SCOMI GROUP BHD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	Quarter 3 months ended 30 June 2017 RM '000	Quarter 3 months ended 30 June 2016 RM '000	Cummulative Period 3 months ended 30 June 2017 RM '000	Cummulative Period 3 months ended 30 June 2016 RM '000
Continuing Operations					
Revenue	A8	**213,809**	**237,563**	**213,809**	**237,563**
Cost of revenue		(187,425)	(211,707)	(187,425)	(211,707)
Gross profit		**26,384**	**25,856**	**26,384**	**25,856**
Other income, net		26,226	12,902	26,226	12,902
Operating expenses		(69,515)	(47,407)	(69,515)	(47,407)
Finance costs		(6,524)	(6,887)	(6,524)	(6,887)
Share of results of jointly controlled entities		(1,235)	(2,364)	(1,235)	(2,364)
Profit before taxation	B12	(24,664)	(17,900)	(24,664)	(17,900)
Taxation	B5	(3,115)	(4,199)	(3,115)	(4,199)
Profit for the period	A8	**(27,779)**	**(22,099)**	**(27,779)**	**(22,099)**
Other comprehensive income					
Currency translation differences		(48,454)	21,153	(48,454)	21,153
Cash flow hedges		4,223	1,479	4,223	1,479
Retirement benefit		-	-	-	-
Other comprehensive income, net of tax		(44,231)	22,632	(44,231)	22,632
Total comprehensive income for the period		**(72,010)**	**533**	**(72,010)**	**533**
Profit attributable to:					
Owners of the Company		(16,180)	(12,214)	(16,180)	(12,214)
Non-controlling interests		(11,599)	(9,885)	(11,599)	(9,885)
		(27,779)	**(22,099)**	**(27,779)**	**(22,099)**
Total comprehensive income attributable to:					
Owners of the Company		(49,157)	590	(49,157)	590
Non-controlling interests		(22,853)	(57)	(22,853)	(57)
		(72,010)	**533**	**(72,010)**	**533**
Earnings per share	B10	sen	sen	sen	sen
Basic earnings per share		(0.85)	(0.64)	(0.85)	(0.64)

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	As at 30 June 2017 RM'000	As at 31 March 2017 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	A9	565,032	590,886
Intangible assets		280,103	282,446
Investment properties		2,414	2,499
Investment in associate		7,939	7,439
Investment in joint ventures and joint operations		54,319	53,794
Available-for-sale financial asset		170	170
Deferred tax assets		39,407	39,032
Receivables		189	226
		949,573	976,492
Current assets			
Inventories		172,994	181,434
Receivables, deposits and prepayments		1,123,586	1,082,244
Current tax assets		25,561	31,899
Short-term deposits, cash and bank balances		118,383	163,815
		1,440,524	1,459,392
Total assets		**2,390,097**	**2,435,884**
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital		636,582	636,582
Treasury shares		(18,696)	(18,696)
Share premium		-	-
Other reserves		(101,709)	(68,732)
Retained earnings		8,779	24,959
		524,956	574,113
Non controlling interests		479,294	502,147
		1,004,250	1,076,260
Non-current liabilities			
Payables		5,584	7,374
Provision for retirement benefit		5,831	10,800
Loans and borrowings	B7	124,449	123,661
Deferred taxation		18,823	18,510
Derivative financial liabilities		18,595	21,118
		173,282	181,463
Current liabilities			
Trade and other payables		499,109	467,401
Loans and borrowings	B7	664,618	647,437
Current tax liabilities		31,578	39,909
Deferred government grant		180	269
Derivative financial liabilities		17,080	23,145
		1,212,565	1,178,161
Total liabilities		1,385,847	1,359,624
Total equity and liabilities		**2,390,097**	**2,435,884**
Net asset per share attributable to equity holders of the parent (RM)		0.27	0.30

The above should be read in conjuction with the audited financial statements for the year ended 31 March 2017.

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Convertible bond reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 April 2017	**636,582**	**-**	**(18,696)**	**-**	**(68,732)**	**24,959**	**574,113**	**502,147**	**1,076,260**
Foreign currency translation differences for foreign operations	-	-	-		(35,749)	-	(35,749)	(12,705)	(48,454)
Cash flow hedges	-	-	-		2,772		2,772	1,451	4,223
Retirement benefits	-	-	-		-		-	-	-
Profit for the period						(16,180)	(16,180)	(11,599)	(27,779)
Total comprehensive income for the period	-	-	-	-	(32,977)	(16,180)	(49,157)	(22,853)	(72,010)
Transfer pursuant to S618(2) of Companies Act, 2016			-	-	-	-	-		-
			-	-	-	-	-	-	-
At 30 June 2017	**636,582**	**-**	**(18,696)**	**-**	**(101,709)**	**8,779**	**524,956**	**479,294**	**1,004,250**
At 1 April 2016	**191,751**	**444,831**	**(18,696)**	**-**	**(97,744)**	**133,386**	**653,528**	**537,002**	**1,190,530**
Foreign currency translation differences for foreign operations	-	-	-		23,059	-	**23,059**	20,224	43,283
Cash flow hedges					5,953		**5,953**	3,167	9,120
Retirement benefits	-	-	-		-	(1,022)	**(1,022)**	-	(1,022)
Profit for the year					-	(107,405)	**(107,405)**	(58,246)	(165,651)
Total comprehensive income for the year	-	-	-	-	**29,012**	**(108,427)**	**(79,415)**	**(34,855)**	**(114,270)**
Transfer pursuant to S618(2) of Companies Act, 2016	444,831	(444,831)	-		-		**-**	-	-
At 31 March 2017	**636,582**	**-**	**(18,696)**	**-**	**(68,732)**	**24,959**	**574,113**	**502,147**	**1,076,260**

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017

	Cumulative Quarter	
	3 months ended 30 June 2017 RM'000	**3 months ended 30 June 2016 RM'000**
Cash flows from operating activities		
Profit before taxation continuing operations	(24,664)	(17,900)
Adjustments for non-cash items	41,754	31,271
Operating profit before working capital changes	**17,090**	**13,371**
Changes in working capital:		
Inventories	8,440	6,550
Trade and other receivables	(36,065)	(15,758)
Trade and other payables	(30,768)	(4,965)
Cash from operations	(41,303)	(802)
Tax paid	(2,755)	(6,037)
Redundancy payments	74	29
Net cash from operating activities	**(43,984)**	**(6,810)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,647)	(4,064)
Proceeds from disposal of property, plant and equipment	(303)	52
Addition to intangible assets	-	1
Investment in associates	(500)	-
Interest received	418	462
Net cash used in investing activities	**(4,032)**	**(3,549)**
Cash flows from financing activities		
Proceeds from bank borrowings	28,209	417
Repayment of bank borrowings	(4,381)	(8,631)
Interest paid on borrowings	(13,777)	(13,701)
Increase in cash and short term deposit pledged as security	(2,572)	(16,778)
Net cash (used in) / from financing activities	**7,479**	**(38,693)**
Net decrease in cash and cash equivalents	(40,537)	(49,052)
Cash and cash equivalents at beginning of period	32,795	44,444
Currency translation differences	(6,555)	13,381
Cash and cash equivalents at end of period	**(14,297)**	**8,773**
Cash and cash equivalents comprise:		
Short term deposits with licensed banks	60,786	96,909
Cash and bank balances	57,607	73,314
Bank overdrafts	(77,734)	(75,440)
	40,659	94,783
Less: Short-term deposit pledged as securities	(54,956)	(86,010)
	(14,297)	**8,773**

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 2017 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 2017.

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 2017.

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 2017

Amendments to MFRS 12	*Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
Amendments to MFRS 107	*Statement of Cash Flows – Disclosure Initiative*
Amendments to MFRS 112	*Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

Effective for annual periods commencing on or after 1 January 2018

MFRS 9	*Financial Instruments (2014)*
MFRS 15	*Revenue from Contracts with Customers*
Clarifications to MFRS 15	*Revenue from Contracts with Customers*
IC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
Amendments to MFRS 2	*Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
Amendments to MFRS 4	*Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
Amendments to MFRS 128	*Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
Amendments to MFRS 140	*Investment Property – Transfers of Investment Property*

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 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

The amendments clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

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 2017					
Revenue					
Revenue for the period	132,090	36,399	45,320	-	213,809
Results					
Operating loss	(9,454)	(3,475)	(11,409)	(18,793)	(43,131)
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	-	(1,235)	-	-	(1,235)
Other income	2,200	(85)	1,619	22,492	26,226
Finance cost	(3,666)	(1,010)	(3,360)	1,512	(6,524)
Segment results	(10,920)	(5,805)	(13,150)	5,211	(24,664)
Taxation					(3,115)
Profit for the period					(27,779)

	Oilfield Services RM'000	Marine Services RM'000	Transport Solutions RM'000	Elimination RM'000	Group RM'000
Cumulative 3 month period ended 30 June 2016					
Revenue					
External sales	154,970	49,621	32,972	-	237,563
Results					
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)

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	-	49,805	49,805
Others	-	1,982	1,982
Total	-	51,787	51,787

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	3,353	5,865	9,217
Plant and Machinery	1,071	301	1,372
Vessels	2,686	3,850	6,536
Others	35	53	88
Total	7,145	10,069	17,213

A14. Related Party Transactions

The following are the significant related party transactions:

	Current Quarter 30 June 2017 RM'000	Cumulative 3 months ended 30 June 2017 RM'000
Transactions with companies connected to Directors		
Leasing of computers	9	9
Share registration and related professional fee	27	27
Human resources processing	88	88
Air ticketing	108	108

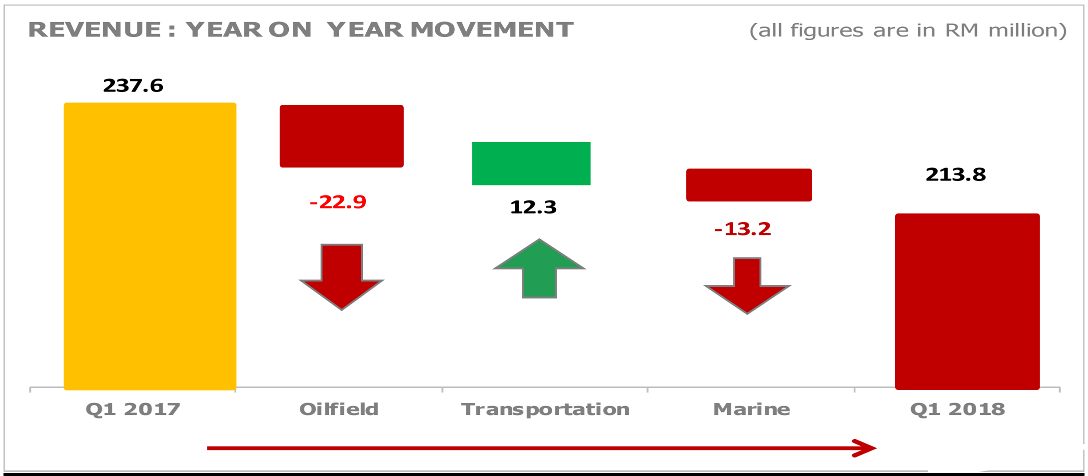
The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Group and the Company than those arranged with independent third parties.

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

B1. Review of Operating Segments

Current Quarter

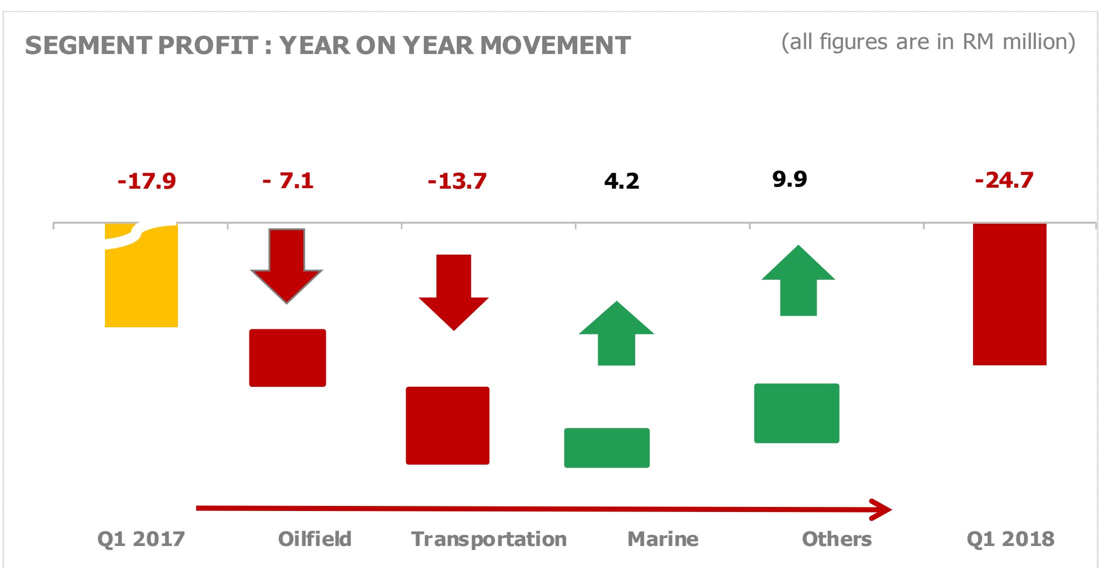
Overall revenue for the current quarter ended 30 June 2017 ("Q1 2018") was RM213.8 million, a reduction of 10.0% from RM237.6 million recorded in the corresponding quarter ("Q1 2017"). Details of the key factors driving the performance of each segment are provided in the respective section below.



Total segment results for Q1 2018 and Q1 2017 were as follows:

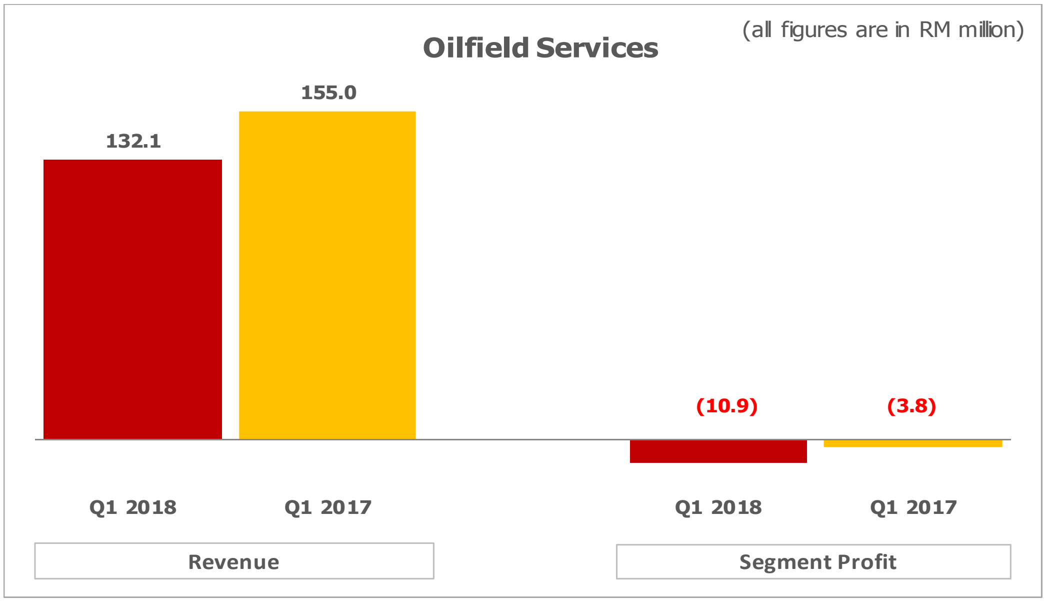
	Q1 2018 RM'000	Q1 2017 RM'000
Results		
Losses before tax	(24,664)	(17,900)

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 RM132.1 million, as compared to RM155.0 million in Q1 2017, due to lower drilling activities in most countries except Russia which recorded a 23% revenue growth.

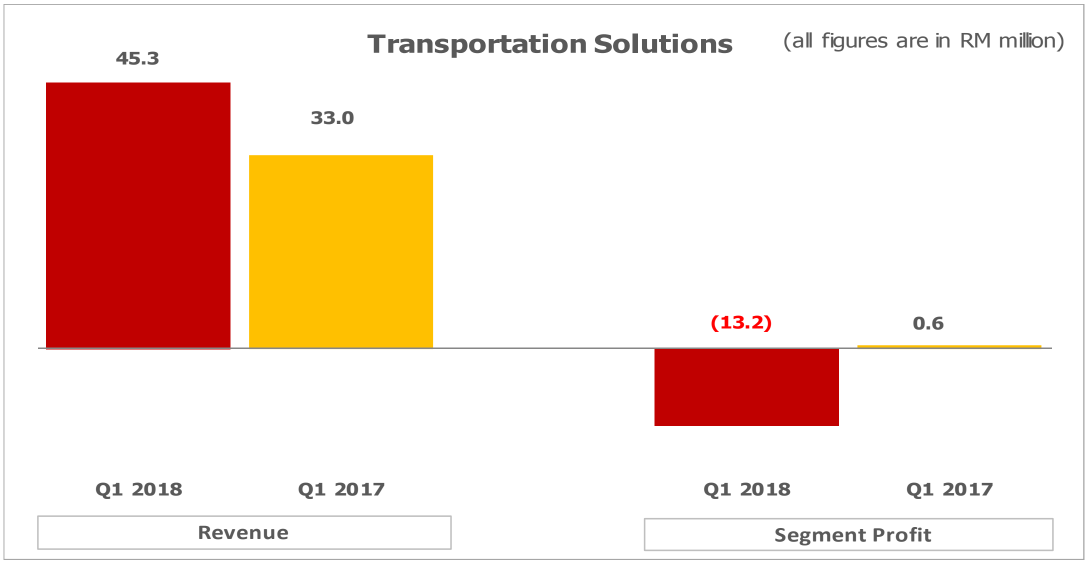


As tabulated below, the division posted a segment loss of RM10.9 million, as compared to RM3.8 million in Q1 2017. The decrease is principally due to lower revenue and forex losses amounting to RM5.4 million. These were partly offset by lower opex compared to corresponding quarter as a result of the cost-cutting initiatives undertaken during the year.

	Q1 2018 **RM'000**	**Q1 2017** **RM'000**
Operating (loss)/profit	(9,454)	611
Share of result of		
- jointly controlled entities	-	(599)
Other income	2,200	1,784
Finance cost	(3,666)	(5,578)
Segment results	(10,920)	(3,782)

Transport Solutions

The Transport Solutions division recorded higher revenue of RM45.3 million, as compared to RM33.0 million in Q1 2017. This is principally due to higher revenue generated from Commercial Vehicle segments.

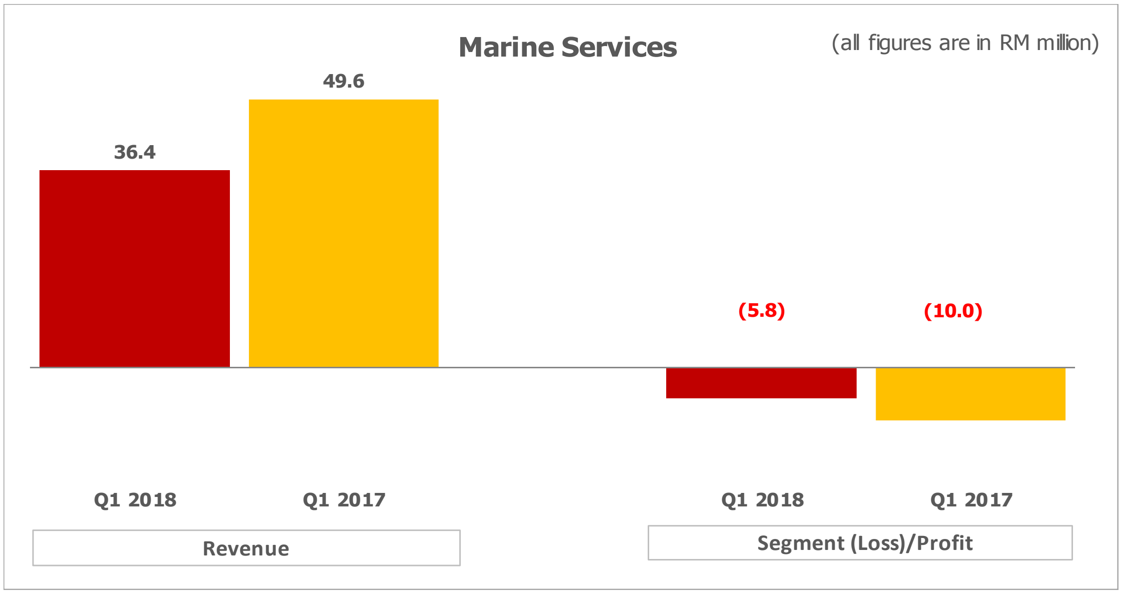


The division posted a loss of RM13.2 million, as compared to a profit of RM0.6 million in Q1 2017. This was mainly due to unrealised forex loss of accrued receivables for both Mumbai and Brazil Monorail projects as a result of the weakening of the Indian Rupee and Brazilian Reals against Malaysian Ringgit during the quarter.

	Q1 2018 RM'000	Q1 2017 RM'000
Operating (loss)/profit	(11,409)	1,813
Other income	1,619	184
Finance cost	(3,360)	(1,404)
Segment results	(13,150)	593

Marine Services

The Marine Services division recorded lower revenue of RM36.4 million in Q1 2018 against RM49.6 million in Q1 2017, due to lower coal affreightment contract revenue.



The loss before tax of RM5.8 million was mainly due to the idle Offshore Vessels and the forex loss amounting to RM1.9 million. Operating expenditure was lower by 7.0% compared to corresponding quarter as a result of the cost-cutting initiatives undertaken during the year.

	Q1 2018 RM'000	Q1 2017 RM'000
Operating loss	(3,475)	(7,626)
Share of result of		
- jointly controlled entities	(1,235)	(1,765)
Other expense	(85)	(609)
Finance cost	(1,010)	(15)
Segment results	(5,805)	(10,015)

B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a loss before tax of RM31.2 million in the current quarter ended 30 June 2017 ("Q1 2018") as compared to a loss of RM94.2 million in the preceding quarter ended 31 March 2017 ("Q4 2017").

As tabulated below, the variance was principally due to Transport Solutions Division higher losses in the current quarter as compared to immediate preceding quarter, as a result of unrealised foreign exchange losses arising from translation of accrued receivables for Mumbai Monorail project due to the weakening of Indian Rupee against Malaysian Ringgit and unrealised foreign exchange losses arising from translation of US Dollar loan for Brazil Monorail project due to the weakening of Brazilian Real against US Dollar.

However, the above negative variances were offset by better margins at both Oilfield and Marine Services as a result of higher activities, various cost-cut initiatives as well as favorable product-mix margins.

Note that the preceding quarter results for Oilfield and Marine Services was impacted by non-recurring charges of RM65.6 million.

Performance as Compared to Immediate Preceding Quarter

	Current Quarter Q1 2018	**Previous Quarter Q4 2017**	**Changes**	
	RM'000	**RM'000**	**RM'000**	**%**
Revenue	213,809	188,702	25,107	13.3%
Cost of revenue	(187,425)	(171,971)	(15,454)	9.0%
Gross profit	26,384	16,731	9,653	57.7%
Gross margin	12.3%	8.9%	3.5%	39.2%
Segment results from continuing operations of :				
- Oilfield Services Division	(10,920)	(71,708)	60,788	84.8%
- Marine Services Division	(5,805)	(16,781)	10,976	65.4%
- Transport Solutions Division	(13,150)	(7,353)	(5,797)	-78.8%
	(29,875)	(95,842)	65,967	68.8%
SGB Corporate income, net	5,211	1,609	3,602	223.9%
Loss before tax	(24,664)	(94,233)	69,569	-73.8%

B3. Future prospects

Oilfield Services Division

Drilling Services

The oil price has been hovering between USD45 to USD50 per barrel in the current quarter. Supply and demand has been slow to return to an equilibrium (primarily due to large inventory), although OPEC production cuts should see some drawdown of inventory. Activity is likely to be sluggish until the end of calendar year 2017. Any increase activities will come in calendar year 2018. We continue to explore opportunities that require minimal investment and to leverage on our existing resources and competitive advantage.

Development and Production Asset and Services

For Ophir Production, the well drilling campaign is expected to be completed by August/September 2017. First oil is expected by fourth quarter of calendar year 2017.

Marine Services Division

The stable coal price has continued to drive activity at the Coal unit and we envisage it should contribute positively to the bottom line of the segment. However, we expect the Offshore Vessels unit to continue impacting the profitability of Marine Services as we explore all possibilities to charter out the vessels in a challenging market.

Transport Solutions Division

The Group continues to intensify efforts to expand businesses in its current markets of Brazil and India and to pursue new businesses in various strategic markets such as China, Turkey and ASEAN for the Rail segment. The Commercial Vehicles segment is also actively pursuing new businesses within Malaysia and in ASEAN for its bus and special vehicles projects.

The Group continues with efforts to complete its current projects. Even though the current projects continue to be faced with various challenges that affect the progress and financial performance, various mitigative actions are being implemented.

For Mumbai Monorail Project in India, work continues on Phase 2 with expected commencement of operations of Phase 2 before end 2017.

In Malaysia, Scomi Transit Project Sdn Bhd ("STP"), a wholly-owned subsidiary of Scomi Engineering Bhd, is currently in litigation relating to the Kuala Lumpur Monorail Fleet Expansion Project. STP continues to pursue its extension of time and variation order claims 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 30 June 2017 RM'000	Cumulative Period 3 months ended 30 June 2017 RM'000
Continuing operations		
Current tax:		
Malaysian income tax	(448)	(448)
Foreign tax	2,714	2,714
	2,266	2,266
Deferred tax:		
Foreign	849	849
Total from continuing operations	3,115	3,115

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:

- Losses in certain tax jurisdictions not qualifying for tax relief;
- The tax effects of the different tax rates in various jurisdictions and certain expenses not deductible for tax purposes; and
- The above mentioned income tax is related to the revenues and profits recorded by the operating subsidiaries and there are no group relief for losses.

B6. Status of corporate proposals announced by the Company

On 21 August 2017, the Company submitted formal proposals ("Proposal Letters") to the Board of Directors of Scomi Energy Services Bhd ("Scomi Energy") and Scomi Engineering Bhd ("Scomi Engineering"), which are 65.6%-owned and 72.3%-owned subsidiaries of the Company respectively, in respect of the proposed mergers of Scomi Energy and Scomi Engineering with the Company to be undertaken by way of a members' scheme of arrangement pursuant to section 366 of the Companies Act, 2016 ("Proposed Mergers").

In conjunction with the Proposed Mergers, the Company proposes to undertake the following prior to the implementation of the Proposed Mergers:

a. proposed consolidation of every 2 existing ordinary shares in the capital of the Company ("Shares") into 1 ordinary Share ("Consolidated Share") on an entitlement date to be determined and announced later ("Proposed Share Consolidation"); and

b. proposed bonus issue of up to 671,128,549 warrants in Scomi ("Warrants") on the basis of 7 Warrants for every 10 Consolidated Shares held on an entitlement date to be determined and announced later ("Proposed Bonus Issue of Warrants").

<u>Proposed Merger of Scomi Energy</u>
The Proposed Merger of Scomi Energy shall involve the acquisition by the Company and the transfer of all the ordinary shares in Scomi Energy not already owned by the Company ("Scomi Energy Scheme Shares") from all the shareholders of Scomi Energy other than the Company ("Scomi Energy Scheme Shareholders"). The Scomi Energy Scheme Shares shall include the shares in Scomi Energy held by the persons acting in concert with the Company ("PACs").

Proposed Merger of Scomi Engineering

The Proposed Merger of Scomi Engineering shall involve the acquisition by the Company and the transfer of all the ordinary shares in Scomi Engineering not already owned by the Company ("Scomi Engineering Scheme Shares") from all the shareholders of Scomi Engineering other than the Company ("Scomi Engineering Scheme Shareholders"). The Scomi Engineering Scheme Shares shall include the shares in Scomi Engineering held by the PACs.

In consideration of the acquisition by the Company and the transfer of each Scheme Share from the Scomi Energy Scheme Shareholders or Scomi Engineering Scheme Shareholders (collectively, the "Scheme Shareholders") to the Company pursuant to the Proposed Mergers, the Company will pay the offer price of:

a. RM0.126 for each Scomi Energy Scheme Share ("Scomi Energy Offer Price"), which is satisfied in the following manner:-

   - a share swap where for every 5 Scomi Energy Scheme Shares held, 3 new Consolidated Shares shall be issued at an issue price of RM0.21 per Consolidated Share ("Scomi Energy Consideration Shares"); and

   - the issuance of 1 Warrant for every 9 Scomi Energy Consideration Shares issued ("Scomi Energy Consideration Warrant");

b. RM0.30 for each Scomi Engineering Scheme Share ("Scomi Engineering Offer Price"), which shall be wholly satisfied via the issuance of:

   - a share swap for every 7 Scomi Engineering Scheme Shares held, 10 new Consolidated Shares at an issue price of RM0.21 each per Consolidated Share ("Scomi Engineering Consideration Shares"); and

   - the issuance of 1 Warrant for every 10 Scomi Engineering Consideration Shares issued ("Scomi Engineering Consideration Warrant").

The Scomi Energy Consideration Shares and Scomi Engineering Consideration Shares are collectively referred to as the "Consideration Shares". The Scomi Energy Consideration Warrants and Scomi Engineering Consideration Warrants are collectively referred to as the "Consideration Warrants".

The theoretical value attached to each Consideration Warrant, determined based on the Trinomial option pricing model, is RM0.113. The theoretical value of the Consideration Warrant is arrived at after taking into consideration the historical volatility of the Shares, the exercise price of the Warrants, and the theoretical adjusted reference price of the Shares after the Proposed Share Consolidation. The implied offer prices of the Scheme Shares, after taking into consideration the theoretical value of the Consideration Warrants, are:

a. RM0.134 per Scomi Energy Scheme Share ("Scomi Energy Implied Offer Price"); and

b. RM0.316 per Scomi Engineering Scheme Share ("Scomi Engineering Implied Offer Price").

The Proposed Bonus Issue of Warrants is conditional upon the Proposed Share Consolidation. The Proposed Mergers are conditional upon the Proposed Share Consolidation and Proposed Bonus Issue of Warrants. The Proposed Mergers are not inter-conditional with each another. The Proposals are not conditional upon any other corporate exercises undertaken by the Company.

The Boards of Scomi Energy and Scomi Engineering are to revert to Scomi no later than 12.00 noon on 10 October 2017 with their decisions whether to put forward the Proposed Merger of Scomi Energy and the Proposed Merger of Scomi Engineering to their respective shareholders for consideration.

It is the intention of the Company not to maintain the listing status of Scomi Energy and Scomi

Engineering and accordingly, upon completion of the Proposed Mergers, Scomi Energy and Scomi Engineering Shares will be de-listed from the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") subject to the receipt of Bursa Securities' approval.

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 2017 RM'000
Current	664,618
Non Current	124,449
Total	789,067

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

	As at 30 June 2017 RM'000
Denominated in:	
Ringgit Malaysia	503,696
US Dollar	226,583
Indian Rupee	58,788
Total	789,067

B8. Changes in material litigation

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.

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 ("Termination Dispute").

STP filed a Notice of Arbitration against PMB in respect of the Termination Dispute on 21 July 2016 ("Termination Dispute Arbitration"). The Termination Dispute 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 initially fixed for hearing on 16 August 2016 ("Appeal") but was adjourned to facilitate settlement negotiations. Pursuant to these negotiations, STP and PMB entered into a further contract i.e. a Third Supplemental Contract on 3 March 2017 ("TSC") to, amongst others, facilitate the completion of the Project by STP ("TSC Works").

The TSC was conditional upon fulfillment of various conditions precedent. PMB informed STP on 3 May 2017 that one condition precedent was not fulfilled. STP disputes PMB's position, maintains that all conditions precedent under the TSC have been fulfilled and has commenced arbitration on 12 July 2017 in respect of this dispute ("TSC Arbitration"). The TSC Arbitration is fixed for hearing on 11 to 12 October 2017 and 6 to 9 November 2017.

In the interim, STP on 3 July 2017 applied to the High Court pursuant to Section 11 Arbitration Act 2005 for an order to, inter alia, restrain PMB from appointing another contractor from completing the TSC Works pending disposal of the TSC Arbitration. The application is fixed for hearing on 14 August 2017.

Apart from the above actions, STP also commenced an action against PMB and Rapid Rail Sdn Bhd ("RRSB") at the Kuala Lumpur High Court on 16 Jun 2017 for damages for statements which STP asserts were defamatory as against PMB ("Defamation Action"). The action is pending and trial dates have not been fixed. In the interim, STP has applied for orders to restrain PMB and RRSB from making other such statements against STP, pending disposal of the Defamation Action. The application is fixed for hearing on 23 August 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 30 June 2017	Cumulative Period 3 months ended 30 June 2017
Basic earnings per share			
Net losses attributable to shareholders	(RM'000)	(16,180)	(16,180)
Weighted average number of shares			
Issued shares at opening	('000)	1,917,510	1,917,510
Treasury shares	('000)	(14,427)	(14,427)
Weighted average number of shares	('000)	1,903,083	1,903,083
Basic earnings per share	(sen)	(0.85)	(0.85)

Diluted earnings per ordinary share are not presented as the Group has no shares or other instruments with potential dilutive effects as at 30 June 2017.

B11. Realised and Unrealised Retained Profits

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

	As at 30 June 2017 RM'000	As at 31 March 2017 RM'000 (Audited)
Total retained profits of company and its subsidiaries:		
- Realised	670,618	654,538
- Unrealised	(288,974)	(224,797)
	381,644	429,741
Total share of retained profits from associated companies:		
- Realised	(16,733)	(9,418)
- Unrealised	-	-
Total share of retained profits from jointly controlled entities:		
- Realised	22,113	(10,371)
- Unrealised	-	-
	387,024	409,952
Consolidation adjustments	(378,245)	(384,993)
Total retained earnings	8,779	24,959

B12. Profit for the period

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

	Current Quarter 30 June 2017 RM'000	Cumulative Period 3 months ended 30 June 2017 RM'000
Interest income	(418)	(418)
Interest expense	6,524	6,524
Unrealized foreign exchange (gain)/loss, net	29,351	29,351
Realized foreign exchange loss/(gain), net	(14,146)	(14,146)
Depreciation and amortisation	23,222	23,222
Reversal of doubtful debt provision	(7,790)	(7,790)
Gain on disposal of property, plant and equipment	(373)	(373)

B13. Auditors' Report on Preceding Annual Financial Statements

The auditor draw attention to the material uncertainty related to going concern which relates to the dispute and legal proceedings between the SEB Group and its project customer as disclosed in Note B8 above. The auditors' report on the financial statements for the financial year ended 31 March 2017 was unmodified on this matter.

The material uncertainty highlighted by independent auditors is with regards to the dispute and legal proceedings as mentioned in Item B8 above, of which there were no material development as compared to 31 March 2017.

The SEB Group continues to pursue various fundraising exercises and bid for new projects. There have been no material developments since the date of our last announcement on 25 July 2017.

B14. 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 30 August 2017.