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 2016 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 30 June 2016.

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 year ended 31 March 2016.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

<u>Effective for annual periods commencing on or after 1 January 2016</u>

Amendments to MFRS 5	*Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 7	*Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 10	*Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities*: Applying the Consolidation Exception Amendments to MFRS 11 *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
MFRS 14	*Regulatory Deferral Accounts*
Amendments to MFRS 101	*Presentation of Financial Statements – Disclosure Initiative*
Amendments to MFRS 116	*Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to MFRS 116	*Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants*
Amendments to MFRS 119	*Employee Benefits (Annual Improvements 2012-2014 Cycle)*
Amendments to MFRS 127	*Separate Financial Statements – Equity Method in Separate Financial Statements*
Amendments to MFRS 134	*Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

<u>Effective for annual periods commencing on or after 1 January 2017</u>

Amendments to MFRS 107	*Statement of Cash Flows – Disclosure Initiative*
Amendments to MFRS 112	*Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

<u>Effective for annual periods commencing on or after 1 January 2018</u>

MFRS 9	*Financial Instruments (2014)*
MFRS 15	*Revenue from Contracts with Customers*

Effective for annual periods commencing on or after 1 January 2019

MFRS 16 *Leases*

Effective for a date yet to be confirmed

Amendments to MFRS 10 *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.
The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempt from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

The Group is currently assessing the financial impact that may arise from the adoption of the amendments.

A2. Qualification of financial statements

The preceding year annual financial statements 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 cash flows 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.

A7. Dividends Paid

No dividends were paid during the current quarter.

A8. Segmental Information

The segmental information is as tabulated below.

	Oilfield Services RM'000	Marine Services RM'000	Transport Solutions RM'000	Others/ Elimination RM'000	Group RM'000
Cumulative 3 month period ended 30 June 2016					
Revenue					
Continuing operations					
Revenue for the period	154,970	49,621	32,972	-	237,563
	154,970	49,621	32,972	-	237,563
Results					
Continuing operations					
Operating profit / (loss)	611	(7,626)	1,813	(16,349)	(21,551)
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	(599)	(1,765)	-	-	(2,364)
Other income	1,784	(609)	184	11,543	12,902
Finance cost	(5,578)	(15)	(1,404)	110	(6,887)
Segment results	(3,782)	(10,015)	593	(4,696)	(17,900)
Taxation					(4,199)
Profit for the period					(22,099)

	Oilfield Services RM'000	Marine Services RM'000	Transport Solutions RM'000	Others/ Elimination RM'000	Group RM'000
Cumulative 3 month period ended 30 June 2015					
Revenue					
Continuing operations					
Revenue for the period	283,828	49,975	46,092	-	379,895
	283,828	49,975	46,092	-	379,895
Results					
Continuing operations					
Operating profit / (loss)	27,053	(4,298)	2,774	1,918	27,447
Share of result of					-
- associated companies	-	-	-	-	-
- jointly controlled entities	-	2,059	-	(1,198)	861
Finance income	160	22	867	-	1,049
Finance cost	(6,792)	(153)	(1,682)	(705)	(9,332)
Segment results	20,421	(2,370)	1,959	15	20,025
Taxation					(6,017)
Profit for the period					14,008

A9. Valuation of property, plant and equipment

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

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

A12. Contingent liabilities

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

	RM'000
Contingent liabilities arising from :	
- tax matters	2,000

A13. Capital and operating lease commitments

a) Capital commitments:

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Property, plant and equipment	2,171	49,706	51,877
Development expenditure	-	1,713	1,713
Total	2,171	51,419	53,590

b) Operating lease commitments:

	Current Due within 1 year RM'000	Non-current Due within 1 & 5 years RM'000	Total RM'000
Land	75	-	75
Property	4,716	5,686	10,402
Plant and Machinery	755	164	919
Others	3,640	5,835	9,475
Total	9,186	11,685	20,871

A14. Related Party Transactions

The following are the significant related party transactions:

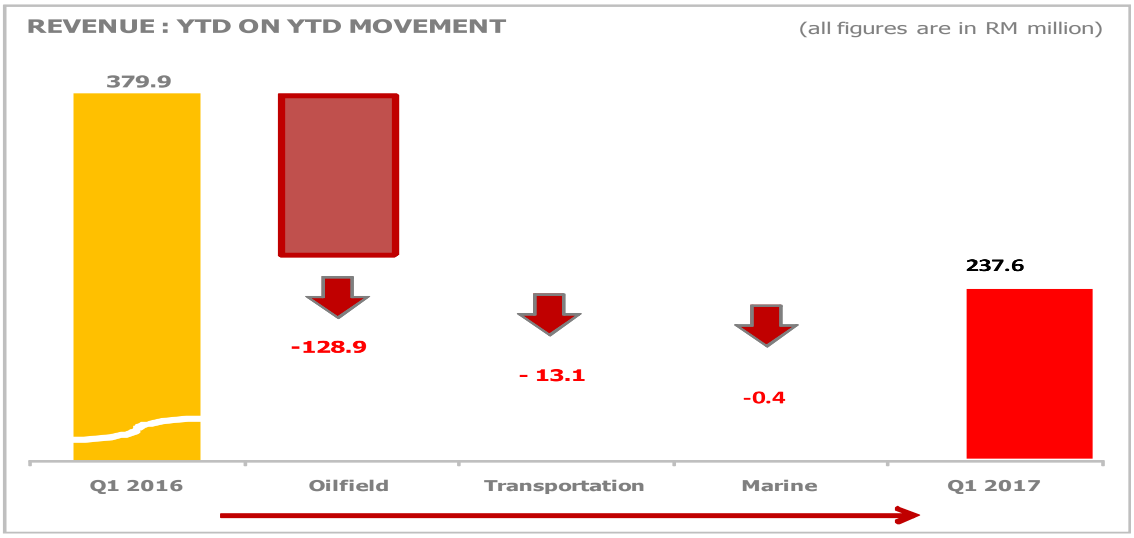
	Current Quarter 3 months ended 30 June 2016 RM'000	Cumulative 3 months ended 30 June 2016 RM'000
Transactions with a company connected to a Director		
Share registeration and related professional fee	6	6
Human resources processing	84	84

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

B1. Review of Operating Segments

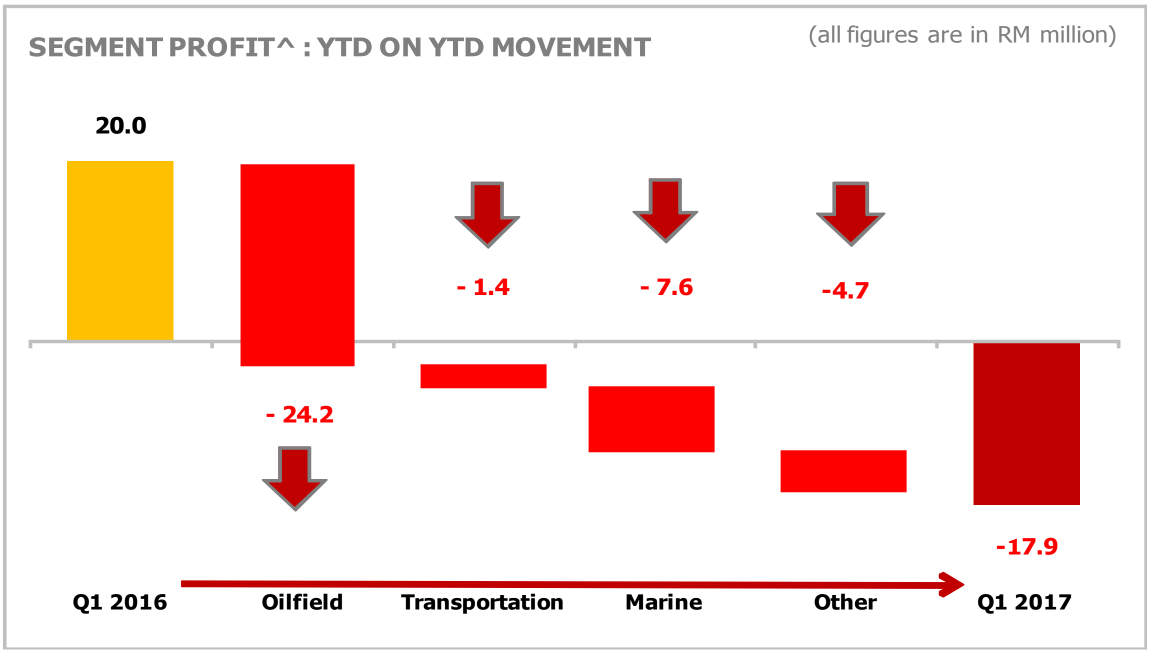
Current Quarter

Overall revenue for the current quarter ended 30 June 2016 ("Q1 2017") was RM237.6 million, a reduction of 37.5% from RM379.9 million recorded in the corresponding quarter ("Q1 2016"). Details of the key factors driving the performance of each segment are provided in the respective section below.



Total segment results for Q1 2017 and Q1 2016 were as follows:

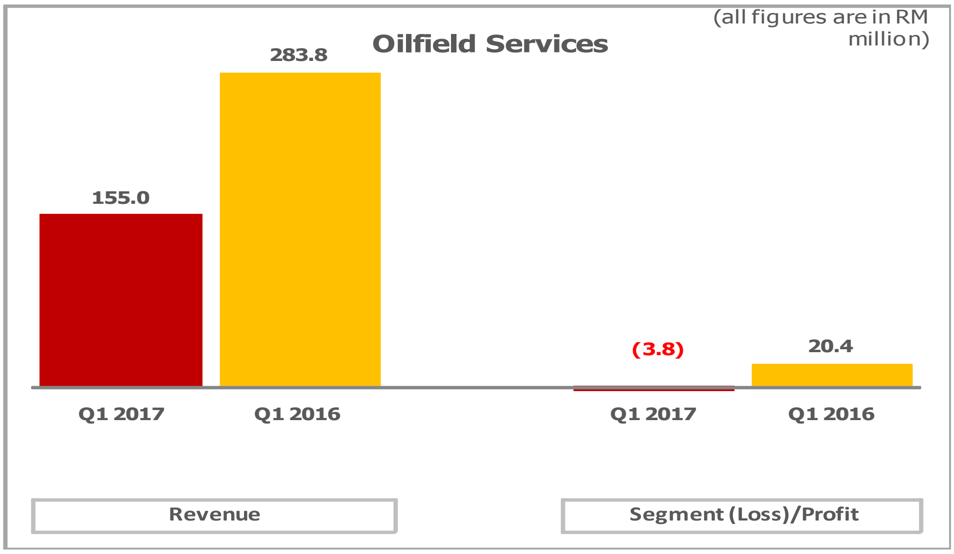
	Q1 2017 RM'000	Q1 2016 RM'000
Results		
Continuing operations		
Profit before tax	(17,900)	20,025



Details of the key factors driving the performance of each segment are provided in the respective sections below.

Oilfield Services

The Oilfield Services division recorded lower revenue of RM155.0 million, as compared to RM283.8 million in Q1 2016, due to lower drilling activities in Malaysia, Indonesia, Myanmar, Middle-East and West Africa. Customers have been cautious in their drilling plans due to low oil prices resulting in activities being deferred or delayed.

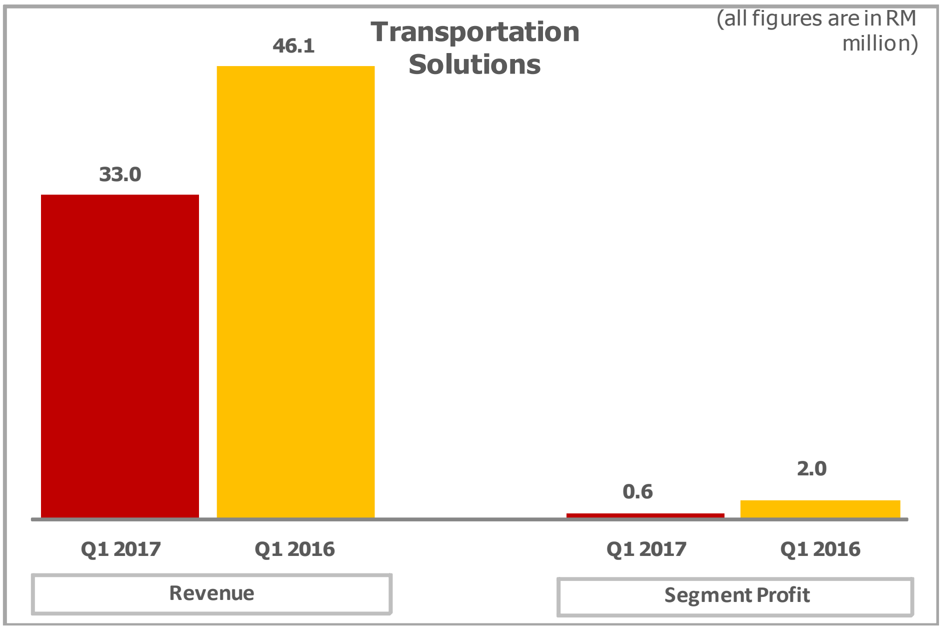


As tabulated below, the division posted a segment loss of RM3.8 million, as compared to a profit of RM20.4 million in Q1 2016. The decrease is due principally to lower profit from operations with fixed costs in place.

	Q1 2017 **RM'000**	**Q1 2016** **RM'000**
Continuing operations		
Operating profit	611	27,053
Share of result of		
- associated companies	-	-
- jointly controlled entities	(599)	-
Finance income	1,784	160
Finance cost	(5,578)	(6,792)
Segment results	(3,782)	20,421

Transport Solutions

The Transport Solutions division recorded lower revenue of RM33.0 million, as compared to RM46.1 million in Q1 2016. This is principally due to lower revenue generated from Rail segment.

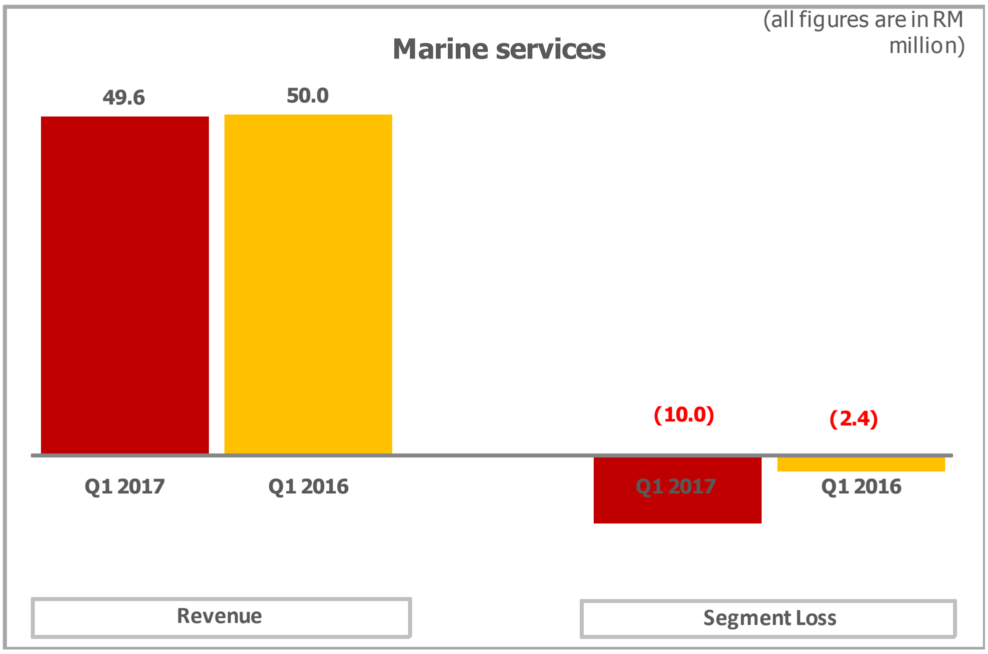


As a result, the division posted a lower profit of RM0.6 million, as compared to RM2.0 million in Q1 2016.

	Q1 2017 RM'000	Q1 2016 RM'000
Continuing operations		
Operating profit / (loss)	1,813	2,774
Finance income	184	867
Finance cost	(1,404)	(1,682)
Segment results	593	1,959

Marine Services

The Marine Services division recorded slightly lower revenue of RM49.6 million in Q1 2017 against RM50.0 million in Q1 2016, due to low utilisation of offshore vessels.



The division posted a loss of RM10.0 million against a loss of RM2.4 million in Q1 2016 due to lower revenue and fixed costs in place.

	Q1 2017 RM'000	Q1 2016 RM'000
Continuing operations		
Operating profit / (loss)	(7,626)	(4,298)
Share of result of		
- associated companies	-	-
- jointly controlled entities	(1,765)	2,059
Finance income	(609)	22
Finance cost	(15)	(153)
Segment results	(10,015)	(2,370)

B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a loss before tax from continuing operations of RM17.9 million in current quarter ended 30 June 2016 ("Q1 2017") as compared to a loss of RM19.8 million in the preceding quarter ended 31 March 2016 ("Q4 2016").

As tabulated below, the drop in loss was principally due to a combination of factors which include the following:

a) lower gross margin of 10.9% against 18.9% in the preceding quarter;

b) lower segment loss posted by the Marine Services division of RM10.0 million against RM35.8 million in the preceding quarter;

c) profit posted by the Transport Solutions division of RM0.6 million, as compared to a loss of RM17.3 million in the preceding quarter; and

d) Net corporate costs of RM4.7 million against corporate income of RM34.5 million in the preceding quarter.

Performance as Compared to Preceding Quarter

	Current Quarter Q1 2017 RM'000	Current Quarter Q4 2016 RM'000
Continuing operations		
Revenue	237,563	331,688
Cost of revenue	(211,707)	(269,051)
Gross profit	25,856	62,637
Gross margin	10.9%	18.9%
Segment results from continuing operations of :		
- Oilfield Services Division	(3,782)	(1,126)
- Marine Services Division	(10,015)	(35,810)
- Transport Solutions Division	593	(17,287)
	(13,204)	(54,223)
SGB Corporate income/(costs),net	(4,696)	34,457
(Loss)/Profit before tax	(17,900)	(19,766)

B3. Future prospects

Oilfield Services Division

Drilling Services

We expect the weakness in the oil prices to impact our revenue in the coming quarters. Unless there is a significant upward movement in the oil prices, activity is likely to remain soft, resulting in delay of projects and capex spending and greater pricing pressures. In this tough market condition, we are constantly working with our customers to improve efficiency through new products. We continue to focus on protecting our market share, actively manage our cost, improve liquidity while also looking to tap into new markets.

Development and Production Asset and Services

The segment continues to explore opportunities in the area of Development and Production and exploring projects that requires innovative and cost-efficient solutions. Ophir Production Sdn Bhd continues to streamline its Capex and Operating expenses in order to operate within a lean cost structure.

Marine Services Division

Market continues to remain challenging, and demand for vessels is weak. Management will focus its efforts in managing costs as well as expanding marketing efforts across a wider geographical area. Competition in this area will remain tough but management remains focused on prioritizing utilisation of our vessels.

Transport Solutions Division

The Group carries on with intensive efforts to expand businesses in its current markets of Brazil, India and Malaysia and to pursue new businesses in various strategic markets including China, Thailand, Turkey, Pakistan and Sri Lanka.

The existing projects continue to be faced with various challenges that affect the operations and financial performance. However, various mitigation actions are being executed to alleviate the effects.

Scomi Transit Project Sdn Bhd ("STP"), a wholly-owned subsidiary of Scomi Engineering Berhad, is currently in litigation relating to the termination of the Kuala Lumpur Monorail Fleet Expansion Project. Should the outcome of the legal proceedings be unfavourable, it will have material adverse impact on the Group. STP will continue to pursue its extension of time and variation order claims pursuant to the Construction Industry Payment & Adjudication Act 2012 ("CIPAA") and in arbitration and all other claims in line with its entitlements.

In view of these, the Group remains cautious of its performance for the financial year.

B4. Variance of actual and revenue or profit estimate

The Group 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

	Current Quarter 3 months ended 30 June 2016 RM'000	Cumulative Period 3 months ended 30 June 2016 RM'000
Continuing operations		
Current tax:		
Malaysian income tax	356	356
Foreign tax	4,047	4,047
	4,403	4,403
Deferred tax	(204)	(204)
Total from continuing operations	4,199	4,199
Total income tax expense	4,199	4,199

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) 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 was no corporate proposal announced by the Company 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:

	As at 30 June 2016 RM'000
Current	576,732
Non Current	187,792
Total	764,524

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

	As at 30 June 2016 RM'000
Denominated in:	
Ringgit Malaysia	544,364
US Dollar	167,273
Indian Rupee	52,831
Others	56
Total	764,524

B8. Change in material litigation

Claims by Molinari Rail AG and Molinari Rail Austria GmbH

The following arbitrations have been instituted against Scomi Rail Bhd ("SRB") and the Company respectively:

a) SIAC ARB 036/14/ALO between Molinari Rail Austria GmbH and Molinari Rail AG v SRB ("SRB Arbitration"); and

b) SIAC ARB 090/16/JJ between Molinari Rail AG v SEB ("SEB Arbitration")

Arbitration hearing on the SRB Arbitration has commenced on 1 August 2016 and is ongoing. Molinari claims payment for services provided. SRB, the main recipient of the services, is defending the claims and making a counter claim arising out of the services performed by the claimants.

The Company is currently in negotiations with Molinari to amicably settle the SEB Arbitration.

Notice of Termination by Prasarana Malaysia Bhd ("PMB") of the Kuala Lumpur Fleet Expansion Project ("Project") Contract dated 3 June 2011 (as supplemented by the First Supplemental Agreement dated 16 April 2014 and the Second Supplemental Contract dated 15 April 2015) (collectively, the "Contract")

The Contract between PMB and Scomi Transit Project Sdn Bhd ("STP") relates to the Project which involves the upgrade of the stations and systems of the Kuala Lumpur Monorail and replaces the old trains with 12 new 4-car trains, 6 of which have been delivered with 5 in successful revenue service. 83% of the Project works have been completed by STP despite extensive delays beyond its control and ongoing disputes relating to contractor claims.

On 22 July 2016, the Kuala Lumpur High Court dismissed STP's Originating Summons filed on 20 June 2016 to prevent the Notice of Termination issued by PMB on 9 June 2016 "Notice") from taking effect until such time as the matter of the validity of the notice is finally determined in arbitration.

On 25 July 2016, STP filed a Notice of Appeal against the said dismissal which is scheduled for hearing on 16 August 2016.

STP is currently challenging the purported termination of the Contract on the basis that, amongst other things, the Notice was bad in law, made in bad faith, unconscionable, contrived to relief STP as contractors for the Project and was a breach of the Contract.

Earlier, on 21 July 2016, STP filed a Notice of Arbitration for wrongful termination of the Contract by PMB and will continue pursuing its rights in arbitration. STP will also continue to pursue its extension of time and variation order claims pursuant to the CIPAA and in arbitration and all other claims in line with its entitlements.

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.

		Current Quarter 3 months ended 30 June 2016	Cumulative Period 3 months ended 30 June 2016
Basic earnings per share			
Net profit attributable to shareholders	(RM'000)	(12,214)	(12,214)
Weighted average number of shares			
Issued shares at opening	('000)	1,903,083	1,903,083
Treasury shares	('000)	(14,427)	(14,427)
Weighted average number of shares	('000)	1,888,656	1,888,656
Basic earnings per share	(sen)	(0.65)	(0.65)
Diluted earnings per share			
Net profit attributable to shareholders	(RM'000)	(12,214)	(12,214)
Issued shares at opening	('000)	1,903,083	1,903,083
Effect of conversion of convertible Bonds	('000)	-	-
Weighted average number of shares	('000)	1,903,083	1,903,083
Diluted earnings per share	(sen)	(0.64)	(0.64)

B11. Realised and Unrealised Retained Profits

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

	As at 30 June 2016 RM'000	As at 31 March 2016 RM'000 (Audited)
Total retained profits of company and its subsidiaries:		
- Realised	1,181,159	1,253,371
- Unrealised	(264,543)	(318,423)
	916,616	934,948
Total share of retained profits from associated companies:		
- Realised	(16,733)	(9,418)
- Unrealised	-	-
Total share of retained profits from jointly controlled entities:		
- Realised	20,984	13,837
- Unrealised	-	-
	920,867	939,367
Consolidation adjustments	(799,695)	(805,981)
Total retained earnings	121,172	133,386

B12. Profit for the period

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

	Current Quarter 3 months ended 30 June 2016 RM'000	Cumulative Period 3 months ended 30 June 2016 RM'000
Interest income	(377)	(377)
Interest expense	6,887	6,887
Unrealized foreign exchange (gain)/loss, net	(7,453)	(7,453)
Realized foreign exchange loss/(gain), net	1,343	1,343
Depreciation and amortisation	27,199	27,199
Reversal of doubtful debt provision	(6,011)	(6,011)
Loss on disposal of property, plant and equipment	57	57

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 11 August 2016.