

**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

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 MFRS 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 March 2013, 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**

Save as disclosed below, there were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities:

### **a) Share Capital**

During the fifteen month period ended 31 March 2013, the issued and paid-up share capital of the Company increased from 286,044,224 ordinary shares of RM1.00 each to 342,079,503 ordinary shares of RM1.00 each by way of issuance of:

- i. 56,035,279 new ordinary shares of RM1.00 each pursuant to the conversion of 56,035,279 ICULS of RM1.00 each on the basis of two (2) units of ICULS for nine (9) ordinary shares of RM1.00 each.

b) Treasury Shares

There were no repurchase of the Company's shares during the current quarter.

**A6. Dividends Paid**

No dividends were paid during the period under review.

**A7. Segmental Information**

	<b>3-mths ended</b>	<b>15-mths ended</b>
	31.03.13	31.03.13
	RM'000	RM'000
<b>Segment Revenue</b>		
Rail	57,996	387,906
Coach and SPV	14,124	71,448
<b>Revenue</b>	<u>72,120</u>	<u>459,354</u>
<b>Segment Results</b>		
Rail	9,630	3,529
Coach and SPV	(5,336)	(6,004)
Corporate expenses	(8,019)	(14,908)
Loss before taxation	<u>(3,725)</u>	<u>(17,383)</u>
Tax expense	596	(2,993)
<b>Loss for the financial period</b>	<u>(3,129)</u>	<u>(20,376)</u>

**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. Contingent Liabilities**

The contingent liabilities of the Group as at 31 March 2013 are as follows:-

	<b>31.03.13</b>
	<b>RM'000</b>
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	<u>116,718</u>

## A10. Capital and Operating Lease Commitments

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

	<b>31.03.13</b>
	<b>RM'000</b>
Approved and contracted for	
- Property, plant and equipment	450
- Development costs	-
	<u>450</u>
Approved but not contracted for	
- Property, plant and equipment	10,711
- Development costs	25,550
	<u>36,261</u>
Total	<u>36,711</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:

	<b>31.03.13</b>
	<b>RM'000</b>
Due within 1 year	1,575
Due within 1 and 2 years	1,179
Due later than 2 years	58
Total	<u>2,812</u>

## A11. Significant Related Party Transactions

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

	<b>3-mths</b>	<b>YTD</b>
	<b>ended</b>	<b>15-mths</b>
	<b>31.03.13</b>	<b>31.03.13</b>
	<b>RM'000</b>	<b>RM'000</b>
Transactions with a company connected to a Director		
- provision of airline ticketing services	(67)	1,341

**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 is RM72.1 million and for the financial year to date is RM459.4 million. The Group posted a net loss for the current quarter of RM3.13 million. As for financial year to date, the net loss is RM20.4 million.

Performance of each operating segment are analysed below:

(a) Rail segment

Revenue for the current quarter is RM58.0 million and for the financial year to date is RM387.9 million. The segment posted a profit before tax for the current quarter of RM9.6 million and for the financial year to date, the segment's profit before tax was RM3.5 million. The performance of the rail segment in the current quarter was significantly contributed by the delivery of rolling stock to Mumbai and the completion of the E&M milestones of the KLMS project. Favourable INR forex rate at the end of the quarter helps to offset the provisions for unrealised forex losses made in the previous quarters.

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

Revenue for the current quarter is RM14.1 million and for financial year to date is RM71.4 million. The segment posted a loss before taxation for the current quarter of RM5.3 million and for the financial year to date, loss before taxation is RM6.0 million. The performance of the coach and special purpose vehicle segment was driven by higher number of coaches delivered in the current quarter. However, the performance of the company was also affected by provisions for inventory factored in the current quarter.

The performance takes into account amounts available to the Company arising out of additional works performed and costs incurred under client instructions which have been deemed to be variations to the original contracts. These are supported by independent consultants' review and advice

**B2. Results against Preceding Quarter**

The Group posted a loss before tax for the current quarter of RM3.7 million as compared to the immediate preceding quarter loss before tax of RM2.3 million mainly due to provisions for inventory and doubtful debts.

**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.

With the expected completion of train delivery to Mumbai, coupled with the expected improvements in the KL and Brazil monorail projects, The Board expects the Group performance for the Financial Year 2014 to be satisfactory.

#### **B4. Profit Forecast or Profit Guarantee**

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

#### **B5. Tax Expense**

	<b>3-mths ended 31.03.13 RM'000</b>	<b>15-mths ended 31.03.13 RM'000</b>
Current tax		
Malaysian income tax	(294)	1,157
Foreign tax	1,215	1,215
	<u>921</u>	<u>2,367</u>
Under/(Over) provision of tax	<u>(815)</u>	<u>-</u>
	106	2,367
Deferred tax	<u>(702)</u>	<u>626</u>
Total tax expense	<u>(596)</u>	<u>2,993</u>

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:

<b>Secured</b>	<b>31.03.13 RM'000</b>	<b>31.12.11 RM'000</b>
<b>Non –Current</b>		
Term loans	51,716	-
Finance lease liabilities	437	482
Revolving credits	23,259	-
	<u>75,412</u>	<u>482</u>
<b>Current</b>		
Bank overdrafts	172,221	116,320
Others:		
-Term loans	4,500	37,290
-Bankers' acceptances	21,621	4,128
-Trust receipt	2,335	69,191
-Finance lease liabilities	4,518	61
-Revolving credits	229,843	80,226
	<u>435,038</u>	<u>307,216</u>
<b>Total</b>		
Bank overdrafts	172,221	116,320
Term loans	56,216	37,290
Bankers' acceptances	21,621	4,128
Trust receipt	2,335	69,191
Finance lease liabilities	4,955	543
Revolving credits	253,102	80,226
Total borrowings	<u>510,450</u>	<u>307,698</u>

The group borrowings are denominated in the following currencies:

	<b>31.03.13 RM'000 equivalent</b>	<b>31.12.11 RM'000 equivalent</b>
Ringgit Malaysia	384,052	225,196
US Dollar	65,824	19,290
Indian Rupee	60,574	63,212
	<u>510,450</u>	<u>307,698</u>

## 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 Company and its subsidiary, Scomi Rail Berhad, applied for a stay of proceeding and was granted by the Court on 8 May 2013.

**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:

	<b>3-mths ended 31.03.13 RM'000</b>	<b>15-mths ended 31.03.13 RM'000</b>
Loss for the period	(3,129)	(20,376)
Weighted average no. of shares in issue ( '000)	289,157	286,659
<b>Basic loss per share (sen)</b>	<b>(1.09)</b>	<b>(7.11)</b>

There was no dilution in the earnings per share of the Company as at 31 March 2013 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:-

	<b>3-mths ended 31.03.13 RM'000</b>	<b>15-mths ended 31.03.13 RM'000</b>
Loss before taxation is stated after crediting:-		
- Interest income	660	3,711
- Gain on disposal of property, plant and equipment	-	40
Loss before taxation is stated after charging:-		
- Interest expense	7,618	35,076
- Depreciation and amortization	3,694	10,984
- Unrealised foreign exchange (gain)/losses	(14,970)	4,110
- Realised foreign exchange losses	802	8,207



Note : The finance costs included within cost of sales amounted to RM6,648,000 and RM30,572,000 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, impairment assets and exceptional items.

### **B13. Realised and Unrealised Accumulated Losses**

	<b>As at</b>	
	<b>31.03.13</b>	<b>31.12.11</b>
	<b>RM'000</b>	<b>RM'000</b>
Total accumulated losses of the Company and its subsidiaries :		
Realised	45,578	54,217
Unrealised	25,377	25,637
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	70,955	79,854
Less : Consolidation adjustments	27,131	(2,143)
Total Group accumulated losses	<hr/>	<hr/>
	98,086	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 31 May 2013.