

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 September 2016.

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 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:

Effective for annual periods commencing on or after 1 January 2016

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

Effective for annual periods commencing on or after 1 January 2017

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

Effective for annual periods commencing on or after 1 January 2018

MFRS 9	<i>Financial Instruments (2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>

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.

	<u>Oilfield Services</u> RM'000	<u>Marine Services</u> RM'000	<u>Transport Solutions</u> RM'000	<u>Others/ Elimination</u> RM'000	<u>Group</u> RM'000
Cumulative 6 month period ended 30 September 2016					
Revenue					
<u>Continuing operations</u>					
Revenue for the period	265,343	84,726	63,540	-	413,609
	<u>265,343</u>	<u>84,726</u>	<u>63,540</u>	<u>-</u>	<u>413,609</u>
Results					
<u>Continuing operations</u>					
Operating profit / (loss)	(3,395)	(18,549)	(410)	(19,224)	(41,578)
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	(760)	(4,269)	-	-	(5,029)
Other income	3,598	(952)	246	7,890	10,782
Finance cost	(10,260)	(158)	(2,252)	6	(12,664)
	<u>(10,817)</u>	<u>(23,928)</u>	<u>(2,416)</u>	<u>(11,328)</u>	<u>(48,489)</u>
Segment results					(48,489)
Taxation					(5,058)
Profit for the period					<u>(53,547)</u>

	<u>Oilfield Services</u> RM'000	<u>Marine Services</u> RM'000	<u>Transport Solutions</u> RM'000	<u>Elimination</u> RM'000	<u>Group</u> RM'000
Cumulative 6 month period ended 30 September 2015					
Revenue					
<u>Continuing operations</u>					
External sales	534,685	93,567	89,399	-	717,651
Inter-segment sales	-	-	-	-	-
	<u>534,685</u>	<u>93,567</u>	<u>89,399</u>	<u>-</u>	<u>717,651</u>
Results					
<u>Continuing operations</u>					
Operating profit / (loss)	56,182	(9,543)	5,905	2,195	54,739
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	-	2,452	-	(2,608)	(156)
Finance income	537	44	1,309	-	1,890
Finance cost	(14,483)	(320)	(3,349)	(109)	(18,261)
	<u>42,236</u>	<u>(7,367)</u>	<u>3,865</u>	<u>(522)</u>	<u>38,212</u>
Segment results					38,212
Unallocated costs					(3,501)
					<u>34,711</u>
Taxation					(14,134)
Profit for the period					<u>20,577</u>

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	<u>2,000</u>

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	2,055	45,545	47,600
Others	140	4,095	4,235
Total	<u>2,195</u>	<u>49,640</u>	<u>51,835</u>

b) Operating lease commitments:

	Current Due within 1 year RM'000	Non-current Due within 1 & 5 years RM'000	Total RM'000
Land	30	-	30
Property	3,956	3,666	7,622
Plant and Machinery	1,206	559	1,765
Others	4,448	6,335	10,783
Total	<u>9,641</u>	<u>10,560</u>	<u>20,201</u>

A14. Related Party Transactions

The following are the significant related party transactions:

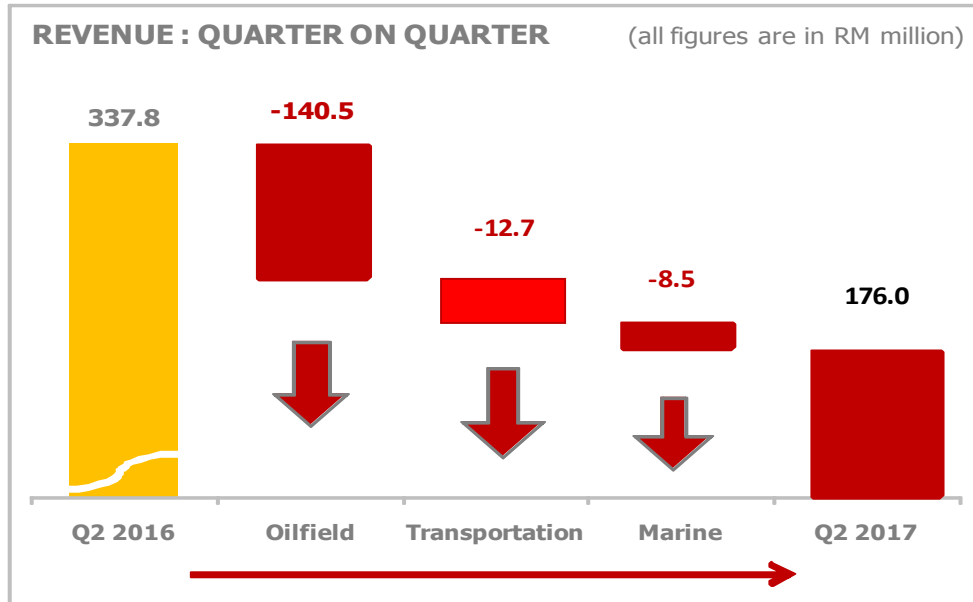
	Current Quarter 3 months ended 30 Sept 2016 RM'000	Cumulative 6 months ended 30 Sept 2016 RM'000
<i>Transactions with a company connected to a Director</i>		
Leasing of computers	24	48
Share registration and related professional fee	11	18
Human resources processing	96	180
Air ticketing	235	507

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

B1. Review of Operating Segments

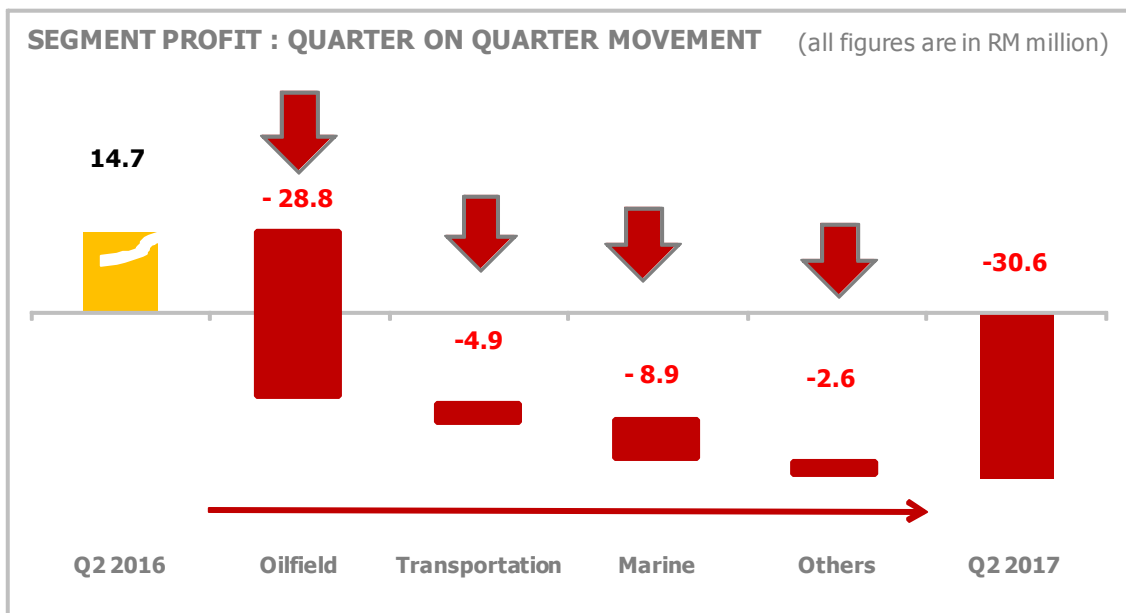
Current Quarter

Overall revenue for the current quarter ended 30 September 2016 ("Q2 2017") was RM176.0 million, a reduction of 47.9% from RM337.8 million recorded in the corresponding quarter ("Q2 2016"). Details of the key factors driving the performance of each segment are provided in the respective section below.



Total segment results for Q2 2017 and Q2 2016 were as follows:

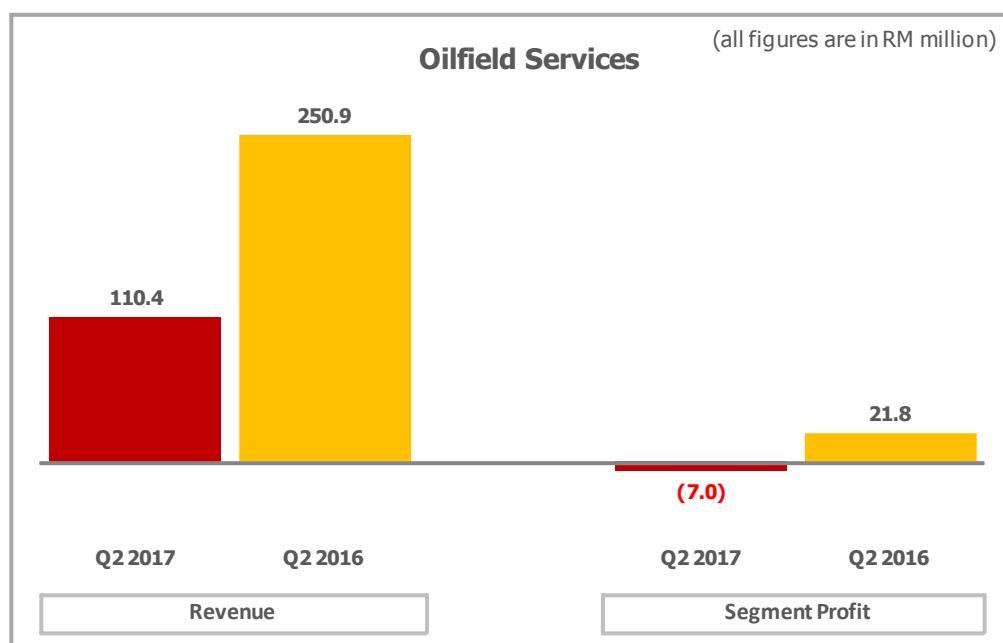
Results	Q2 2017 RM'000	Q2 2016 RM'000
Continuing operations		
Profit before tax	<u>(30,589)</u>	<u>14,686</u>



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 RM110.4 million, as compared to RM250.9 million in Q2 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.

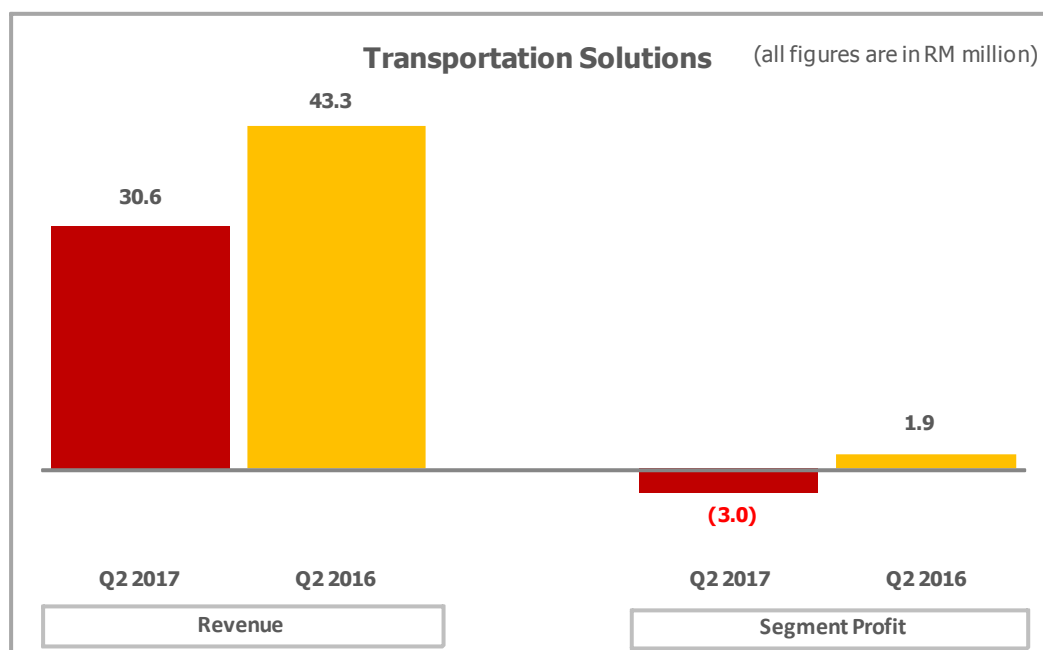


As tabulated below, the division posted a segment loss of RM7.0 million, as compared to a profit of RM21.8 million in Q2 2016. The decrease is due principally to lower profit from operations with fixed costs in place.

	<u>Q2 2017</u>	<u>Q2 2016</u>
	RM'000	RM'000
<u>Continuing operations</u>		
Operating profit	(4,006)	29,129
Share of result of - jointly controlled entities	(161)	-
Finance income	1,814	377
Finance cost	(4,682)	(7,691)
Segment results	<u>(7,035)</u>	<u>21,815</u>

Transport Solutions

The Transport Solutions division recorded lower revenue of RM30.6 million, as compared to RM43.3 million in Q2 2016. This is principally due to lower revenue generated from both Rail and Commercial Vehicle segments.

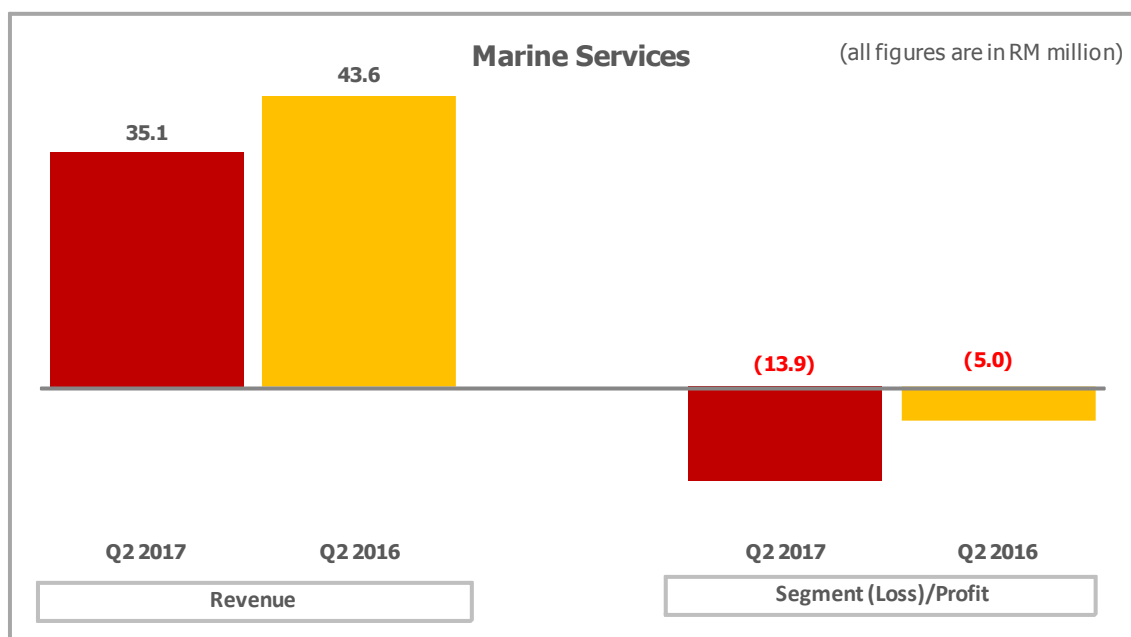


The division posted a loss of RM3.0 million, as compared to a profit of RM1.9 million in Q2 2016. These were mainly due to unrealised foreign exchange losses arising from translation of accrued receivables for the Mumbai monorail project as the INR weakened against RM.

	<u>Q2 2017</u>	<u>Q2 2016</u>
	RM'000	RM'000
<u>Continuing operations</u>		
Operating profit	(2,223)	3,131
Finance income	62	442
Finance cost	(848)	(1,667)
Segment results	<u>(3,009)</u>	<u>1,906</u>

Marine Services

The Marine Services division recorded lower revenue of RM35.1 million in Q2 2017 against RM43.6 million in Q2 2016, due to low utilisation of offshore vessels.



The division posted a loss of RM13.9 million against a loss of RM5.0 million in Q2 2016 due to lower revenue and fixed costs in place.

	<u>Q2 2017</u>	<u>Q2 2016</u>
	RM'000	RM'000
<u>Continuing operations</u>		
Operating loss	(10,923)	(5,245)
Share of result of - jointly controlled entities	(2,504)	393
Finance income	(343)	22
Finance cost	(143)	(167)
Segment results	<u>(13,913)</u>	<u>(4,997)</u>

B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a loss before tax from continuing operations of RM30.6 million in the current quarter ended 30 September 2016 ("Q2 2017") as compared to a loss of RM17.9 million in the preceding quarter ended 30 June 2016 ("Q1 2016").

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

- a) lower gross margin of 6.9% against 10.9% in the preceding quarter;
- b) higher segment loss posted by both Oilfield and Marine Services divisions of RM7.0 million and RM13.9 million respectively, against RM3.8 million and RM10.0 million in the preceding quarter; and
- c) loss posted by the Transport Solutions division of RM3.0 million, as compared to a profit of RM0.6 million in the preceding quarter

Performance as Compared to Preceding Quarter

	Current Quarter Q2 2017 RM'000	Previous Quarter Q1 2017 RM'000
<u>Continuing operations</u>		
Revenue	176,046	237,563
Cost of revenue	(163,924)	(211,707)
Gross profit	<u>12,122</u>	<u>25,856</u>
Gross margin	6.9%	10.9%
<u>Segment results from continuing operations of :</u>		
- Oilfield Services Division	(7,035)	(3,782)
- Marine Services Division	(13,913)	(10,015)
- Transport Solutions Division	(3,009)	593
	<u>(23,957)</u>	<u>(13,204)</u>
SGB Corporate income/(costs),net	(6,632)	(4,696)
(Loss)/Profit before tax	<u>(30,589)</u>	<u>(17,900)</u>

B3. Future prospects

Oilfield Services Division

Drilling Services

Oil price is expected to remain at current levels in the near term. Customers are not investing significantly resulting in low revenue. Our primary focus continues to be in the area of cost optimization and bringing new products to market in existing countries. We continue to diversify our product lines by capitalising on the initiatives we have with our business partners.

Development and Production Asset and Services

Ophir Production Sdn Bhd continues to streamline its Capex and Operating expenses in order to operate within a lean cost structure to mitigate the impact of low oil prices. First oil is now re-scheduled to mid-2017.

Marine Services Division

Coal prices have strengthened which creates opportunities for higher utilisation of our vessels. Offshore vessels continue to remain unutilized though management is focused on being very competitive with our charters. We continue to explore opportunities to charter out the vessels at competitive rates.

Transport Solutions Division

The Group continues its efforts to complete its current projects in Brazil, India and Malaysia and is progressing well with the additional scopes awarded for the Line 17 Monorail Project in Brazil. There is added focus to pursue new businesses in various strategic markets such as China, Thailand and Turkey.

The existing projects continue to be faced with various challenges that affect the operations and financial performance. However, various mitigative actions continue to be 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. Concurrently STP continues to pursue its extension of time and variation order claims and all other claims in line with its entitlements. Unfavorable outcome of these will potentially have an adverse impact to the Group.

The Group's performance outlook remains challenging for the rest of 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 Sept 2016 RM'000	Cumulative Period 6 months ended 30 Sept 2016 RM'000
Continuing operations		
Current tax:		
Malaysian income tax	(688)	(333)
Foreign tax	1,343	5,390
	<u>655</u>	<u>5,057</u>
Deferred tax	204	0
Total from continuing operations	<u>859</u>	<u>5,057</u>
Total income tax expense	<u>859</u>	<u>5,057</u>

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 Sept 2016 RM'000
Current	549,105
Non Current	271,900
Total	<u>821,005</u>

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

	As at 30 Sept 2016 RM'000
Denominated in:	
Ringgit Malaysia	544,997
US Dollar	221,479
Indian Rupee	54,510
Others	19
Total	821,005

B8. Change in material litigation

Claims by and Counter Claims against 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 ("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 ("Appeal Hearing").

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 relieve 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.

On 26 July 2016, the Court did not extend the interim injunction granted on 22 July 2016. However, the Court made an order restraining PMB from appointing another contractor for the Project until the Appeal Hearing.

On 16 August 2016, the Court of Appeal had adjourned the Appeal Hearing to 20 September 2016. Subsequently, the Appeal Hearing was adjourned to 9 November 2016 and on that date it was adjourned again to 10 January 2017.

The Court also extended the earlier interim injunction order restraining PMB from appointing another contractor for the Project until 20 September 2016. Subsequently, the injunction order was extended to 9 November 2016 and on that date it was extended to 10 January 2017.

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 6 months ended 30 Sept 2016
Basic earnings per share			
Net profit attributable to shareholders	(RM'000)	(21,159)	(33,373)
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)	(1.12)	(1.77)
Diluted earnings per share			
Net profit attributable to shareholders	(RM'000)	(21,159)	(33,373)
Issued shares at opening	('000)	1,903,083	1,903,083
Weighted average number of shares	('000)	1,903,083	1,903,083
Diluted earnings per share	(sen)	(1.11)	(1.75)

B11. Realised and Unrealised Retained Profits

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

	As at 30 Sept 2016 RM'000	As at 31 March 2016 RM'000 (Audited)
Total retained profits of company and its subsidiaries:		
- Realised	1,153,900	1,253,371
- Unrealised	(256,974)	(318,423)
	<u>896,927</u>	<u>934,948</u>
Total share of retained profits from associated companies:		
- Realised	(16,733)	(9,418)
- Unrealised	-	-
Total share of retained profits from jointly controlled entities:		
- Realised	18,319	13,837
- Unrealised	-	-
	<u>898,513</u>	<u>939,367</u>
Consolidation adjustments	(798,500)	(805,981)
Total retained earnings	<u><u>100,013</u></u>	<u><u>133,386</u></u>

B12. Profit for the period

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

	Current Quarter 3 months ended 30 Sept 2016 RM'000	Cumulative Period 6 months ended 30 Sept 2016 RM'000
Interest income	(425)	(802)
Interest expense	5,776	12,663
Unrealized foreign exchange (gain)/loss, net	(10,310)	(17,763)
Realized foreign exchange loss/(gain), net	1,483	2,826
Depreciation and amortisation	25,309	52,508
Reversal of doubtful debt provision	(32)	(6,043)
Gain on disposal of property, plant and equipment	(68)	(11)

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 28 November 2016.