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 Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting 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 March 2013 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries as at end for the quarter ended 31 December 2013.

The KLMS Project has encountered delays and certain Key Milestones have not been met as at 31 December 2013. The relevant subsidiary company had secured financing facilities totalling RM264.7 million for working capital purposes (such amounts included in the disclosure at B7). In view of the delays the lender has set a cumulative limit on the use of the financing facilities. The Project activities and work continues with the customer approving claims and billings and approving payments accordingly. The ultimate holding company has confirmed its intention to provide financial support to the Company to meet its liabilities and obligations under the Project as and when they fall due until the cumulative is uplifted.

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidates financial statements as compared with the consolidated financial statements for 31 March 2013.

As of 1 April 2013, the Group and the Company have adopted the following MFRSs and amendments which are effective for annual periods beginning on or after 1 April 2013.

<u>Effective for annual periods commencing on or after 1 April 2013</u>

MFRS 13	Fair Value Measurement
Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 116	Property, plant and equipment
Amendment to MFRS 119	Employee Benefits
Amendment to MFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 134	Interim Financial Reporting
Amendment to MFRS 132	Financial Instruments: Presentation – Annual improvement 2009-2011

The adoption of the above MFRSs and amendments does not have any material impact on the financial statements.

The following MFRS, amendments and interpretations to existing standards that are applicable to the Group but not yet effective and have not been early adopted.

Effective for annual periods commencing on or after 1 April 2014

Amendment to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non- Financial Assets
Amendment to MFRS 139	Financial Instruments: Measurement and Recognition – novation of derivatives and continuation of hedge accounting.

Effective for annual periods commencing on or after 1 April 2015

MFRS 9	Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities

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 cashflows 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, 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.

A6. 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.

A7. Dividends Paid

No dividends were paid during the period under review.

A8. Segmental Information

	3-mths ended 31.12.13 RM'000	YTD 9-mths ended 31.12.13 RM'000
Segment Revenue		
Rail	66,137	151,377
Coach and SPV	11,763	36,801
Corporate	-	573
Revenue	77,900	188,751
Segment Results		
Rail	(6,455)	(28,136)
Coach and SPV	(1,103)	(2,447)
Corporate expenses	(1,646)	(3,408)
Loss before taxation	(9,204)	(33,991)
Tax expense	(105)	(284)
Loss for the financial period	(9,309)	(34,275)

A9. Material Events Subsequent to the End of the Period

There were no material events subsequent to the end of the period under review.

A10. Contingent Liabilities

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

	31.12.13 RM'000	31.03.13 RM'000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	170,611	116,718
Claims by suppliers	12,606	5,724

A11. Capital and Operating Lease Commitments

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

	31.12.13 RM'000	31.03.13 RM'000
Approved and contracted for		
- Property, plant and equipment	939	450
- Development costs	-	-
	939	450
Approved but not contracted for		
- Property, plant and equipment	6,424	10,711
- Development costs	29,687	25,550
	36,111	36,261
Total	37,050	36,711

(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:

	31.12.13 RM'000	31.03.13 RM'000
Due within 1 year	595	1,575
Due within 1 and 2 years	189	1,179
Due later than 2 years	29	58
Total	813	2,812

A12. Significant Related Party Transactions

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

	3-mths ended 31.12.13 RM'000	YTD 9-mths ended 31.12.13 RM'000
Transactions with a company connected to a Director		
- provision of airline ticketing services	292	615
Sharing of rental and office relocation costs with immediate holding company	169	544

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 A8 above.

(a) Rail segment

Revenue for the current quarter is RM66.1 million and for the financial year to date is RM151.4 million respectively. The segment posted a loss before tax of RM6.4 million for the quarter and RM28.1 million for the financial year to date. This is mainly due to net unrealised foreign exchange losses of RM4.5 million for the quarter and RM22.8 million for the financial year to date from both Mumbai and Line 17 projects.

The Indian Rupee weakened in the early part of the Quarter and has regained marginally toward the end of the Quarter.

	End December 2013	End September 2013
INR/USD	62.390	62.7020
INR/RM	18.6880	19.3091

This has resulted in the unrealised losses on the INR receivables from the client in the Mumbai monorail project.

The Brazilian Reals has weakened further in the last quarter.

	End December 2013	End September 2013
BRL/USD	2.3942	2.2348

This has resulted in RM2.7 million unrealised foreign exchange losses on the USD Term Loan carried by a subsidiary, Urban Transit Servicos Do Brasil LTDA.

The Rail Segment has also been adversely affected by cost overruns arising out of project delays. Although contractual claims for EOT related costs and VOs are available to the Company, however, these are yet to be finalized.

Excluding the unrealised foreign exchange losses, the Rail segment loss before tax is RM1.9 million for the quarter and RM5.6 million for the financial year to date.

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

Revenue for the current quarter and for financial year to date is RM11.8 million and RM36.8 million respectively. The segment posted a loss before taxation for the current quarter of RM1.1 million and for financial period to date of RM2.4 million respectively.

B2. Results against Preceding Quarter

The Group posted a loss before tax for the current quarter of RM9.3 million as compared to the immediate preceding quarter loss before tax of RM8.4 million mainly due to net unrealised foreign exchange losses as mentioned in B1 above.

B3. Prospects

The persistent volatility in currency markets and the delays in the overall completion of projects in India, Brazil and Malaysia are key factors impeding the performance of SEB. Critical steps have been taken to ensure improved performances have seen Mumbai Monorail Phase 1 being completed and commissioned on Feb 2nd 2014. Phase 2 remains challenging and is expected to be completed in July 2015. The delivery of the first train set to KL client in Jan 2014 marks the beginning of deliveries and the commissioning of the KL Monorail Extension Project which is expected to be completed by early 2015. Whilst improvements have been made, all these projects continue to be delayed with resulting cost impact. As for the Coach and SPV segment, Management has taken measures to diversify the business by pursuing more leasing and refurbishment work like the Malacca coach leasing project to build up its order book.

The Financial Year ending 31 March 2014 will have seen Phase 1 of the Mumbai Monorail Project being completed, trains being delivered for the KL project, and, substantial work being performed on the Sao Paolo project. However, the Board expects that the remaining months of the Financial Year ending March 30, 2014 will continue to be challenging; because of unfavorable foreign exchange movements and cost overruns arising out of project delays, and, because contractual claims for EOT related costs and VOs are yet to be finalized with the clients.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense

	3-mths ended 31.12.13 RM'000	YTD 9-mths ended 31.12.13 RM'000
Current tax		
Malaysian income tax	106	284
Foreign tax	-	-
	106	284
Under/(Over) provision of tax	-	-
	106	284
Deferred tax	-	-
Total tax expense	106	284

Domestic current income tax is calculated at the statutory tax rate of 25% (2013: 25%) of the taxable profit for the period. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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	**31.12.13 RM'000**	**31.03.13 RM'000**
Non-Current		
Term loans	15,106	18,606
Finance lease liabilities	7,819	3,513
	22,925	22,119
Current		
Bank overdrafts	120,441	104,441
Term loans	52,343	68,968
Trade facilities	99,759	88,645
Finance lease liabilities	1,943	683
Revolving credits	221,722	220,388
	496,208	483,125
Total		
Bank overdrafts	120,441	104,441
Term loans	67,449	87,574
Trade facilities	99,759	88,645
Finance lease liabilities	9,762	4,196
Revolving credits	221,722	220,388
Total borrowings	519,133	505,244

The group borrowings are denominated in the following currencies:

	31.12.13 RM'000 equivalent	**31.03.13 RM'000 equivalent**
Ringgit Malaysia	423,099	394,040
Brazillian Real	32,986	50,630
Indian Rupee	63,048	60,574
	519,133	505,244

B8. Changes in Material Litigation

There has been no change in material litigation.

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 31.12.13 RM'000	YTD 9-mths ended 31.12.13 RM'000
Loss for the period	(9,309)	(34,275)
Weighted average no. Of shares in issue ('000)	342,080	342,080
Basis loss per share (sen)	(2.72)	(10.02)

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

	3-mths ended 31.12.13 RM'000	YTD 9-mths ended 31.12.13 RM'000
Loss before taxation is stated after crediting:-		
- Interest income	653	2,006
Loss before taxation is stated after charging:-		
- Interest expense	8,745	25,284
- Depreciation and amortisation	1,561	5,942
- Unrealised foreign exchange (gain)/losses	4,495	22,787
- Realised foreign exchange losses	2,626	5,524

Note: The finance costs included within cost of sales amounted to RM7,689,000 for the quarter and RM22,143,000 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. (Accumulated Losses)/Retained Earning

	As at	
	31.12.13	**31.03.13**
	RM'000	**RM'000**
Total accumulated (losses)/retained earning of the Company and its subsidiaries :		
Realised	(200,281)	(65,671)
Unrealised	67,438	(5,410)
	(132,843)	(71,081)
Less : Consolidation adjustments	77,722	(27,486)
Total Group accumulated losses	(132,842)	(98,567)

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 18 February 2014.