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 cashflows 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 9-mths ended	
	30.9.12	30.9.11	30.9.12	30.9.11
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Rail	79,116	68,466	232,296	213,771
Coach and SPV	13,873	8,052	36,654	30,722
Revenue	92,989	76,518	268,950	244,493
Segment Results				
Rail	(1,380)	(7,473)	(4,021)	(3,964)
Coach and SPV	(722)	(1,530)	(2,771)	(3,898)
Corporate expenses	(1,633)	(2,393)	(4,531)	(2,281)
Loss before taxation	(3,735)	(11,396)	(11,323)	(10,143)
Tax expense	(2,310)	3,916	(2,609)	1,036
Loss for the financial period	(6,045)	(7,480)	(13,932)	(9,107)

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 Sept 2012 are as follows:-

	30.9.12 RM'000	31.12.11 RM'000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	123,902	121,968

A11. Capital and Operating Lease Commitments

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

	30.9.12 RM'000	31.12.11 RM'000
Approved and contracted for		
- Property, plant and equipment	1,291	-
- Development costs	-	-
	1,291	-
Approved but not contracted for		
- Property, plant and equipment	8,486	10,549
- Development costs	1,270	3,612
	9,756	14,161
Total	11,047	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:

	30.9.12 RM'000	31.12.11 RM'000
Due within 1 year	1,548	2,444
Due within 1 and 2 years	1,557	2,485
Due later than 2 years	124	29
Total	3,229	4,958

A12. Significant Related Party Transactions

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

	3-mths ended 30.9.12 RM'000	YTD 9-mths ended 30.9.12 RM'000
Transactions with a company connected to a Director		
- provision of airline ticketing services	294	1,246

A13. Critical Accounting Estimates and Judgments

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

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 & Taubro Ltd and Scomi Engineering Bhd ("the Consortium"), for which Scomi Engineering Bhd's ("SEB" or "the Company") share of the value of the Contract is Rs 1097 crores (RM777 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.

The Consortium has continuously apprised MMRDA of the status of the project and sought extensions of time as allowed under the Contract terms. On 28 January 2011, MMRDA through its project management consultant notified the Consortium of MMRDA's intent to impose penalties arising out of project delay. On 7 March 2011, the Consortium responded to MMRDA stating its case for extension of time and stating that the Consortium is not liable for any penalties under the Contract. On 25 March 2011, the Consortium submitted an Extension of Time ("EOT") application for both Phase 1 and Phase 2 works. Subsequent to this EOT application, on 31 May 2011 the Consortium was granted an EOT in respect of the completion key-dates for each of the Phase 1 and Phase 2.

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

Due to prolonged delays outside of the scope of the Consortium, certain key milestones stated in the Contract have not been met as on date. The Company has engaged specialist advisors to assist in the assessment of delay events, submission of claims for extension of time and assessing the Consortium's contractual obligations.

On 22 August 2012, the Consortium submitted impacted work programme for Phase I and Depot with June 2013 as the scheduled date for completion of Phase I. The details of constraints which are beyond the control of the Consortium were submitted in the letter.

On 9 November 2012, with the assistance of the specialist advisors, the Consortium submitted an application for Extension of Time ("EOT") for the completion of the Project till 24 July 2014 over and above the existing extended time for completion of project and without imposition of any penalty or liquidated damages and including price escalation in compliance with the Contractual entitlement of the Consortium. The application lists down the major reasons for delay in the project which are totally beyond the control and responsibility of the Consortium thereby justifying its entitlement for the extension of time.

Pending resolution of the discussions between MMRDA and the Consortium about the EOT, the Consortium may be potentially liable for penalties under the provisions of the Contract. It is expected that penalties levied for not achieving intermediate key-dates will be reimbursed in the event the entire Project is commissioned within the stipulated time including any EOTs. The Consortium 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, other than withholding an amount of Rs 17 crores (RM10 million) due to the Company, which arose from a letter sent by MMRDA's consultant on 17 August 2011. Subsequently, following negotiations, MMRDA has in principal agreed to release the amounts withheld. Part payment of the amount withheld is expected to be received shortly.

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, hence no provision for potential penalties is required as at 30 September 2012 as there is remote likelihood of any penalties to be borne by the Company.

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 RM93.0 million was higher by RM16.5 million as compared to the corresponding quarter of RM76.5 million. The Group's revenue for the financial year to date of RM269.0 million was higher by RM24.5m as compared to the corresponding period of RM244.5 million. Higher revenue was mainly due to higher work done on the KL monorail fleet expansion project.

The Group however posted a net loss for the current quarter of RM6.0 million as compared to the corresponding quarter net loss of RM7.5 million, lower loss mainly due to lower unrealised foreign exchange losses from translation of receivables on Mumbai project.

As for financial year to date, the net loss was RM13.9 million as compared to the corresponding period net loss of RM9.1 million. Higher year to date losses were mainly in relation to lower Rail segment margins as detailed below and under provision of tax in prior year, partly offset by lower unrealised foreign exchange losses.

Performance of each operating segment are analysed below:

(a) Rail segment

Revenue for the current quarter improved to RM79.1 million from RM68.5 million in the previous year corresponding quarter, higher by RM10.6 million. Revenue for the financial year to date improved to RM232.3 million from the corresponding period of RM213.8 million, higher by RM18.5 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 RM1.4 million as compared to the corresponding quarter loss of RM7.5 million, lower loss mainly due to lower unrealised foreign exchange losses. As for the financial year to date, the segment's loss before tax was maintained at RM4.0 million compared to the corresponding period.

Excluding the unrealised foreign exchange losses, the segment registered a profit for the current quarter of RM1.6 million against corresponding quarter profit before tax of RM2.2 million, lower by RM0.6 million. As for year to date, the segment posted a profit before tax of RM10.0 million as compared to corresponding period profit before tax of RM12.9 million, lower by RM2.9 million. Lower profits were mainly due to lower projects' margins and higher realised foreign exchange losses on collections of Mumbai receivables.

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 improved to RM13.9 million from RM8.1 million in the corresponding quarter, higher by RM5.8 million. Similarly, revenue for financial year to date has also improved to RM36.7 million from RM30.7 million in the corresponding period. Higher revenue was mainly due to higher coach sales.

Consequently, the segment posted a lower loss before taxation for the current quarter of RM0.7 million as compared to the corresponding quarter loss of RM1.5 million. As for the financial year to date, loss before taxation was RM2.8 million as compared to the corresponding period loss of RM3.9 million. Lower losses were mainly due to lower overheads at Coach and SPV businesses.

B2. Results against Preceding Quarter

The Group posted a lower loss before tax for the current quarter of RM3.7 million as compared to the immediate preceding quarter loss before tax of RM7.6 million mainly due to lower unrealised foreign exchange losses from translation of Mumbai receivables.

Excluding the unrealised foreign exchange losses, current quarter posted a loss before tax of RM0.6 million as compared to immediate preceding quarter profit before tax of RM4.0 million mainly due to higher operating expenses.

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.

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 for the remainder of 2012 to be challenging. While contribution from KL monorail project is expected to improve, performance on Mumbai monorail project will be affected by weak INR and low work done.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense

	3-mths ended		YTD 9-mths ended	
	30.9.12	30.9.11	30.9.12	30.9.11
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	(111)	283	322	1,036
Foreign tax	-	(5,200)	-	(3,349)
	(111)	(4,917)	322	(2,313)
Under provision of tax	1,465	-	1,076	-
	1,354	(4,917)	1,398	(2,313)
Deferred tax	956	1,001	1,211	1,277
Total tax expense	2,310	(3,916)	2,609	(1,036)

Domestic current income tax is calculated at the statutory tax rate of 25% (2011: 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 and under provision of tax expense in prior year.

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	30.9.12 RM'000	31.12.11 RM'000
Non –Current		
Term loans	50,860	-
Finance lease liabilities	480	482
Revolving credits	24,738	-
	76,078	482
Current		
Bank overdrafts	103,607	116,320
Others:		
-Term loans	4,500	37,290
-Bankers' acceptances	5,155	4,128
-Trust receipt	94,933	69,191
-Finance lease liabilities	76	61
-Revolving credits	134,000	80,226
	342,271	307,216
Total		
Bank overdrafts	103,607	116,320
Term loans	55,360	37,290
Bankers' acceptances	5,155	4,128
Trust receipt	94,933	69,191
Finance lease liabilities	556	543
Revolving credits	158,738	80,226
Total borrowings	418,349	307,698

The group borrowings are denominated in the following currencies:

	30.9.12 RM'000 equivalent	31.12.11 RM'000 equivalent
Ringgit Malaysia	296,258	225,196
US Dollar	58,414	19,290
Indian Rupee	63,677	63,212
	418,349	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. Approval to waive the requirement to comply with its financial covenant was obtained from the bank subsequent to the financial year ended 31 December 2011.

In 2012, further to the approval being obtained, long term portion of the borrowings was reclassified from current liabilities to non-current liabilities.

Subsequent to the end of the reporting period, the banking facilities of a subsidiary for the existing contract financing line for the Mumbai Monorail Project which expired on 22 November 2012 subject to terms has been granted an indulgence to defer the principal payment for a period of 3 months from 22 November 2012 (the expiry of the current

EOT) or upon receipt of the new EOT from MMRDA (as mentioned in Note A13), whichever is earlier.

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 Per Share

The computations for loss per share are as follows:

	3-mths ended		**YTD 9-mths ended**	
	30.9.12	30.9.11	30.9.12	30.9.11
	RM'000	RM'000	RM'000	RM'000
Loss for the period	(6,045)	(7,480)	(13,932)	(9,107)
Weighted average no. of shares in issue ('000)	337,387	341,958	337,387	341,958
Basic loss per share (sen)	(1.79)	(2.19)	(4.13)	(2.66)

There was no dilution in the earnings per share of the Company as at 30 Sept 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 30.9.12 RM'000	YTD 9-mths ended 30.9.12 RM'000
Loss before taxation is stated after crediting:-		
- Interest income	690	2,478
- Other income/(expense) including investment income	(330)	156
- Gain on financial liabilities at fair value	-	32
Loss before taxation is stated after charging:-		
- Interest expense	7,374	20,268
- Depreciation and amortization	1,513	6,200
- Unrealised foreign exchange losses	2,939	14,022
- Realised foreign exchange losses	2,275	5,700

Note : The finance costs included within cost of sales amounted toRM6,360,000 and RM17,444,000 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 30.9.12 RM'000	As at 31.12.11 RM'000
Total accumulated losses of the Company and its subsidiaries :		
Realised	50,999	54,217
Unrealised	26,106	25,637
	77,105	79,854
Less : Consolidation adjustments	14,538	(2,143)
Total Group accumulated losses	91,643	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 November 2012.