)/Profit	(7,480)	1,345	(9,107)	12,093

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.

On 12 August 2011, the Company acquired the entire issued and paid-up capital of Urban Transit Servicos Do Brasil Ltda, a Brazilian company, for a cash consideration of USD6,000 (approximately RM17,860).

A12. Contingent Liabilities

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

	30.09.11	31.12.10
	RM'000	RM'000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	<u>120,444</u>	<u>100,365</u>

A13. Capital and Operating Lease Commitments

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

	30.09.11	31.12.10
	RM'000	RM'000
Approved and contracted for		
- Property, plant and equipment	87	-
- Development costs	52	49
	139	49
Approved but not contracted for		
- Property, plant and equipment	11,953	12,508
- Development costs	5,364	5,583
	17,317	18,091
Total	<u>17,456</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:

	30.09.11
	RM'000
Due within 1 year	1,414
Due within 1 and 2 years	1,414
Due within 2 and 3 years	394
	<u>3,222</u>

A14. Significant Related Party Transactions

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

	3-mths ended	YTD
	30.09.11	9-mths ended
	RM'000	30.09.11
		RM'000
Transactions with holding company		
- management fee payable	448	1,346
Transactions with a company connected to a Director		
- provision of airline ticketing services	409	1,063

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 RM76.5 million for the current quarter as compared to the previous year's corresponding quarter of RM77.2 million, marginally lower by RM0.7 million or 1%.

Revenue from the Rail Division was RM68.5 million for the current quarter as compared to RM64.6 million for the previous year's corresponding quarter, higher by RM3.9 million or 6% mainly due to higher value of work done in its monorail project.

Revenue from the Coach and Special Purpose Vehicles Division was RM8.1 million, RM4.5 million or 36% lower compared to the previous year's corresponding quarter of RM12.6 million mainly due to lower coach sales.

Net loss for the current quarter was RM7.5 million as compared to a net profit of RM1.3 million in the previous year's corresponding quarter mainly due to unrealised foreign exchange losses from translation of accrued receivables due to the weaker Indian Rupees ("INR") against Ringgit Malaysia ("RM").

B2. Results against Preceding Quarter

The Group recorded lower revenue of RM76.5 million for the current quarter as compared to RM88.8 million in the preceding quarter, lower by RM12.3 million or 14% mainly due to lower value of work done in its monorail projects.

Net loss for the current quarter was RM7.5 million against a net profit of RM0.8 million in the preceding quarter mainly due to higher unrealised foreign exchange losses from translation of accrued receivables due to further weakening of the INR against RM.

B3. Current Year Prospects

The Group has secured two monorail 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 for infrastructure development in these countries. The Group continues to focus on project execution and stronger cost management to achieve better performance.

However, the Group's outlook for the remainder of 2011 remains challenging as INR remains weak and work done in its monorail projects is expected to be low.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax (Credit)/Expense

	3-mths ended		YTD 9-mths ended	
	30.09.11	30.09.10	30.09.11	30.09.10
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current tax				
Malaysian income tax	283	184	1,036	283
Foreign tax	(5,200)	3,336	(3,349)	3,336
	(4,917)	3,520	(2,313)	3,619
(Over)/Under provision of tax	-	(510)	-	(510)
	(4,917)	3,010	(2,313)	3,109
Deferred tax	1,001	(177)	1,277	(221)
Total from continuing operations	(3,916)	2,833	(1,036)	2,888
Discontinued operations				
Current tax				
Malaysian income tax	-	-	-	255
Foreign tax	-	-	-	1,337
	-	-	-	1,592
Deferred tax	-	-	-	489
Total from discontinued operations	-	-	-	2,081
Total income tax (credit)/expense	(3,916)	2,833	(1,036)	4,969

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 credit for the quarter/period was mainly due to reversal of provision for tax from 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 September 2011 are as follows:

	30.09.11 RM'000	31.12.10 RM'000
Non-current assets		
Quoted shares		
- at cost	2,594	2,594
- at carrying/book value	123	127
- at market value	123	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:

	30.09.11 RM'000	31.12.10 RM'000
<u>Current</u>		
Borrowings	198,443	143,582
Debt securities	2,040	2,053
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	200,483	145,635
<u>Non-current</u>		
Borrowings	42,000	46,562
Debt securities	986	2,566
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	42,986	49,128
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	243,469	194,763

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

	30.09.11 RM'000 <u>equivalent</u>	31.12.10 RM'000 <u>equivalent</u>
Ringgit Malaysia	181,628	157,505
Indian Rupee	61,841	37,258
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	243,469	194,763

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 September 2011 is as follows:-

Type of Derivatives	Contract/ Notional Value RM'000	Fair Value RM'000	Gain/(Loss) RM'000
Forward foreign exchange contracts			
- Less than 1 year	9,008	9,495	(487)

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. (Loss)/Earnings Per Share

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

	3-mths ended		YTD 9-mths ended	
	30.09.11 RM'000	30.09.10 RM'000	30.09.11 RM'000	30.09.10 RM'000
(Loss)/Profit from continuing operations attributable to owners of the Company	(7,480)	1,345	(9,107)	9,587
Profit from discontinued operations attributable to owners of the Company	-	-	-	2,776
	<u>(7,480)</u>	<u>1,345</u>	<u>(9,107)</u>	<u>12,363</u>
Weighted average no. of shares in issue ('000)	341,958	340,768	341,958	320,334
Dilutive effect of unexercised share option ('000)	-	1,879	-	1,879
Adjusted weighted average no. of ordinary shares in issue and issuable ('000)	<u>341,958</u>	<u>342,647</u>	<u>341,958</u>	<u>322,213</u>
(a) Basic (loss)/earnings per share (sen)				
- continuing operations	(2.19)	0.39	(2.66)	2.99
- discontinued operations	-	-	-	0.87
	<u>(2.19)</u>	<u>0.39</u>	<u>(2.66)</u>	<u>3.86</u>
(b) Diluted earnings per share (sen)				
- continuing operations	-	0.39	-	2.98
- discontinued operations	-	-	-	0.86
	<u>-</u>	<u>0.39</u>	<u>-</u>	<u>3.84</u>

There was no dilution in the earnings per share of the Company as at 30 September 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	
	30.09.11 RM'000	31.12.10 RM'000
Total retained profits of the Company and its subsidiaries :		
Realised	21,077	10,236
Unrealised	(24,565)	(4,503)
	<u>(3,488)</u>	<u>5,733</u>
Less : Consolidation adjustments	(1,724)	(1,838)
Total Group retained profits	<u>(5,212)</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 30 November 2011.