

## **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 period 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, and the Group's interest in associates and joint ventures as at and for the quarter ended 31 December 2013.

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 the period ended 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
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**A2. Qualification of financial statements**

The audited financial statements for the 15 months period ended 31 March 2013 were not subject to any qualification.

**A3. Seasonal and 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 exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cashflows during the current quarter 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, and deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances.

There was no material changes in estimates reported in the current quarter under review.

**A6. Issuance and repayment of debt and equity securities**

There were no issuances, cancellations, share buy-backs, resale of shares bought back or repayment of debt and equity securities during the current quarter by the Company.

**A7. Dividends Paid**

No dividends were paid during the current quarter.

## A8. Segmental Information

The segmental information is as tabulated below.

	<b>Oilfield Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Transport Solutions RM'000</b>	<b>Others/ Elimination RM'000</b>	<b>Group RM'000</b>
<b>Cumulative 9 month period ended 31 December 2013</b>					
<b>Revenue</b>					
<u>Continuing operations</u>					
Revenue for the period	904,844	138,145	188,751	-	1,231,740
	<u>904,844</u>	<u>138,145</u>	<u>188,751</u>	<u>-</u>	<u>1,231,740</u>
<u>Discontinued operations</u>					
Revenue for the period	32,217	-	-	-	32,217
	<u>937,061</u>	<u>138,145</u>	<u>188,751</u>	<u>-</u>	<u>1,263,957</u>
<b>Results</b>					
<u>Continuing operations</u>					
Operating profit / (loss)	107,962	6,637	(32,855)	(7)	81,737
Share of result of					
- associated companies	-	(147)	-	-	(147)
- jointly controlled entities	-	4,340	-	-	4,340
Finance income	605	201	2,006	127	2,939
Finance cost	(20,458)	(2,789)	(3,141)	108	(26,280)
Profit / (loss) before tax	<u>88,109</u>	<u>8,242</u>	<u>(33,990)</u>	<u>228</u>	<u>62,589</u>
<u>Discontinued operations</u>					
Net loss for the period	(3,684)	-	-	-	(3,684)
Segment results	<u>84,425</u>	<u>8,242</u>	<u>(33,990)</u>	<u>228</u>	<u>58,905</u>
Unallocated costs					(8,560)
					<u>50,345</u>
Taxation					(25,570)
Profit for the period					<u>24,775</u>

## A9. Valuation of property, plant and equipment

Property, plant and equipment, are stated at cost less accumulated depreciation or amortisation and impairment loss, if any. There is no revaluation of property, plant and equipment, as the Group does not adopt a revaluation policy on property, plant and equipment.

## A10. Subsequent Events

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

### A11. Changes in composition of the Group

On 20 December 2013, Scomi Energy Services Bhd ("SESB"), a subsidiary of the Group, acquired 2 ordinary shares of RM1.00 each, representing the entire issued and paid-up share capital in Scomi D & P Sdn Bhd, for a cash consideration of RM2.00.

There were no other material changes in composition of the Group during the quarter.

### A12. Contingent liabilities

Details of contingent liabilities of the Group at the end of the quarter are as follows:

	<b>RM'000</b>
Contingent liabilities arising from :	
- claims by sub-contractors	12,606
- litigations	95
- tax matters	<u>774</u>

### A13. Capital and operating lease commitments

a) Capital commitments:

	<b>Approved and contracted for RM'000</b>	<b>Approved but not contracted for RM'000</b>	<b>Total RM'000</b>
Property, plant and equipment	11,488	65,239	76,727
Development expenditure	-	30,154	30,154
Vessels	95,163	24,485	119,648
Total	<u>106,651</u>	<u>119,878</u>	<u>226,529</u>

b) Operating lease commitments:

	<b>Current Due within 1 year RM'000</b>	<b>Non-current Due within 1 to 5 years RM'000</b>	<b>Total RM'000</b>
Land	36	504	540
Property	2,748	2,306	5,054
Plant and Machinery	3,692	2,304	5,995
Re-charter vessel contracts	22,027	33,071	55,098
Total	<u>28,503</u>	<u>38,185</u>	<u>66,687</u>

#### A14. Related Party Transactions

The following are the significant related party transactions:

	<b>Current Quarter 3 months ended 31 December 2013 RM'000</b>	<b>Cumulative 9 months 31 December 2013 RM'000</b>
<b><i>Transactions with a company connected to a Director</i></b>		
Purchase of airline ticketing services	458	1,256
Share registration and related professional fee	11	166
Claim processing and administration services	176	209

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES**

**B1. Review of Operating Segments**

**Current Quarter**

As tabulated below, the Group recorded revenues from continuing operations of RM469.6 million and a net profit of RM10.4 million for the current quarter ended 31 December 2013.

	<b>Q3 2014</b>				<b>Group RM'000</b>
	<b><u>Oilfield Services</u> RM'000</b>	<b><u>Marine Services</u> RM'000</b>	<b><u>Transport Solutions</u> RM'000</b>	<b><u>Others / Elimination</u> RM'000</b>	
<b><u>Current Quarter ended 31 December 2013</u></b>					
<b>Revenue</b>					
<u>Continuing operations</u>					
Revenue for the period	335,953	55,798	77,900	(13)	469,638
	335,953	55,798	77,900	(13)	469,638
<u>Discontinued operations</u>					
Revenue for the period	23,225	-	-	-	23,225
	<u>359,178</u>	<u>55,798</u>	<u>77,900</u>	<u>(13)</u>	<u>492,863</u>
<b>Results</b>					
<u>Continuing operations</u>					
Operating profit / (loss)	37,947	(7)	(8,800)	506	29,646
Share of result of	-	-	-	-	-
- associated companies	-	(52)	-	-	(52)
- jointly controlled entities	-	1,400	-	-	1,400
Finance income	271	51	653	98	1,073
Finance cost	(7,514)	(761)	(1,057)	(27)	(9,359)
Profit / (loss) before tax	30,704	631	(9,204)	577	22,708
<u>Discontinued operations</u>					
Net profit for the period	(275)	-	-	-	(275)
Segment results	<u>30,429</u>	<u>631</u>	<u>(9,204)</u>	<u>577</u>	<u>22,433</u>
Unallocated costs					(3,237)
					19,196
Taxation					(8,785)
Profit for the period					<u>10,411</u>

Following the change in the Group's annual reporting date from 31 December to 31 March 2013 in the previous financial period, there are no comparatives presented in respect of a corresponding quarter.

## B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a profit before tax from continuing operations of RM19.5 million in current quarter ended 31 December 2013 ("Q3 2014") as compared to a profit of RM19.1 million in the preceding quarter ended 30 September 2013 ("Q2 2014").

As tabulated below, the increase in the profit was principally due to a higher profit recorded by Oilfield Service Division as well as lower net corporate cost in Q3 2014 as compared to Q2 2014.

	<b>Current Quarter <u>Q3 2014</u> RM'000</b>	<b>Previous Quarter <u>Q2 2014</u> RM'000</b>
<b><u>Continuing operations</u></b>		
Revenue	469,638	384,609
Cost of revenue	(379,168)	(302,641)
Gross profit	<u>90,470</u>	<u>81,968</u>
Gross margin	19.3%	21.3%
<b><u>Segment results from continuing operations of :</u></b>		
- Oilfield Services Division	30,704	28,674
- Marine Services Division	631	2,103
- Transport Solutions Division	(9,204)	(8,377)
	<u>22,131</u>	<u>22,400</u>
Finance costs at SGB Corporate, net	(27)	(38)
	<u>22,104</u>	<u>22,362</u>
Other SGB corporate costs, net	(2,633)	(3,252)
Profit before tax	<u>19,471</u>	<u>19,110</u>

### **B3. Future prospects**

The Group remains optimistic of benefiting from the growth in Oil & Gas exploration & production activities, specifically in the South East Asia region, and the anticipated increase in transportation infrastructure projects in Malaysia, Brazil and India.

**Oilfield Services Division** is expected to record increased activity following the successful tenders that the Division has secured in Myanmar, Indonesia and West Africa. With a healthy order book in excess of RM5.0 billion and an upsurge in the oil and gas sector activity, the outlook for the division remains positive.

The Division's continued emphasis on service quality, contract execution and active participation for new jobs in Indonesia, Thailand, Malaysia and the Middle East are expected to translate into higher returns and profitability.

**Marine Services Division** is optimistic that the increase in the level of activity of oil and gas industry in the South East Asia region will translate into higher daily charter rates and high utilization for its offshore support vessels. However, the coal transportation business remains challenging with the Division's smaller fleet but continues to provide steady income from term contracts with major customers.

**Transport Solutions Division** continues to focus on project execution in its KL and Brazil monorail projects. In early January 2014, the division delivered the first four-car train, for the Kuala Lumpur monorail fleet expansion project while Mumbai Monorail project Phase 1 was launched on 1 February 2014. Management continues to focus on stringent costs management whilst taking measures to move the business forward and building up its order book.

Nevertheless, the division will continue to be challenged by the volatility of exchange rates, cost overruns arising out of project delays and contractual claims for extension of time, related costs and variation orders which have yet to be finalized with the clients.

The division will continue to pursue opportunities in monorail projects especially in Malaysia, Brazil and India, to capitalize on the increasing demand for infrastructure development in these countries.

### **B4. Variance of actual and revenue or profit estimate**

The Company has not announced or disclosed any revenue or profit estimate, forecast, projection or internal targets for the Group for the period under review.



## B5. Taxation

	<b>Current Quarter 3 months ended 31 December 2013 RM'000</b>	<b>Cumulative Period 9 months ended 31 December 2013 RM'000</b>
<b>Continuing operations</b>		
Current tax:		
Malaysian income tax	1,482	2,399
Foreign tax	10,446	18,776
	<u>11,928</u>	<u>21,175</u>
Over provision of income tax in prior years	(4)	-
	<u>11,924</u>	<u>21,175</u>
Deferred tax	(3,139)	4,395
Total from continuing operations	<u>8,785</u>	<u>25,570</u>
<b>Discontinued operations</b>		
Current tax:		
Malaysian income tax	-	-
Foreign tax	-	-
	<u>-</u>	<u>-</u>
Prior year:	-	-
	<u>-</u>	<u>-</u>
Deferred tax	-	-
Total from discontinued operations	<u>-</u>	<u>-</u>
Total income tax expense	<u>8,785</u>	<u>25,570</u>

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

The tax expense for the current quarter was mainly due to:

- a) non-deductibility of certain expenses for tax purposes;
- b) higher statutory corporate tax rates for certain foreign subsidiaries

## B6. Status of corporate proposals announced by the Company

There are no corporate proposal announced by the Company which are outstanding in the current quarter under review.

## **B7. Group borrowings and debt securities**

The Group borrowings and debt securities as at the end of the reporting period are as follows:

	<b>As at 31 December 2013 RM'000</b>
<b>Composition:</b>	
Current	745,887
Non Current	249,173
<b>Total</b>	<u>995,060</u>

The Group borrowings and debt securities are denominated in the following currencies:

	<b>As at 31 December 2013 RM'000</b>
<b>Denominated in:</b>	
Ringgit Malaysia	774,187
US Dollar	116,281
Indian Rupee	63,048
Brazil Real	32,986
Others	8,558
<b>Total</b>	<u>995,060</u>

On 6 December 2013, KMCOB Capital Berhad, an indirect subsidiary of the Group, has issued the RM300 million Guaranteed Serial Bonds ("Bonds"), with the tenure ranging from one (1) year to five point zero two (5.02) years. The proceeds raised from the Bonds will be utilized to, amongst others, refinance the outstanding amount under the existing Sukuk Murabahah.

## **B8. Change in material litigation**

Other than as disclosed under contingent liabilities in Note A12 for litigations, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material adverse 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 any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

## **B9. Proposed Dividend**

No dividend has been declared for the current quarter under review.

## B10. Earnings per share

The computation for earnings per share is as shown below.

		<b>Current Quarter 3 months ended 31 December 2013</b>	<b>Cumulative Period 9 months ended 31 December 2013</b>
<b>Basic and Diluted earnings per share</b>			
Net profit attributable to shareholders	(RM'000)	4,332	9,119
Weighted average number of shares	('000)	1,903,083	1,901,920
Basic and Diluted earnings per share	(sen)	0.23	0.48

## B11. Realised and Unrealised Retained Profits

The breakdown of retained earnings as at reporting date is as follows :

	<b>As at 31 December 2013 RM'000</b>	<b>As at 31 March 2013 RM'000 (Audited)</b>
Total retained profits of company and its subsidiaries:		
- Realised	1,085,835	909,196
- Unrealised	(249,253)	(369,657)
	<u>836,582</u>	<u>539,539</u>
Total share of retained profits from associated companies:		
- Realised	39,884	40,031
- Unrealised	-	-
Total share of retained profits from jointly controlled entities:		
- Realised	21,688	17,348
- Unrealised	-	-
	<u>898,154</u>	<u>596,918</u>
Consolidation adjustments	(786,595)	(508,609)
<b>Total retained earnings</b>	<u><u>111,559</u></u>	<u><u>88,309</u></u>

**B12. Profit for the period**

Profit for the period is stated after charging / (crediting) :

	<b>Current Quarter 3 months ended 31 December 2013 RM'000</b>	<b>Cumulative Period 9 months ended 31 December 2013 RM'000</b>
Interest income	(1,073)	(2,939)
Interest expense	17,103	48,747
Unrealized foreign exchange loss, net	2,463	12,360
Realized foreign exchange loss/(gain), net	(822)	3,655
Depreciation and amortisation	23,171	69,462
Reversal of impairment of receivables	(335)	(4,613)
(Gain)/loss on disposal of property, plant and equipment	(126)	(817)

**B13. Authorised for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 20 February 2014.