

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 March 2014.

The Mumbai Project has encountered delays. The project is financed by means of a project financing facility of RM140 million. It has been necessary to re-align payment obligations with the revised project milestones. The re-alignment was arranged by agreement with the bank.

The KLMS Project has similarly encountered delays and certain Key Milestones have not been met as at 31 March 2014. 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 consolidated 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.

Effective for annual periods commencing on or after 1 April 2013

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
Amendment to MFRS 119	Define Benefit Plans: Employee Contributions
Amendment to MFRSs	Annual Improvement to MFRs 2010-2012 Cycle
Amendment to MFRSs	Annual Improvement to MFRs 2011-2013 Cycle

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 was 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 31.3.14 RM'000	YTD 12-mths ended 31.3.14 RM'000
Segment Revenue		
Rail	53,386	204,763
Coach and SPV	(5,243)	31,558
Corporate		573
Revenue	<u>48,143</u>	<u>236,894</u>
Segment Results		
Rail	(2,497)	(30,633)
Coach and SPV	2,027	(420)
Corporate expenses	(182)	(3,590)
Loss before taxation	(652)	(34,643)
Tax expense	(2,831)	(3,115)
Loss for the financial period/year	<u>(3,483)</u>	<u>(37,758)</u>

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 March 2014 are as follows:-

	31.3.14 RM'000	31.03.13 RM'000
Bank guarantees given to third party in respect of performance guarantee given by subsidiaries	114,853	116,718
Claims by suppliers	<u>8,564</u>	<u>5,724</u>

A11. Capital and Operating Lease Commitments

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

	31.3.14	31.3.13
	RM'000	RM'000
Approved and contracted for		
- Property, plant and equipment	1,015	450
- Development costs	-	-
	1,015	450
Approved but not contracted for		
- Property, plant and equipment	6,348	10,711
- Development costs	25,780	25,550
	32,128	36,261
Total	<u>33,143</u>	<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:

	31.3.14	31.3.13
	RM'000	RM'000
Due within 1 year	127	1,575
Due within 1 and 2 years	46	1,179
Due later than 2 years	12	58
Total	<u>185</u>	<u>2,812</u>

A12. Significant Related Party Transactions

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

	3-mths	YTD
	ended	12-mths
	31.3.14	31.3.14
	RM'000	RM'000
Transactions with a company connected to a Director		
- provision of airline ticketing services	121	737
Sharing of rental and office relocation costs with immediate holding company	179	722
	<u>179</u>	<u>722</u>

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 RM53.3 million and for the financial year to date is RM204.8 million respectively. The segment posted a loss before tax of RM2.5 million for the quarter and loss before tax of RM30.6 million for the financial year to date. This is mainly due to net gain on unrealised foreign exchange of RM16.6 million for the financial quarter which helped to mitigate the full years unrealised foreign exchange losses to RM6.2 million 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 March 2014	End December 2013
INR/USD	59.7580	62.390
INR/RM	18.3149	18.6880

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 March 2014	End December 2013
BRL/USD	2.25610	2.3942

This has resulted in RM3.2 million unrealised foreign exchange losses on the USD Term Loan carried by a subsidiary, Urban Transit Servicos Do Brasil LTDA.

Excluding the unrealised foreign exchange gains and losses, the Rail segment loss before tax is RM19.04 million for the quarter and RM24.4 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 (RM5.2) million and RM31.6 million respectively.

The segment posted a profit/(loss) before taxation for the current quarter of RM1.2 million and (RM0.4) million respectively.

B2. Results against Preceding Quarter

The Group posted a loss before tax for the current quarter of RM3.4 million as compared to the immediate preceding quarter loss before tax of RM9.3 million mainly due to net unrealised foreign exchange gains 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.

Recent quarters have seen the achievement of important milestones such as completion of the Mumbai Monorail Phase 1 which was commissioned on Feb 2nd 2014. The Company commenced Operations and Maintenance services in January and the system is now operational 16 hours daily.

This period also saw the delivery of the first train set for the KL Monorail Fleet Expansion Project (KLMFEP) - in Jan 2014 - followed by successful trial operations in April 2014. These activities mark the commencement of train deliveries for the KLMFEP.

Both projects are expected to be completed in 2015; Phase 2 of the Mumbai project in July 2015 and the KLMFEP in early 2015.

As for the Coach and SPV segment, the key initiative is to pursue more leasing and refurbishment work like the Malacca coach leasing project and other similar projects to build up its order book.

Despite the achievement of these milestones on the projects, the Board expects that prospects will continue to be difficult for the foreseeable future due to unfavorable foreign exchange movements and the need to focus on management of costs arising out of projects.

The disclosed results takes into account the financial impact of current and potential EOT and VO related claims arising out of the projects. These claims have been included in the results as variations to the original contracts, as they are currently at various stages of being processed with the relevant clients. The Company's position and the treatment of the claims in the results for the quarter ending 31 March 2014 are based on independent consultants' review and advice.

B4. Profit Forecast or Profit Guarantee

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

B5. Tax Expense

	3-mths ended 31.3.14 RM'000	YTD 12-mths ended 31.3.14 RM'000
Current tax		
Malaysian income tax	1,313	1,597
Foreign tax	1,518	1,518
	<u>2,831</u>	<u>3,115</u>
Under/(Over) provision of tax	-	-
	<u>2,831</u>	<u>3,115</u>
Deferred tax	-	-
Total tax expense	<u>2,831</u>	<u>3,115</u>

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	31.3.14 RM'000	31.03.13 RM'000
Non-Current		
Term loans	14,357	18,606
Finance lease liabilities	8,997	3,513
	<u>23,354</u>	<u>22,119</u>
Current		
Bank overdrafts	175,890	104,441
Term loans	39,785	68,968
Trade facilities	2,610	88,645
Finance lease liabilities	2,339	683
Revolving credits	255,661	220,388
	<u>476,285</u>	<u>483,125</u>
Total		
Bank overdrafts	175,890	104,441
Term loans	54,142	87,574
Trade facilities	2,610	88,645
Finance lease liabilities	11,336	4,196
Revolving credits	255,661	220,388
Total borrowings	<u>499,639</u>	<u>505,244</u>

The group borrowings are denominated in the following currencies:

	31.3.14 RM'000 <u>equivalent</u>	31.3.13 RM'000 <u>equivalent</u>
Ringgit Malaysia	404,812	394,040
Brazilian Real	34,037	50,630
Indian Rupee	60,790	60,574
	<hr/> 499,639	<hr/> 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 31.3.14 RM'000	YTD 12-mths ended 31.3.14 RM'000
Loss for the period	(2,453)	(38,235)
Weighted average no. Of shares in issue (^000)	342,080	342,080
Basis loss per share (sen)	<hr/> (0.72)	<hr/> (11.18)

There was no dilution in the earnings per share of the Company as at 31 March 2014 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 31.3.14 RM'000	YTD 12-mths ended 31.3.14 RM'000
Loss before taxation is stated after crediting:-		
- Interest income	1,776	3,132
Loss before taxation is stated after charging:-		
- Interest expense	11,552	36,836
- Depreciation and amortisation	2,455	8,398
- Unrealised foreign exchange (gain)/losses	(16,557)	6,230
- Realised foreign exchange losses	1,838	7,362

Note: The finance costs included within cost of sales amounted to RM9,.2 mil for the quarter and RM31,.3 mil 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. Retained Earnings /(Accumulated Losses)

	As at	
	31.3.14 RM'000	31.3.13 RM'000
Total accumulated (losses)/retained earnings of the Company and its subsidiaries :		
Realised	(252,568)	(65,671)
Unrealised	39,099	(5,410)
	<u>(213,469)</u>	<u>(71,081)</u>
Less : Consolidation adjustments	77,144	(27,486)
Total Group accumulated losses	<u>(136,325)</u>	<u>(98,567)</u>

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 May 2014.