

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

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

	<u>Quarter</u>	<u>Quarter</u>	<u>Cummulative</u>	<u>Cummulative</u>	
	<u>3 months ended</u>	<u>3 months ended</u>	<u>Period</u>	<u>Period</u>	
Note	<u>30 September</u>	<u>30 September</u>	<u>6 months ended</u>	<u>6 months ended</u>	
	<u>2017</u>	<u>2016</u>	<u>30 September</u>	<u>30 September</u>	
	<u>RM '000</u>	<u>RM '000</u>	<u>2017</u>	<u>2016</u>	
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	
Continuing Operations					
Revenue	A8	173,807	176,046	387,616	413,609
Cost of revenue		(152,384)	(163,924)	(339,809)	(375,631)
Gross profit		21,423	12,122	47,807	37,978
Other income, net		214	9,891	26,440	22,793
Operating expenses		(42,784)	(44,160)	(112,299)	(91,567)
Finance costs		(10,648)	(5,777)	(17,172)	(12,664)
Share of results of jointly controlled entities		(1,672)	(2,665)	(2,907)	(5,029)
Profit before taxation	B12	(33,467)	(30,589)	(58,131)	(48,489)
Taxation	B5	(3,302)	(859)	(6,417)	(5,058)
Profit for the period	A8	(36,769)	(31,448)	(64,548)	(53,547)
Other comprehensive income					
Currency translation differences		(22,526)	7,056	(70,980)	28,209
Cash flow hedges		11,417	1,981	15,640	3,460
Retirement benefit		-	-	-	-
Other comprehensive income, net of tax		(11,109)	9,037	(55,340)	31,669
Total comprehensive income for the period		(47,878)	(22,411)	(119,888)	(21,878)
Profit attributable to:					
Owners of the Company		(25,986)	(21,159)	(42,166)	(33,373)
Non-controlling interests		(10,783)	(10,289)	(22,382)	(20,174)
		(36,769)	(31,448)	(64,548)	(53,547)
Total comprehensive income attributable to:					
Owners of the Company		(32,931)	(15,469)	(82,088)	(14,879)
Non-controlling interests		(14,947)	(6,942)	(37,800)	(6,999)
		(47,878)	(22,411)	(119,888)	(21,878)
Earnings per share					
Basic earnings per share	B10	sen	sen	sen	sen
		(1.37)	(1.12)	(2.22)	(1.77)

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

	Note	As at 30 September 2017 RM'000	As at 31 March 2017 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	A9	398,215	590,886
Intangible assets		275,176	282,446
Investment properties		2,353	2,499
Investment in associate		7,939	7,439
Investment in joint ventures and joint operations		55,296	53,794
Available-for-sale assets		170	170
Deferred tax assets		40,487	39,032
Receivables		319	226
		779,955	976,492
Current assets			
Inventories		149,807	181,434
Receivables, deposits and prepayments		1,106,212	1,082,244
Current tax assets		28,059	31,899
Derivative financial assets		-	-
Short-term deposits, cash and bank balances		90,344	163,815
		1,374,422	1,459,392
Assets classified as held for sale		143,471	-
		1,517,893	1,459,392
Total assets		2,297,848	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		(108,654)	(68,732)
Retained earnings		(17,207)	24,959
		492,025	574,113
Non controlling interests		464,347	502,147
		956,372	1,076,260
Non-current liabilities			
Payables		2,923	7,374
Provision for retirement benefit		8,419	10,800
Loans and borrowings	B7	123,800	123,661
Deferred taxation		18,508	18,510
Derivative financial liabilities		16,347	21,118
		169,997	181,463
Current liabilities			
Trade and other payables		494,783	467,401
Loans and borrowings	B7	640,246	647,437
Current tax liabilities		29,952	39,909
Deferred government grant		90	269
Derivative financial liabilities		6,408	23,145
		1,171,479	1,178,161
Total liabilities		1,341,476	1,359,624
Total equity and liabilities		2,297,848	2,435,884
Net asset per share attributable to equity holders of the parent (RM)			
		0.26	0.30

The above should be read in conjunction 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 SEPTEMBER 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	-	-	-	-	(50,189)	-	(50,189)	(20,791)	(70,980)
Cash flow hedges	-	-	-	-	10,267	-	10,267	5,373	15,640
Retirement benefits	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	(42,166)	(42,166)	(22,382)	(64,548)
Total comprehensive income for the period	-	-	-	-	(39,922)	(42,166)	(82,088)	(37,800)	(119,888)
Transfer pursuant to S618(2) of Companies Act, 2016	-	-	-	-	-	-	-	-	-
At 30 September 2017	636,582	-	(18,696)	-	(108,654)	(17,207)	492,025	464,347	956,372
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 SEPTEMBER 2017**

	Cumulative Quarter	
	6 months ended 30 September 2017 RM'000	6 months ended 30 September 2016 RM'000
Cash flows from operating activities		
Profit before taxation		
continuing operations	(58,131)	(48,489)
Adjustments for non-cash items	56,438	44,904
Operating profit before working capital changes	(1,693)	(3,585)
Changes in working capital:		
Inventories	31,627	(895)
Trade and other receivables	(51,985)	(19,705)
Trade and other payables	(7,324)	27,940
Cash from operations	(29,375)	3,755
Tax paid	(5,128)	(10,776)
Redundancy payments	-	27
Net cash from operating activities	(34,503)	(6,994)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,195)	(6,591)
Proceeds from disposal of property, plant and equipment	(284)	306
Addition to intangible assets	-	(1,409)
Investment in associates	(500)	-
Interest received	761	1,257
Net cash used in investing activities	(6,218)	(6,437)
Cash flows from financing activities		
Proceeds from bank borrowings	30,449	102,124
Repayment of bank borrowings	(19,888)	(57,081)
Interest paid on borrowings	(18,314)	(26,470)
Increase in cash and short term deposit pledged as security	(5,398)	(23,290)
Net cash (used in) / from financing activities	(13,151)	(4,717)
Net decrease in cash and cash equivalents	(53,872)	(18,148)
Cash and cash equivalents at beginning of period	32,802	44,444
Currency translation differences	(21,885)	27,404
Cash and cash equivalents at end of period	(42,955)	53,700
<u>Cash and cash equivalents comprise:</u>		
Short term deposits with licensed banks	61,991	100,911
Cash and bank balances	28,353	117,985
Bank overdrafts	(75,517)	(72,673)
	14,827	146,223
Less: Short-term deposit pledged as securities	(57,782)	(92,523)
	(42,955)	53,700

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 September 2017.

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

Effective for annual periods commencing on or after 1 January 2019

MFRS 16	<i>Leases</i>
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Effective for a date yet to be confirmed

Amendments to MFRS 10	<i>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</i>
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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.

	<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 2017					
Revenue					
Revenue for the period	256,573	64,878	66,165	-	387,616
Results					
Operating loss	(15,528)	(8,835)	(12,859)	(27,270)	(64,492)
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	-	(2,907)	-	-	(2,907)
Other income	4,731	(191)	(7,395)	29,295	26,440
Finance cost	(7,464)	(2,810)	(10,464)	3,566	(17,172)
Segment results	(18,261)	(14,743)	(30,718)	5,591	(58,131)
Taxation					(6,417)
Profit for the period					(64,548)

**Cumulative 6 month period
ended 30 September 2016**

Revenue

External sales	265,343	84,726	63,540	-	413,609
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Results

Operating profit / (loss)	(7,158)	(20,609)	(410)	(25,412)	(53,589)
Share of result of				-	-
- associated companies	-	-	-	-	-
- jointly controlled entities	(760)	(4,269)	-	-	(5,029)
Other income	1,016	(21)	246	21,552	22,793
Finance cost	(10,260)	(158)	(5,531)	3,285	(12,664)
Segment results	<u>(17,162)</u>	<u>(25,057)</u>	<u>(5,695)</u>	<u>(575)</u>	<u>(48,489)</u>
Taxation					(5,058)
Profit for the period					<u>(53,547)</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>2,200</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	-	49,811	49,811
Others	-	1,982	1,982
Total	-	51,793	51,793

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	3,433	4,550	7,982
Plant and Machinery	1,297	-	1,297
Vessels	2,620	3,850	6,470
Others	35	53	88
Total	7,385	8,453	15,837

A14. Related Party Transactions

The following are the significant related party transactions:

	Current Quarter 30 Sept 2017 RM'000	Cumulative 6 months ended 30 Sept 2017 RM'000
<i>Transactions with companies connected to Directors</i>		
Leasing of computers	0	9
Share registration and related professional fee	8	35
Human resources processing	24	112
Air ticketing	212	319

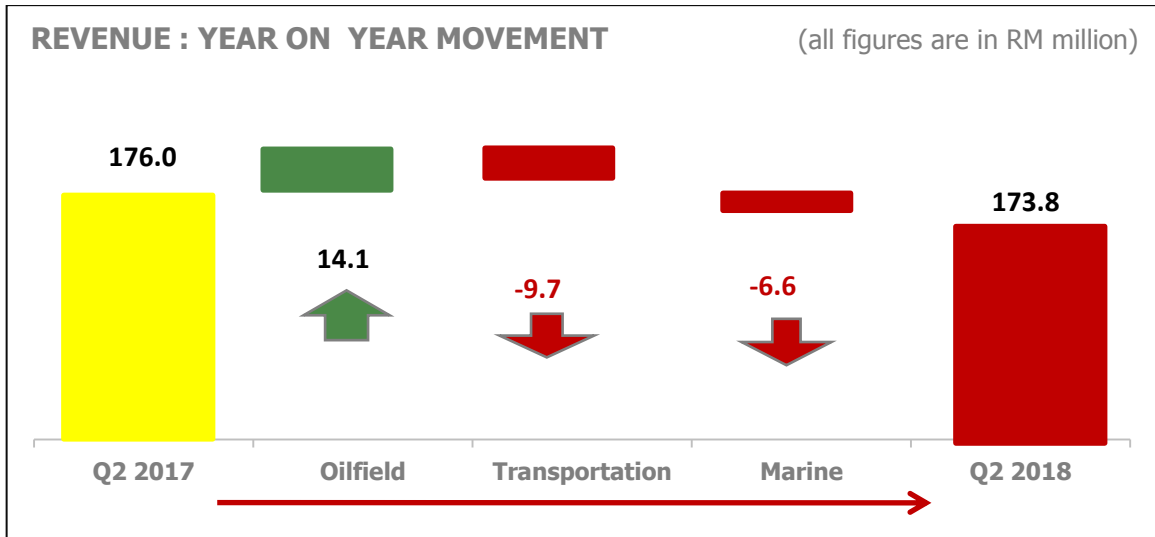
The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Group and the Company than those arranged with independent third parties.

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

B1. Review of Operating Segments

Current Quarter

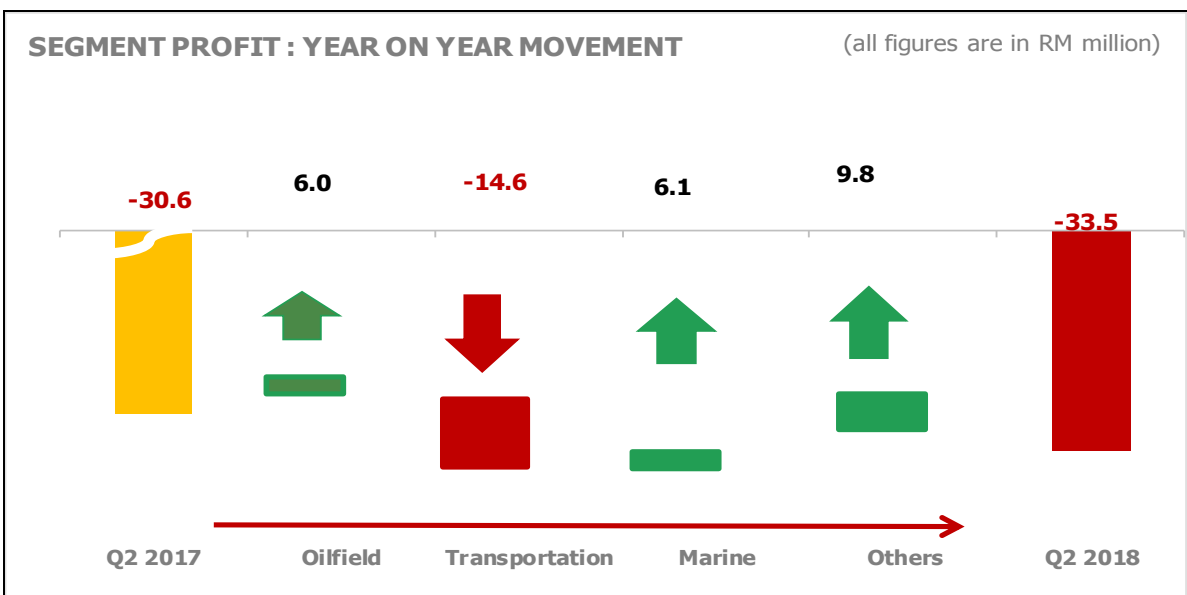
Overall revenue for the current quarter ended 30 September 2017 ("Q2 2018") was RM173.8 million, a reduction of 1.25% from RM176.0 million recorded in the corresponding quarter ("Q2 2017"). Details of the key factors driving the performance of each segment are provided in the respective section below.



Total segment results for Q2 2018 and Q2 2017 were as follows:

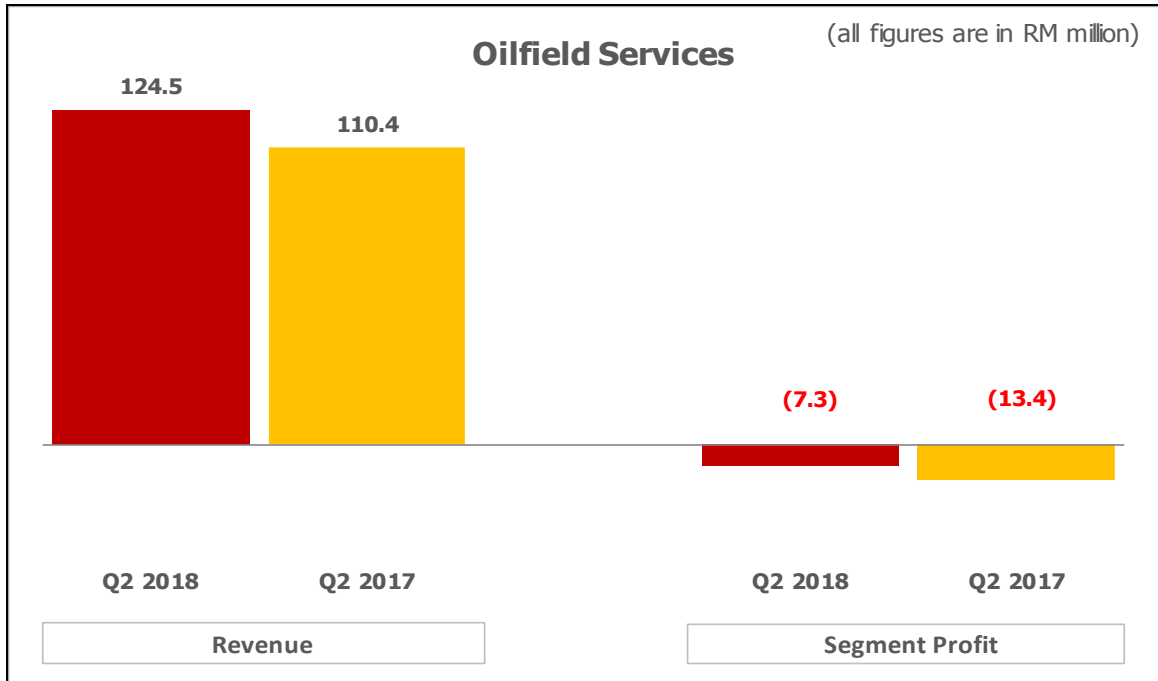
	Q2 2018	Q2 2017
	RM'000	RM'000
Results		
Losses before tax	<u>(33,467)</u>	<u>(30,589)</u>

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 higher revenue of RM124.5 million, as compared to RM110.4 million in Q2 2017, due to higher drilling activities especially in Russia and Turkmenistan.

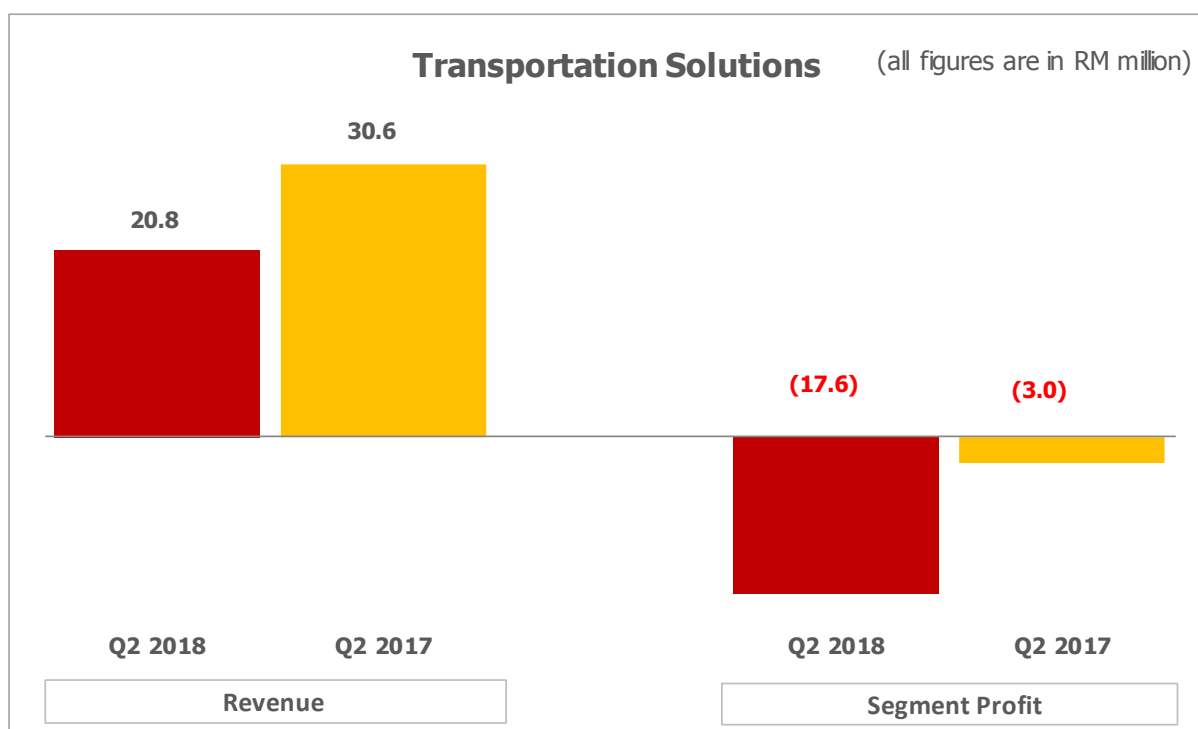


As tabulated below, the division posted a segment loss of RM7.3 million, as compared to RM13.4 million in Q2 2017. Improved bottom-line is principally due to relatively higher activity level, better margins and lower operating expenditure.

	<u>Q2 2018</u>	<u>Q2 2017</u>
	RM'000	RM'000
Operating (loss)/profit	(6,074)	(7,769)
Share of result of		
- jointly controlled entities	-	(161)
Other income	2,531	(768)
Finance cost	(3,798)	(4,682)
Segment results	<u>(7,341)</u>	<u>(13,380)</u>

Transport Solutions

The Transport Solutions division recorded lower revenue of RM20.8 million, as compared to RM30.6 million in Q2 2017. This is principally due to lower revenue generated from both Rail and Commercial Vehicles segment.

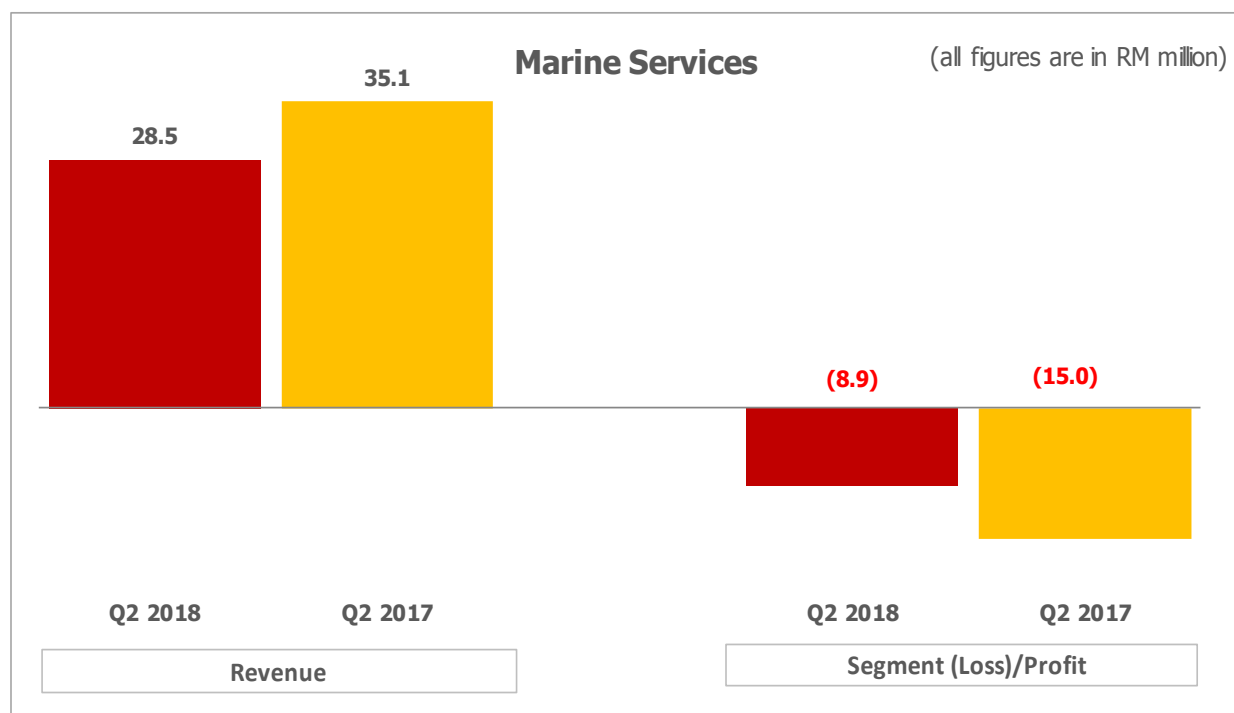


The division posted a loss of RM17.6 million, as compared to RM3.0 million in Q2 2017. This was mainly due to unrealised foreign exchange losses arising from translation of accrued receivables for both Mumbai and Brazil Monorail projects as a result of weakening of the Indian Rupee and Brazilian Real against Malaysian Ringgit, mitigated by unrealised foreign exchange gains arising from translation of USD loan for Brazil Monorail project due to strengthening of Brazilian Real against USD during the quarter.

	<u>Q2 2018</u>	<u>Q2 2017</u>
	RM'000	RM'000
Operating (loss)/profit	(1,450)	(7,043)
Other income/(expense)	(9,014)	87
Finance cost	(7,104)	(4,127)
Segment results	<u>(17,568)</u>	<u>(3,003)</u>

Marine Services

The Marine Services division recorded lower revenue of RM28.5 million in Q2 2018 against RM35.1 million in Q2 2017, due to lower coal affreightment contract revenue in Malaysia.



Lower loss before tax of RM8.9 million for the quarter compared to RM15.0 million in Q2 2017 was mainly due to better margins from Coal unit in Indonesia.

	<u>Q2 2018</u> RM'000	<u>Q2 2017</u> RM'000
Operating loss	(5,360)	(12,983)
Share of result of - jointly controlled entities	(1,672)	(2,504)
Other expense	(106)	588
Finance cost	(1,800)	(143)
Segment results	<u>(8,938)</u>	<u>(15,042)</u>

B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a loss before tax of RM33.5 million in the current quarter ended 30 September 2017 ("Q2 2018") as compared to a loss of RM24.7 million in the preceding quarter ended 30 June 2017 ("Q1 2018").

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 lower revenue and net unrealised foreign exchange losses arising from translation of accrued receivables for Mumbai and Brazil Monorail projects due to the weakening of both Indian Rupee and Brazilian Real against Malaysian Ringgit and partially offset by unrealised foreign exchange gains arising from translation of USD loan for Brazil Monorail project due to the strengthening of Brazilian Real against USD during the quarter.

In addition, Marine Services' losses also increased due to lower guaranteed tonnage billing and reduction in demand from customers.

Performance as Compared to Immediate Preceding Quarter

	Current Quarter <u>Q2 2018</u> RM'000	Previous Quarter <u>Q1 2018</u> RM'000	<u>Changes</u>	
			RM'000	%
Revenue	173,807	213,809	(40,002)	-18.7%
Cost of revenue	(152,384)	(187,425)	35,041	-18.7%
Gross profit	<u>21,423</u>	<u>26,384</u>	<u>(4,961)</u>	<u>-18.8%</u>
Gross margin	12.3%	12.3%	0.0%	-0.1%
<u>Segment results from continuing operations of :</u>				
- Oilfield Services Division	(7,341)	(10,920)	3,579	32.8%
- Marine Services Division	(8,938)	(5,805)	(3,133)	-54.0%
- Transport Solutions Division	(17,568)	(13,150)	(4,418)	-33.6%
	<u>(33,847)</u>	<u>(29,875)</u>	<u>(3,972)</u>	<u>-13.3%</u>
SGB Corporate income, net	380	5,211	(4,831)	-92.7%
Loss before tax	<u>(33,467)</u>	<u>(24,664)</u>	<u>(8,803)</u>	<u>35.7%</u>

B3. Future prospects

Oilfield Services Division

Drilling Services

The higher average oil price in the first half of the financial year has resulted in more tenders being rolled out by customers. However, the awards of these tenders are only expected towards the end of this financial year or later. As such, our activity is anticipated to remain flat until the end of 2017 with marginal increases in our areas of operation only beginning 2018. We continue to actively participate in new bids and leverage on our existing infrastructure and actively pursue our cost rationalization activities.

Development and Production Asset and Services

For Ophir Production, First Oil was achieved in Q3 of calendar year 2017. We anticipate Ophir Production to generate positive cashflow from Q2 of calendar year 2018.

Marine Services Division

We expect the activity at Coal unit in Indonesia to remain robust and contribute positively to our overall bottom line. The Offshore Vessels are still largely idle due to the scarcity of offshore jobs in the Indonesian market.

Transport Solutions Division

The Group continues to intensify efforts to expand businesses in its current markets of Malaysia, 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 products.

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 commissioning within first half of 2018.

In Malaysia, Scomi Transit Project Sdn Bhd ("STP"), a wholly-owned subsidiary of SEB, 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. Whilst STP is in discussion to resolve the matter amicably, any unfavorable outcome will potentially have an adverse impact on the Group.

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 Sept 2017 RM'000	Cumulative Period 6 months ended 30 Sept 2017 RM'000
Continuing operations		
Current tax:		
Malaysian income tax	794	346
Foreign tax	2,803	5,517
	<u>3,597</u>	<u>5,863</u>
Under provision of income tax in prior years	(299)	(299)
	<u>3,298</u>	<u>5,564</u>
Deferred tax:		
Foreign	4	853
Total from continuing operations	<u>3,302</u>	<u>6,417</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:

- 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").

Proposed Merger of Scomi Energy

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.

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.

Bursa Securities had via its letter dated 14 September 2017 (which was received on 15 September 2017) approved Scomi's application for a waiver from complying with Paragraph 6.06(1) of the Listing Requirements in respect of the requirement for Scomi to seek shareholders' approval for the issuance and specific allotment of the Consideration Shares and Consideration Warrants to the director, major shareholder or chief executive of Scomi and persons connected to them who are also the Scheme Shareholders.

The Company had on 10 October 2017 received letters from Scomi Energy and Scomi Engineering respectively, stating that the Board of Directors of Scomi Energy and Board of Directors of Scomi Engineering (save for the respective interested directors of Scomi Energy and Scomi Engineering) had respectively deliberated on the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering, and had respectively agreed to present the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering (on the terms and conditions as stated in the Formal Proposals) to the Scomi Energy Scheme Shareholders and Scomi Engineering Scheme Shareholders, respectively for their consideration and approval at the respective Court Convened Meetings ("CCM") to be held.

Subsequently, the application in relation to the Proposed Share Consolidation and the listing application in relation to the Proposed Bonus Issue of Warrants and Proposed Mergers have been submitted to Bursa Securities on 16 October 2017.

The Company has on 7 November 2017, by way of exchange of letters with Scomi Energy and Scomi Engineering, agreed to a variation to the terms of the Proposed Mergers.

Following the variation, the Scheme Shareholders holding less than 100 Scheme Shares per CDS account will be receiving Consideration Shares and Consideration Warrants in accordance with the share swap ratio of the Proposed Mergers, instead of receiving the offer price in cash.

In addition, the Company also clarified that the entitlement of the Scheme Shareholders to the Consideration Warrants will also be rounded down to the nearest whole new Warrant. Save for the above, all the other terms and conditions of the Proposed Mergers as set out in the Formal Proposals submitted by the Company on 21 August 2017 shall remain the same.

The High Court had on 14 November 2017, granted Scomi Energy and Scomi Engineering an order pursuant to Section 366 of the Act ("Order") to convene a CCM within 120 days from the date of the Order with the shareholders of the Company, for the purpose of considering and if thought fit, approving the Scheme, with or without modification. The venue, date and time of the CCM will be announced in due course.

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 2017 RM'000
Current	640,246
Non Current	123,800
Total	<u>764,046</u>

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

	As at 30 Sept 2017 RM'000
Denominated in:	
Ringgit Malaysia	491,735
US Dollar	215,247
Indian Rupee	57,065
Total	<u>764,046</u>

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 ie. 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 hearing commenced on 13 November 2017 and will continue on the next hearing dates which have been fixed on 3 and 4 January, 22 February and 23 March 2018.

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 was heard on 14 August 2017 and fixed for clarification and decision on 19 September 2017. On 19 September 2017 the Judge dismissed STP's application. STP has appealed against the decision by the High Court to the Court of Appeal on 17 October 2017 and the matter was fixed for case management on 22 November 2017 and further case management on 21 December 2017.

The Appeal which was initially fixed for hearing on 28 August 2017, had been fixed for case management on 1 November 2017 and subsequently to 6 December 2017 for further case management.

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 (Injunction), pending disposal of the Defamation Action.

The High Court had on 21 June 2017, granted an injunction on an ad interim basis to restrain Prasarana and/or Rapid Rail from making statements concerning STP pending the disposal of STP's application for the Injunction which was fixed for hearing on 23 August 2017. The hearing took place on 23 August 2017 and is reserved for decision on 20 November 2017.

At the decision for STP's application for the Injunction on 20 November 2017, the High Court granted the following orders on the Injunction application to the following extent:

- (a) PMB and/or Rapid Rail are to remove and/or cause to retract the publication of the following media release:
 - (i) media release dated 14 May 2017 entitled "Media Releases Rapid Rail Deploys Shuttle Bus To Complement KL Monorail Services";
 - (ii) media release dated 7 June 2017 entitled "Media Releases Rapid Rail Seek Patience, Understandings From Commuters On Monorail Services";
 - (iii) media Statement dated 12 June 2017 entitled "Rapid Rail: 13 Safety-Critical Modifications Needed On 4-Car Monorail Trains";
- (b) restraining PMB and/or Rapid Rail from publishing statements similar to the aforesaid three media statements concerning STP and/or its products.

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 Sept 2017	Cumulative Period 6 months ended 30 Sept 2017
Basic earnings per share			
Net losses attributable to shareholders	(RM'000)	<u>(25,986)</u>	<u>(42,166)</u>
Weighted average number of shares			
Issued shares at opening	('000)	1,917,510	1,917,510
Treasury shares	('000)	<u>(14,427)</u>	<u>(14,427)</u>
Weighted average number of shares	('000)	<u>1,903,083</u>	<u>1,903,083</u>
Basic earnings per share	(sen)	<u>(1.37)</u>	<u>(2.22)</u>

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

B11. Realised and Unrealised Retained Profits

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

	As at 30 Sept 2017 RM'000	As at 31 March 2017 RM'000 (Audited)
Total retained profits of company and its subsidiaries:		
- Realised	621,223	654,538
- Unrealised	<u>(281,513)</u>	<u>(224,797)</u>
	339,709	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	-	-
	<u>345,089</u>	<u>409,952</u>
Consolidation adjustments	<u>(362,297)</u>	<u>(384,993)</u>
Total retained earnings	<u><u>(17,207)</u></u>	<u><u>24,959</u></u>

B12. Profit for the period

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

	Current Quarter 30-Sep-17 RM'000	Cumulative Period 6 months ended 30-Sep-17 RM'000
Interest income	(343)	(761)
Interest expense	10,648	17,172
Unrealized foreign exchange loss,net	2,652	32,003
Realized foreign exchange loss/(gain),net	1,544	(12,602)
Depreciation and amortisation	16,946	40,168
Reversal of doubtful debts provision	(6,432)	(14,222)
Loss/(Gain) on disposal of property, plant and equipment	13	(360)

B13. Auditors' Report on Preceding Annual Financial Statements

The auditor draw attention to the material uncertainty related to going concern which related 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 developments as compared to 31 March 2017.

The SEB Group continues to pursue various fundraising exercises and bid for new projects.

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 November 2017.