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 31 December 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 9 month period ended 31 December 2016					
Revenue					
Continuing operations					
Revenue for the period	391,657	127,920	118,613	-	638,190
	391,657	127,920	118,613	-	638,190
Results					
Continuing operations					
Operating profit / (loss)	(15,826)	(25,106)	(29,579)	(21,751)	(92,262)
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	(1,014)	(6,011)	-	-	(7,025)
Other income	24,435	2,009	33,804	5,091	65,339
Finance cost	(15,305)	(1,330)	(3,583)	(4)	(20,222)
Segment results	(7,710)	(30,438)	642	(16,664)	(54,170)
Taxation					(6,477)
Profit for the period					(60,647)

	Oilfield Services RM'000	Marine Services RM'000	Transport Solutions RM'000	Elimination RM'000	Group RM'000
Cumulative 9 month period ended 31 December 2015					
Revenue					
Continuing operations					
External sales	807,691	145,036	138,877	-	1,091,604
Inter-segment sales	-	-	-	-	-
	807,691	145,036	138,877	-	1,091,604
Results					
Continuing operations					
Operating profit / (loss)	72,818	(10,418)	8,739	(19,602)	51,537
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	-	1,032	-	(2,839)	(1,807)
Other income	12,291	(2,926)	1,569	13,827	24,761
Finance cost	(21,418)	(443)	(4,901)	(165)	(26,927)
Segment results	63,691	(12,755)	5,407	(8,779)	47,564
Taxation					(17,961)
Profit for the period					29,603

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	2,200

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	-	38,781	38,781
Others	-	4,468	4,468
Total	-	43,249	43,249

b) Operating lease commitments:

	Current Due within 1 year RM'000	Non-current Due within 1 & 5 years RM'000	Total RM'000
Land	-	-	-
Property	5,122	5,763	10,885
Plant and Machinery	559	559	1,118
Others	4,193	6,052	10,245
Total	9,874	12,374	22,248

A14. Related Party Transactions

The following are the significant related party transactions:

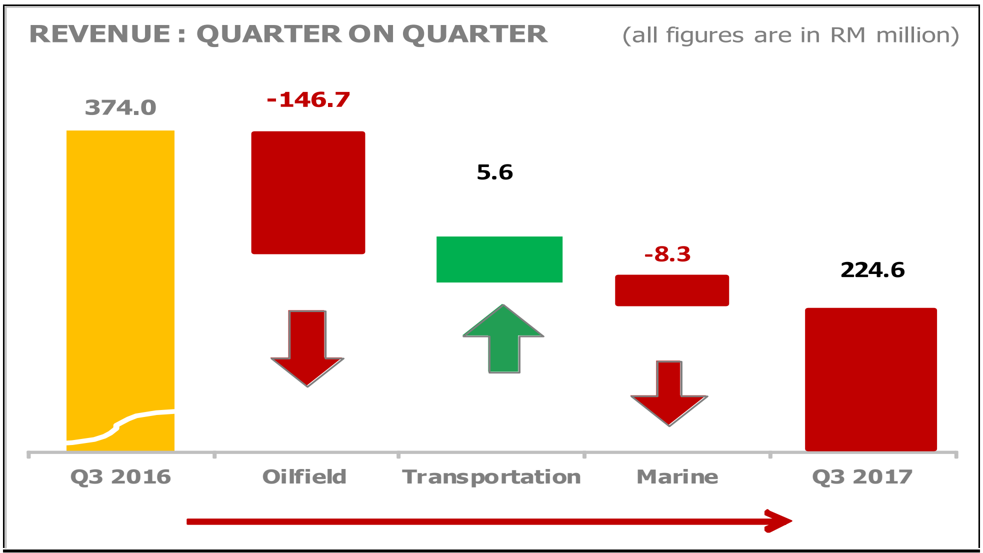
	Current Quarter 3 months ended 31 Dec 2016 RM'000	Cumulative 9 months ended 31 Dec 2016 RM'000
Transactions with companies connected to Directors		
Leasing of computers	12	48
Share registeration and related professional fee	34	58
Human resources processing	87	250
Air ticketing	240	747

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

B1. Review of Operating Segments

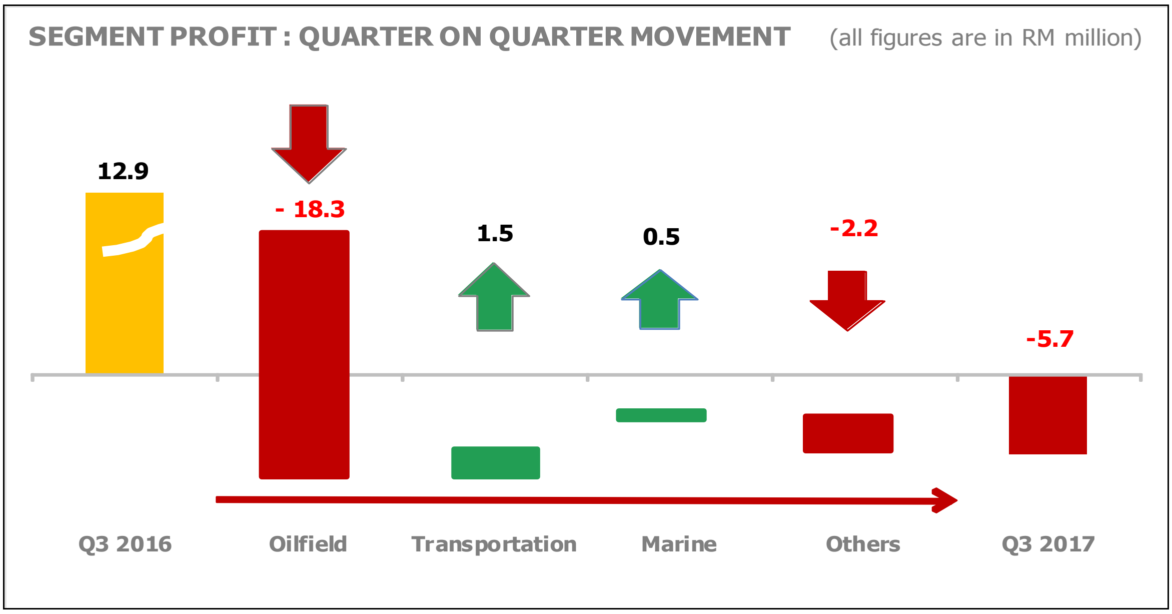
Current Quarter

Overall revenue for the current quarter ended 31 December 2016 ("Q3 2017") was RM224.6 million, a reduction of 40.0% from RM374.0 million recorded in the corresponding quarter ("Q3 2016"). Details of the key factors driving the performance of each segment are provided in the respective section below.



Total segment results for Q3 2017 and Q3 2016 were as follows:

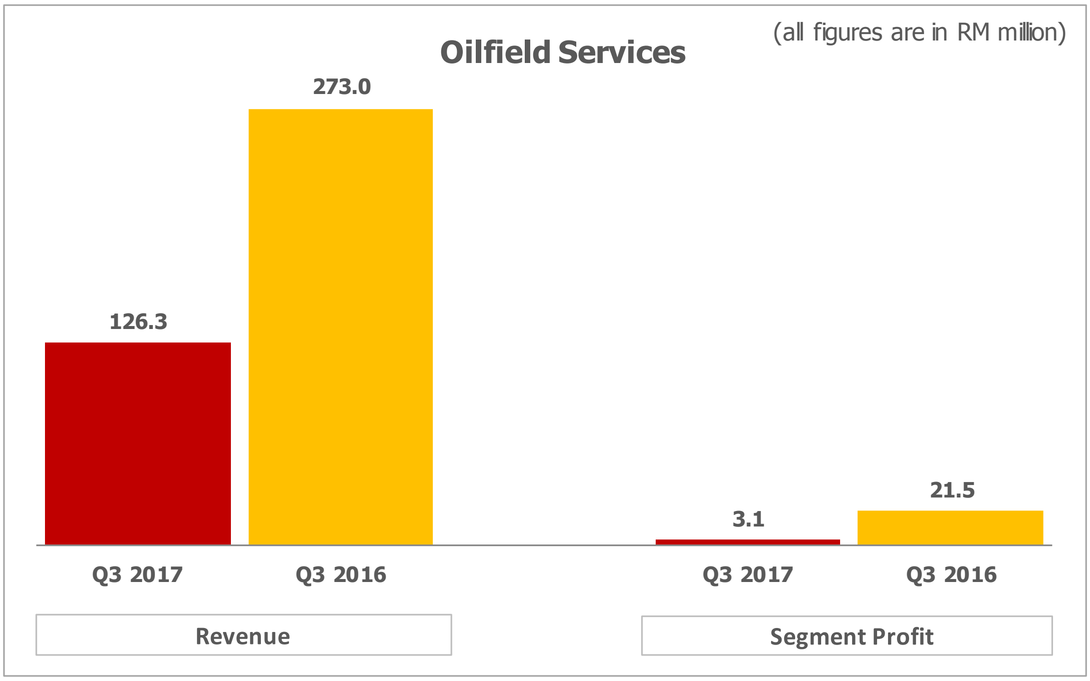
	Q3 2017 RM'000	Q3 2016 RM'000
Results		
Continuing operations		
Profit before tax	(5,681)	12,853



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 RM126.3 million, as compared to RM273.0 million in Q3 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.

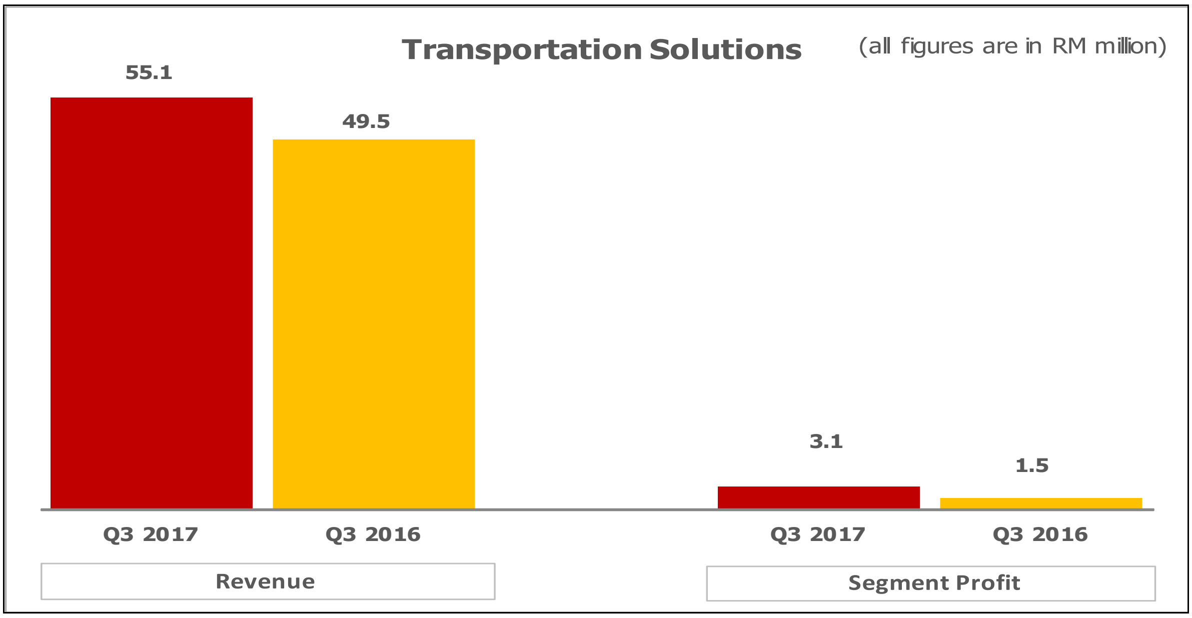


As tabulated below, the division posted a segment profit of RM3.1 million, as compared to a profit of RM21.5 million in Q3 2016. The decrease is due principally to lower profit from operations with fixed costs in place.

	Q3 2017 RM'000	Q3 2016 RM'000
Continuing operations		
Operating profit	(12,431)	16,636
Share of result of		
- jointly controlled entities	(254)	-
Other income	20,837	11,754
Finance cost	(5,045)	(6,935)
Segment results	3,107	21,455

Transport Solutions

The Transport Solutions division recorded higher revenue of RM55.1 million, as compared to RM49.5 million in Q3 2016. This is principally due to higher revenue generated from Commercial Vehicle segments.

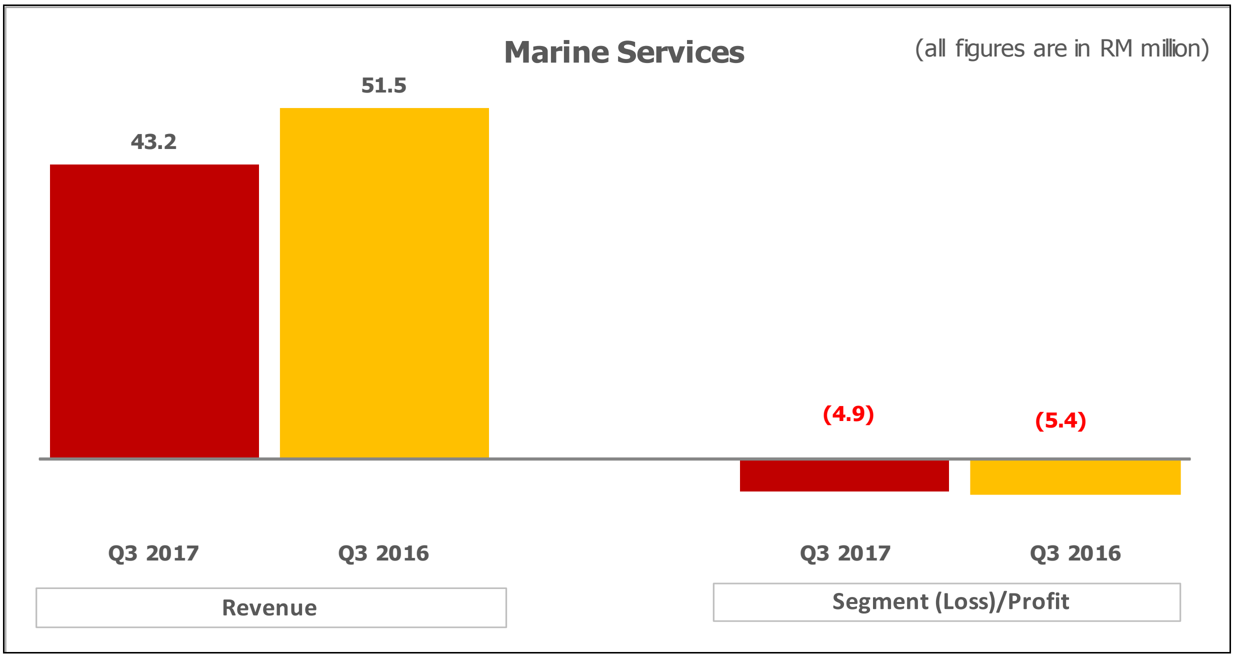


The division posted a profit of RM3.1 million, as compared to a profit of RM1.5 million in Q3 2016. This was mainly due to higher revenue and increased unrealised foreign exchange gains arising from translation of accrued receivables for the Mumbai monorail project as a result of strengthening of the INR against RM.

	Q3 2017 RM'000	Q3 2016 RM'000
Continuing operations		
Operating profit	(29,169)	2,834
Other income	33,558	260
Finance cost	(1,331)	(1,552)
Segment results	3,058	1,542

Marine Services

The Marine Services division recorded lower revenue of RM43.2 million in Q3 2017 against RM51.5 million in Q3 2016, due to low utilisation of offshore vessels.



The division posted a loss of RM4.9 million slightly lower than Q3 2016. Despite lower revenue and higher finance cost in the current quarter, this is off set against other income of RM2.8 million for the quarter.

	Q3 2017 RM'000	Q3 2016 RM'000
Continuing operations		
Operating loss	(4,961)	(875)
Share of result of		
- jointly controlled entities	(1,742)	(1,420)
Other income	2,961	(2,970)
Finance cost	(1,172)	(123)
Segment results	(4,914)	(5,388)

B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a loss before tax from continuing operations of RM5.7 million in the current quarter ended 31 December 2016 ("Q3 2017") as compared to a loss of RM30.6 million in the preceding quarter ended 30 September 2016 ("Q2 2017").

As tabulated below, the improved result was principally due to a combination of factors which include the following:

a) Unrealised foreign exchange gain of RM20.5 million from the Oilfield Services Segment and RM33.2 million from the Transport Segment;

b) Profit before tax from both Transport Solutions and Oilfield divisions of RM3.1 million each, against losses of RM7.0 million and RM3.0 million in the preceding quarter; and

c) Lower loss before tax posted by the Marine Services division of RM4.9 million, as compared to RM13.9 million in the preceding quarter.

Performance as Compared to Preceding Quarter

	Current Quarter Q3 2017 RM'000	**Previous Quarter Q2 2017 RM'000**
Continuing operations		
Revenue	224,581	176,046
Cost of revenue	(218,865)	(163,924)
Gross profit	5,716	12,122
Gross margin	2.5%	6.9%
Segment results from continuing operations of :		
- Oilfield Services Division	3,107	(7,035)
- Marine Services Division	(4,914)	(13,913)
- Transport Solutions Division	3,058	(3,009)
	1,251	(23,957)
SGB Corporate income/(costs),net	(6,932)	(6,632)
(Loss)/Profit before tax	(5,681)	(30,589)

B3. Future prospects

Oilfield Services Division

Drilling Services

The last nine months financial performance have been below expectations. However, oil price has been trending higher in the last couple of months which should encourage our customers to invest in drilling. We continue to bid for new contracts in this challenging environment, especially bringing new products such as production chemicals and green-based chemicals to our existing and new markets. Competitive pricing and a mutually beneficial value proposition with the customers would be the key to growing our revenue.

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 scheduled for mid-2017.

Marine Services Division

The strengthening of Coal prices provides an avenue for revenue growth for Marine Services. We are cautiously optimistic that the activity levels would increase in the coal industry and result in positive improvements in the utilisation of the Coal vessels. We continue to explore all opportunities available for the Offshore vessels with the objective to secure competitive contracts.

Transport Solutions Division

The Group continues its efforts to complete its current projects. Even though the current projects continue to be faced with various challenges that affect the operations and financial performance, various mitigative actions continue to be executed to alleviate the effects.

Work continues on Phase 2 of the Mumbai Monorail Project in India and the additional scopes awarded for the Line 17 Monorail Project in Brazil.

In Malaysia, Scomi Transit Project Sdn Bhd ("STP"), a wholly-owned subsidiary of Scomi Engineering Bhd, is currently in litigation relating to the termination of the Kuala Lumpur Monorail Fleet Expansion Project. STP also continues to pursue its extension of time and variation order claims and all other claims in line with its entitlements. Whilst STP is in discussion with its client, to resolve the matter amicably, any unfavorable outcome will potentially have an adverse impact on the Group.

As part of future growth plan, there is added focus to pursue projects in various strategic markets such as China, Turkey and ASEAN.

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 31 Dec 2016 RM'000	Cumulative Period 9 months ended 31 Dec 2016 RM'000
Continuing operations		
Current tax:		
Malaysian income tax	1,133	801
Foreign tax	45	5,435
	1,178	6,236
Under provision of income tax in prior years	241	241
Total income tax expense	1,419	6,477

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 31 Dec 2016 RM'000
Current	547,220
Non Current	239,545
Total	786,765

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

	As at 31 Dec 2016 RM'000
Denominated in:	
Ringgit Malaysia	531,124
US Dollar	197,532
Indian Rupee	58,110
Total	786,765

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 commenced on 1 August 2016 and completed on 8 August 2016. Molinari claims payment for services provided. SRB, the main recipient of the services, is defending the claims and has a counter claim arising out of the services performed by the claimants. The parties have delivered their respective written submissions on the claims and counterclaims. The Final Award by the Arbitral Tribunal is pending.

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.

By written notice PMB purported to terminate the Contract on 9 June 2016. STP disputed the purported termination and applied to the Kuala Lumpur High Court on 20 June 2016 to restrain the termination of the Contract pending reference of dispute to arbitration on grounds that the purported terminated was in breach of the Contract, was bad in law, made in bad faith, unconscionable and that PMB was estopped from terminating the Contract ("the dispute").

STP filed a Notice of Arbitration against PMB in respect of the dispute on 21 July 2016. The arbitration is pending.

On 22 July 2016, the High Court dismissed STP's action to restrain the purported termination of the Contract pending arbitration ("High Court Decision").

On 25 July 2016, STP filed an appeal against the High Court Decision which was fixed for hearing on 16 August 2016 ("**Appeal**").

The High Court on 26 July 2016, on an application by STP, granted an interim injunction to restrain PMB from appointing another contractor in respect of the Project pending the disposal of the Appeal on 16 August 2016 ("interim injunction").

On 16 August 2016, the Court of Appeal adjourned the hearing of the Appeal to 20 September 2016 and extended the interim injunction to 20 September 2016.

The hearing of the Appeal was adjourned to 9 November 2016, 10 January 2017 and 20 February 2017. The interim injunction was extended by the Court of appeal until 9 November 2016, and then to 10 January 2017 and to 20 February 2017 respectively.

The hearing of the Appeal was adjourned on 20 February 2017 and now fixed for hearing on 27 April 2017. By agreement, the interim injunction was extended to 27 April 2017.

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 31 Dec 2016	Cumulative Period 9 months ended 31 Dec 2016
Basic earnings per share			
Net profit attributable to shareholders	(RM'000)	(6,174)	(39,547)
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)	(0.33)	(2.09)
Diluted earnings per share			
Net profit attributable to shareholders	(RM'000)	(6,174)	(39,547)
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)	(0.32)	(2.08)

B11. Realised and Unrealised Retained Profits

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

	As at 31 Dec 2016 RM'000	As at 31 March 2016 RM'000 (Audited)
Total retained profits of company and its subsidiaries:		
- Realised	1,106,262	1,253,371
- Unrealised	(211,304)	(318,423)
	894,958	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	16,323	13,837
- Unrealised	-	-
	894,548	939,367
Consolidation adjustments	(800,709)	(805,981)
Total retained earnings	93,839	133,386

B12. Profit for the period

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

	Current Quarter 3 months ended 31 Dec 2016 RM'000	Cumulative Period 9 months ended 31 Dec 2016 RM'000
Interest income	(1,308)	(2,110)
Interest expense	7,559	20,222
Unrealized foreign exchange (gain)/loss, net	(40,187)	(57,950)
Realized foreign exchange loss/(gain), net	(1,076)	1,750
Depreciation and amortisation	28,240	80,748
Reversal of doubtful debt provision	(145)	(6,188)
Gain on disposal of property, plant and equipment	117	106

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 24 February 2017.