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 31 December 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 12-mths ended	
	31.12.12	31.12.11	31.12.12	31.12.11
	RM'000	RM'000	RM'000	RM'000
Segment Revenue				
Rail	97,613	(11,571)	329,909	202,200
Coach and SPV	20,670	13,875	57,324	44,596
Revenue	118,283	2,304	387,233	246,796
Segment Results				
Rail	(1,019)	(54,610)	(5,041)	(58,574)
Coach and SPV	1,868	(10,052)	(903)	(13,950)
Corporate expenses	(3,185)	377	(7,714)	(1,905)
Loss before taxation	(2,336)	(64,285)	(13,658)	(74,429)
Tax expense	(980)	(8,213)	(3,589)	(7,177)
Loss for the financial period	(3,316)	(72,498)	(17,247)	(81,606)

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 31 December 2012 are as follows:-

	31.12.12 RM'000	31.12.11 RM'000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	124,299	121,968

A11. Capital and Operating Lease Commitments

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

	31.12.12 RM'000	31.12.11 RM'000
Approved and contracted for		
- Property, plant and equipment	1,457	-
- Development costs	-	-
	1,457	-
Approved but not contracted for		
- Property, plant and equipment	7,715	10,549
- Development costs	3,385	3,612
	11,100	14,161
Total	12,557	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:

	31.12.12 RM'000	31.12.11 RM'000
Due within 1 year	1,584	2,444
Due within 1 and 2 years	1,202	2,485
Due later than 2 years	72	29
Total	2,858	4,958

A12. Significant Related Party Transactions

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

	3-mths ended 31.12.12 RM'000	YTD 12-mths ended 31.12.12 RM'000
Transactions with a company connected to a Director		
- provision of airline ticketing services	162	1,408

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

Mumbai Monorail Project

During the quarter the MMRDA had granted a further extension of time extending the project beyond the 22 November 2012 to 31 December 2013. In reliance of the advice received from the Specialist Consultant together with the extension of time, the Directors continue to hold the opinion that the likelihood of any penalties being payable by the Company is remote. Therefore no provision for potential penalties is required as at 31 December 2013.

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 RM118.3 million was higher by RM116.0 million as compared to the corresponding quarter of RM2.3 million. The Group's revenue for the financial year to date of RM387.2 million was higher by RM140.4 million as compared to the corresponding period of RM246.8 million. Higher revenue was mainly due to higher work done on the monorail projects.

The Group posted a net loss for the current quarter of RM3.3 million as compared to the corresponding quarter net loss of RM72.5 million, lower loss mainly due to higher revenue and lower operating expenses for the period.

As for financial year to date, the net loss was RM17.2 million as compared to the corresponding period net loss of RM81.6 million. Lower year to date losses were mainly in relation to higher Rail segment margins as detailed below.

Performance of each operating segment are analysed below:

(a) Rail segment

Revenue for the current quarter improved to RM97.6 million from negative RM11.6 million in the previous year corresponding quarter, higher by RM109.2 million. Revenue for the financial year to date improved to RM329.9 million from the corresponding period of RM202.2 million, higher by RM127.7 million. Higher revenue was mainly due to higher value of work done on KL monorail fleet expansion project.

The segment however posted a loss before tax for the current quarter of RM1.0 million as compared to the corresponding quarter loss of RM54.6 million, lower loss mainly due to improved Mumbai's result. Similarly, for the financial year to date, the segment's loss before tax was RM5.0 million compared to the corresponding period of RM58.6 million.

Excluding the unrealised foreign exchange losses, the segment registered a profit for the current quarter of RM4.3 million against corresponding quarter loss before tax of RM51.5 million, higher by RM55.7 million. As for year to date, the segment posted a profit before tax of RM14.3 million as compared to corresponding period loss before tax of RM38.5 million, higher by RM52.8 million.

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 RM20.7 million from RM13.9 million in the corresponding quarter, higher by RM6.8 million. Similarly, revenue for financial year to date has also improved to RM57.3 million from RM44.6 million in the corresponding period. Higher revenue was mainly due to higher coach sales.

Consequently, the segment posted a profit before taxation for the current quarter of RM1.9 million as compared to the corresponding quarter loss of RM10.1 million. As for the financial year to date, loss before taxation was RM0.9 million as compared to the corresponding period loss of RM14.0 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 RM2.3 million as compared to the immediate preceding quarter loss before tax of RM3.7 million mainly due to higher gross profit.

Excluding the unrealised foreign exchange losses, current quarter posted a profit before tax of RM2.7 million as compared to immediate preceding quarter profit before tax of RM0.8 million.

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 that the Group's performance for the remainder of the financial period Q5 2012/13 will be challenging.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense

	3-mths ended		YTD 12-mths ended	
	31.12.12	31.12.11	31.12.12	31.12.11
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian income tax	1,124	7	1,446	1,043
Foreign tax	-	3,901	-	552
	1,124	3,908	1,446	1,595
Under/(Over) provision of tax	(261)	238	815	(238)
	863	3,670	2,261	1,357
Deferred tax	117	4,543	1,328	5,820
Total tax expense	980	8,213	3,589	7,177

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	**31.12.12 RM'000**	**31.12.11 RM'000**
Non –Current		
Term loans	48,371	-
Finance lease liabilities	464	482
Revolving credits	23,738	-
	72,573	482
Current		
Bank overdrafts	131,919	116,320
Others:		
-Term loans	6,000	37,290
-Bankers' acceptances	4,946	4,128
-Trust receipt	66,781	69,191
-Finance lease liabilities	73	61
-Revolving credits	195,033	80,226
	404,752	307,216
Total		
Bank overdrafts	131,919	116,320
Term loans	54,371	37,290
Bankers' acceptances	4,946	4,128
Trust receipt	66,781	69,191
Finance lease liabilities	537	543
Revolving credits	218,771	80,226
Total borrowings	477,325	307,698

The group borrowings are denominated in the following currencies:

	31.12.12 RM'000 equivalent	**31.12.11 RM'000 equivalent**
Ringgit Malaysia	352,570	225,196
US Dollar	59,311	19,290
Indian Rupee	65,444	63,212
	477,325	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.

During the reporting period, the banking facilities for the existing contract financing line for the Mumbai monorail project expiring on 22 Nov 2012 was extended to 31 December 2013 in conjunction with the additional Extension of Time on Mumbai project.

B8. Changes in Material Litigation

Legal proceedings were instituted on 1 November 2012 by PJSI Consultants Sdn Bhd against Scomi Rail Bhd and the Company in the Kuala Lumpur High Court (Suit Number 22NCC-1602-11/2012) claiming for RM8,000,000 in relation to a dispute arising out of a Consultancy Service Agreement dated 25 March 2009 and a Site Audit Services Agreement dated 15 November 2011. The Court is currently in the process of dealing with a stay in proceedings at the petition of the Company and its subsidiary Scomi Rail Bhd. If the stay is not granted the claims will be contested. Counter claims will be pursued.

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 12-mths ended**	
	31.12.12 RM'000	31.12.11 RM'000	31.12.12 RM'000	31.12.11 RM'000
Loss for the period	(3,316)	(72,498)	(17,247)	(81,606)
Weighted average no. of shares in issue ('000)	337,387	341,958	337,387	341,958
Basic loss per share (sen)	(0.98)	(21.20)	(5.11)	(23.86)

There was no dilution in the earnings per share of the Company as at 31 December 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 31.12.12 RM'000	YTD 12-mths ended 31.12.12 RM'000
Loss before taxation is stated after crediting:-		
- Interest income	573	3,051
- Other income/(expense) including investment income	54	210
- Gain on financial liabilities at fair value	-	32
Loss before taxation is stated after charging:-		
- Interest expense	7,190	27,458
- Depreciation and amortization	1,090	7,290
- Unrealised foreign exchange losses	5,057	19,079
- Realised foreign exchange losses	1,705	7,405

Note : The finance costs included within cost of sales amounted to RM6,480,000 and RM23,924,000 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 31.12.12 RM'000	As at 31.12.11 RM'000
Total accumulated losses of the Company and its subsidiaries :		
Realised	41,411	54,217
Unrealised	39,014	25,637
	80,425	79,854
Less : Consolidation adjustments	14,533	(2,143)
Total Group accumulated losses	94,958	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 28 February 2013.