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 Group did not fulfil a loan covenant ratio during the financial year, substantially due to the impact of unrealised foreign exchange losses, resulting in the reclassification of long term loans from non-current liabilities to current liabilities. This reclassification does not materially impact the net current assets position of the Group as at 31 December 2011. The Group has however applied to the bank to obtain indulgence. At the date of this report, the Group has yet to obtain the indulgence from the bank for the financial 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 2010, except for the adoption of the following new FRSs, Amendments to FRSs and IC Interpretations with effect from 1 January 2011.

<u>FRSs, Amendments to FRSs and IC Interpretations</u>

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)	

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not result in any significant changes in the accounting policies. The following revised FRS, Amendments to IC Interpretation and new IC Interpretation were issued but are not yet effective, and have yet to be adopted by the Group.

FRSs, Amendments to FRSs and new IC Interpretations

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. 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 year 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 and, assessment of penalties and indirect taxes payable.

Other than as disclosed in Note B1, there were no material changes in estimates reported in the year under review.

A5. 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 year ended 31 December 2011, the issued and paid-up share capital of the Company increased from 285,969,224 ordinary shares of RM1.00 each to 286,044,224 ordinary shares of RM1.00 each by the issuance of 75,000 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 year.

A6. Dividends Paid

No dividends were paid during the period under review.

A7. Segmental Information

	3-mths ended		YTD 12-mths ended	
	31.12.11	31.12.10	31.12.11	31.12.10
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Rail	45,285	85,009	259,057	276,683
Coach and SPV	13,875	22,218	44,596	73,301
Total revenue from continuing operations	59,160	107,227	303,653	349,984
Revenue from discontinued operations	-	-	-	50,801
Revenue	59,160	107,227	303,653	400,785
Segment Results				
Rail	(52,329)	(17,838)	(57,333)	(11,884)
Coach and SPV	(7,585)	(17,008)	(11,484)	(24,245)
Corporate expenses	(664)	3,786	(1,904)	(4,785)
(Loss)/Gain on disposal of subsidiaries	-	(2,653)	-	19,677
Loss before taxation	(60,578)	(33,713)	(70,721)	(21,237)
Tax (expense)/credit	(9,170)	10,399	(8,134)	7,511
Loss from continuing operations	(69,748)	(23,314)	(78,855)	(13,726)
Profit from discontinued operations	-	-	-	2,506
Loss for the financial period	(69,748)	(23,314)	(78,855)	(11,220)

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

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

As at 31 December 2011, the issued and paid-up capital of STPBSB is RM100,000 comprising 100,000 ordinary shares of RM1 each, fully paid by the Company.

(ii) On 17 August 2011, the Company and its subsidiary Scomi Rail Bhd ("SRB") acquired the entire issued and paid-up capital of Urban Transit Servicos Do Brasil LTDA ("UTSB"), a Brazilian company, for a cash consideration of USD6,000 (approximately RM17,860).

As at 31 December 2011, the stock capital of UTSB is R$601,613.00, (approximately RM1,080,51.80) comprising 601,613 quotas of R$1.00 each, distributed as follows:

(a) SEB holds 601,612 quotas, with a total par value of R$601,612.00 (approximately RM1,080,516.00); and

(b) SRB holds 1 quota, with par value of R$1.00 (approximately RM1.80).

A10. Contingent Liabilities

The contingent liabilities of the Group as at 31 December 2011 are as follows:-

	31.12.11 RM'000	**31.12.10 RM'000**
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	121,968	100,365

A11. Capital and Operating Lease Commitments

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

	31.12.11 RM'000	**31.12.10 RM'000**
Approved and contracted for		
- Property, plant and equipment	-	-
- Development costs	-	49
	-	49
Approved but not contracted for		
- Property, plant and equipment	10,549	12,508
- Development costs	3,612	5,583
	14,161	18,091
Total	14,161	18,140

(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:

	31.12.11 RM'000
Due within 1 year	1,414
Due within 1 and 2 years	1,455
	2,869

A12. Significant Related Party Transactions

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

	3-mths ended 31.12.11 RM'000	**YTD 12-mths ended 31.12.11 RM'000**
Transactions with holding company		
- management fee payable	449	1,795
Transactions with a company connected to a Director		
- provision of airline ticketing services	278	1,341

A13. Critical Accounting Estimates and Judgments

Estimates and judgments are continuously evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Assessment of penalties payable

On 7 November 2008, the Mumbai Metropolitan Region Development Authority ("MMRDA") of India awarded a contract for the Design, Development and Construction of a Monorail System ("the Project" or "the Contract") for a lump sum amount of Rs 2460 crores (RM1.7 billion) to the unincorporated consortium of Larsen & Toubro Ltd ("L&T") and Scomi Engineering Bhd ("SEB") ("the Consortium"), of which SEB's share of the value of the Contract is Rs 1097 crores (RM767 million) based on its scope of works. The design, development, construction/manufacture/supply, testing and commissioning of the system including safety certification for commercial operations are to be completed within 30 months from the award of the Contract.

Due to unforeseen circumstances, the Project has encountered delays and certain key milestones stated in the Contract have not been met as at 31 December 2011. The Consortium has continuously apprised MMRDA of the status of the project and sought extension of time as allowed under the Contract terms. On 28 January 2011, MMRDA through its project management consultant notified the Consortium of potential penalties claimable under the Contract which are subject to any authorised Extension of Time ("EOT") for completion of the Project. On 7 March 2011, the Consortium responded to MMRDA stating its case for EOT and that the Consortium is not liable for any penalties under the Contract.

On 25 March 2011, the Consortium submitted an interim EOT application for both Phase 1 and Phase 2 works. Subsequent to this interim EOT application, MMRDA on 31 May 2011 granted the Consortium with interim EOT for each of the Phase 1 and Phase 2 works completion key-dates.

For Phase 1, the original contract completion key-date for commissioning was 12 November 2010 and was extended via the interim EOT granted to be 31 December 2011. For Phase 2, the original contract completion key-date for commissioning was 13 May 2011 and was extended via the interim EOT granted to be 22 November 2012.

The Company has engaged specialist advisors to assist in assessment of delay events, and submission of claims for extension of time, including variation orders, and its contractual obligations. Given the expiry of the revised Phase 1 completion key-date, the specialist advisor has evaluated any spill-over/on-going delay events which will substantiate the application for further interim EOT to Phase 1 completion key-date from MMRDA. The specialist advisor has submitted their EOT Claim Report for Phase 1 on 7 February 2012.

The same specialist advisor has been further engaged to perform a detailed investigation on the long list of issues affecting the works to serve as contemporary documentation as well as to form up an interim delay assessment for further interim EOT entitlement. The specialist advisor has submitted their Delay Assessment Report on 17 February 2012.

The Consortium has requested for a further interim EOT for Phase I till 14 July 2012 vide its letter dated 30th December 2011.

Whilst MMRDA and the Consortium are engaged in discussions on the potential penalties and claims for EOT to reach an understanding, both parties are giving first priority and doing their utmost to complete the Project within the agreed revised timelines. In the interim, the Project activities and work continue normally with MMRDA approving claims, billings and making payments accordingly.

In reliance of the advice received from the Specialist Consultant, the Directors are of the opinion, that the Consortium can effectively defend any potential penalty claims that may arise out of SEB's scope of the project for which reason no provision for potential penalties is required as at 31 December 2011.

(b) Assessment of indirect taxes payable

During the course of execution of the Project, SEB and its wholly-owned subsidiary, Scomi Rail Bhd ("SRB"), will supply goods and services which would typically attract various indirect taxes in India. The tax consultants of SEB have assessed the potential indirect taxes payable to the Central Government, State Government and Local Municipality of that country and are of the view that:

(i) there are certain legislations empowering the Central Government, State Government and Local Authority to grant exemptions/concessions in cases where the respective Governments and authorities are satisfied that the project is in the interest of the public;

(ii) past precedents indicated that the respective Governments and Authorities have exercised their discretionary powers to grant exemptions/concessions for specific projects in the interest of the public; and

(iii) given the legal provisions, and past precedents, a reasonable case for tax exemptions/concessions can be made, subject to discretions of the respective Governments and Authorities.

Applications and representations have been made by Management to the respective Governments and Authorities and the matter is under consideration at the respective authorities.

Based on the above, the Directors are of the opinion that:

(i) there is a reasonable case for claim of tax exemptions/concessions and the likelihood of the Company obtaining such exemptions is high; and

(ii) a reasonable estimate of the likely outcome of additional indirect taxes payable, if any, cannot be ascertained at this stage.

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 RM59.2 million was lower by RM48.0 million as compared to the corresponding quarter of RM107.2 million. The Group's revenue for the financial year to date of RM303.7 million was lower by RM46.3m as compared to the corresponding year of RM350.0 million. The revenue was mostly generated by the Rail segment.

The Group posted a higher net loss for the current quarter of RM69.7 million as compared to the corresponding quarter of RM23.3 million. As for the financial year to date, the net loss was RM78.9 million as compared to the corresponding year of RM30.9 million (excluding the gain of RM19.7 million on disposal of machine shop business in Jun 2011). Higher losses were mainly due to higher unrealised foreign exchange losses from translation of accrued receivables and project revenue revision as a result of further weakening of the Indian Rupees ("INR") against Ringgit Malaysia ("RM"). The Group's results were also affected by lower value of work done and project costs revision due to project delays for Mumbai monorail project.

Performance of each operating segment are analysed below:

(a) Rail segment

Revenue for the current quarter declined to RM45.3 million from RM85.0 million in the corresponding quarter, lower by RM39.7 million mainly due to lower value of work done on Mumbai monorail project, partly offset by contribution from commencement of Brazil Line 17 monorail project.

Revenue for the financial year to date declined to RM259.1 million from RM276.7 million in the corresponding year, lower by RM17.6 million mainly due to lower value of work done on Mumbai monorail project, partly offset by revenue contribution from commencement of KL monorail fleet expansion project ("KL monorail") and Brazil Line 17 monorail project.

Mumbai monorail revenue was affected by project costs revision as a result of project delay (of which extension of time has been granted by the client) and project revenue revision due to further weakening of the INR against RM.

Consequently, the segment posted a loss before taxation for the current quarter of RM52.3 million as compared to the corresponding quarter of RM17.8 million. As for the financial year to date, the segment's loss before taxation was RM57.3 million against the corresponding year of RM11.9 million.

The segment's performance was affected by higher unrealised foreign exchange losses from translation of accrued receivables of RM26.7 million for the current quarter and RM43.6m for the financial year to date due to further weakening of INR against RM.

(b) Coach and SPV segment

Revenue for the current quarter declined to RM13.9 million from RM22.2 million in the corresponding quarter, lower by RM8.3 million. Revenue for the financial year to date declined to RM44.6 million from RM73.3 million in the corresponding year, lower by RM28.7 million. Lower revenue was mainly due to lower Coach's order on hand as new permits were frozen in the first half of the year and only uplifted gradually in the second half of the year.

The segment however posted a lower loss before taxation for the current quarter of RM7.6 million as compared to the corresponding quarter of RM17.0 million. As for the financial year to date, loss before taxation was RM11.5 million as compared to the corresponding year of RM24.2 million. Lower losses were mainly due to lower overheads as a result of the downsized Coach and SPV businesses. In the previous year, the segment's results were impacted by higher inventory write down and provision for inventory obsolescence in Coach.

B2. Results against Preceding Quarter

The Group posted a higher loss before taxation for the current quarter of RM60.6 million as compared to the immediate preceding quarter of RM11.4 million. Higher losses were mainly due to higher unrealised foreign exchange losses from translation of accrued receivables and project revenue revision in Mumbai monorail project due to further weakening of the INR against RM. In addition, the Group's results were affected by lower value of work done on KL monorail project.

B3. Prospects

The Group 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.

Volatility of INR against RM coupled with project delay will affect the performance of Mumbai monorail project. Notwithstanding this, the Rail segment continues to focus on project execution for its KL and Brazil monorail projects and will endeavour to complete the Mumbai monorail project within the agreed revised timelines.

With the poor performance of Coach and SPV segment, Management will continue to implement stringent costs management whilst taking measures to move the business forward.

The Board expects the Group performance to improve in 2012 with contribution from KL and Brazil monorail projects while Mumbai monorail project remains challenging as INR remains weak.

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 12-mths ended	
	31.12.11	31.12.10	31.12.11	31.12.10
	RM'000	RM'000	RM'000	RM'000
Continuing operations				
Current tax				
Malaysian income tax	7	42	1,043	326
Foreign tax	3,901	1,447	552	4,783
	3,908	1,489	1,595	5,109
Over provision of tax	(238)	-	(238)	(510)
	3,670	1,489	1,357	4,599
Deferred tax	5,500	(11,888)	6,777	(12,110)
Total from continuing operations	9,170	(10,399)	8,134	(7,511)
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 expense/(credit)	9,170	(10,399)	8,134	(5,430)

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 quarter/year was mainly due to reversal of deferred tax assets due to unavailability of taxable profits and taxes applicable to offshore services rendered in India.

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	31.12.11 RM'000	31.12.10 RM'000
Non –Current		
Term loans	-	18,000
Revolving credits	-	28,000
Finance lease liabilities	454	562
	454	46,562
Current		
Bank overdrafts	116,320	101,798
Others:		
-Term loans	37,290	6,000
-Bankers' acceptances	4,128	5,415
-Trust receipt	72,017	28,293
-Finance lease liabilities	89	76
-Revolving credits	80,226	2,000
	310,070	143,582
Total		
Bank overdrafts	116,320	101,798
Term loans	37,290	24,000
Bankers' acceptances	4,128	5,415
Trust receipt	72,017	28,293
Finance lease liabilities	543	638
Revolving credits	80,226	30,000
Total borrowings	310,524	190,144

The group borrowings are denominated in the following currencies:

	31.12.11 RM'000 equivalent	31.12.10 RM'000 equivalent
Ringgit Malaysia	228,022	152,886
US Dollar	19,290	-
Indian Rupee	63,212	37,258
	310,524	190,144

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. (Loss)/Earnings Per Share

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

	3-mths ended		**YTD 12-mths ended**	
	31.12.11	31.12.10	31.12.11	31.12.10
	RM'000	RM'000	RM'000	RM'000
Loss from continuing operations attributable to owners of the Company	(69,748)	(23,314)	(78,855)	(13,726)
Profit from discontinued operations attributable to owners of the Company	-	-	-	2,776
	(69,748)	(23,314)	(78,855)	(10,950)
Weighted average no. of shares in issue ('000)	341,958	341,958	341,958	325,871
Dilutive effect of unexercised share option ('000)	-	1,470	-	1,470
Adjusted weighted average no. of ordinary shares in issue and issuable ('000)	341,958	343,428	341,958	327,341
(a) Basic (loss)/earnings per share (sen)				
- continuing operations	(20.40)	(6.82)	(23.06)	(4.21)
- discontinued operations	-	-	-	0.85
	(20.40)	(6.82)	(23.06)	(3.36)
(b) Diluted (loss)/earnings per share (sen)				
- continuing operations	-	(6.79)	-	(4.19)
- discontinued operations	-	-	-	0.85
	-	(6.79)	-	(3.34)

There was no dilution in the earnings per share of the Company as at 31 December 2011 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 31.12.11 RM'000	**YTD 12-mths ended 31.12.11 RM'000**
Loss before taxation is stated after crediting:-		
- Interest income	822	1,161
- Other income including investment income	368	1,255
- Gain on derivatives	488	-
Loss before taxation is stated after charging:-		
- Interest expenses	10,564	29,500
- Depreciation and amortization	2,993	7,437
- Provision for and write off of receivables	1,880	1,873
- Provision for and write off of inventories	1,825	1,829
- Gain or loss on disposal of quoted or unquoted investments or properties	-	-
- Impairment of assets	-	-
- Realised foreign exchange losses	1,640	2,407
- Unrealised foreign exchange losses	26,674	43,576
- Loss on derivatives	-	264
- Exceptional items (with details)	-	-

Note : The finance costs included within cost of sales amounted to RM7,762,000 (3-mths ended 31.12.11) and RM21,588,000 (YTD 12-mths ended 31.12.11).

B13. Realised and Unrealised Retained Profits/(Accumulated Losses)

	As at	
	31.12.11	**31.12.10**
	RM'000	**RM'000**
Total (accumulated losses)/retained profits of the Company and its subsidiaries :		
Realised	(22,950)	10,236
Unrealised	(56,565)	(4,503)
	(79,515)	5,733
Less : Consolidation adjustments	4,555	(1,838)
Total Group (accumulated losses)/retained profits	(74,960)	3,895

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 29 February 2012.