SCOMI GROUP BHD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	Quarter 3 months ended 31 December 2017 RM '000	Quarter 3 months ended 31 December 2016 RM '000	Cummulative Period 9 months ended 31 December 2017 RM '000	Cummulative Period 9 months ended 31 December 2016 RM '000
Continuing Operations					
Revenue	A8	**184,085**	**224,581**	**571,701**	**638,190**
Cost of revenue		(161,712)	(218,865)	(501,521)	(594,496)
Gross profit		**22,373**	**5,716**	**70,180**	**43,694**
Other (expenses)/income, net		(12,757)	42,546	13,683	65,339
Operating expenses		(55,781)	(44,389)	(168,080)	(135,956)
Finance costs		(10,759)	(7,558)	(27,931)	(20,222)
Share of results of jointly controlled entities		(607)	(1,996)	(3,514)	(7,025)
Profit before taxation	B12	(57,531)	(5,681)	(115,662)	(54,170)
Taxation	B5	(5,809)	(1,419)	(12,226)	(6,477)
Profit for the period	A8	**(63,340)**	**(7,100)**	**(127,888)**	**(60,647)**
Other comprehensive income					
Currency translation differences		(5,896)	25,396	(76,876)	53,605
Available-for-sale financial assets		-	-		-
Cash flow hedges		(16,487)	4,471	(847)	7,931
Retirement benefit		-	-	-	-
Other comprehensive income, net of tax		(22,383)	29,867	(77,723)	61,536
Total comprehensive income for the period		**(85,723)**	**22,767**	**(205,611)**	**889**
Profit attributable to:					
Owners of the Company		(48,414)	(6,174)	(90,580)	(39,547)
Non-controlling interests		(14,926)	(926)	(37,308)	(21,100)
		(63,340)	**(7,100)**	**(127,888)**	**(60,647)**
Total comprehensive income attributable to:					
Owners of the Company		(61,138)	10,013	(143,226)	(4,866)
Non-controlling interests		(24,585)	12,754	(62,385)	5,755
		(85,723)	**22,767**	**(205,611)**	**889**
Earnings per share	B10	sen	sen	sen	sen
Basic earnings per share		(2.54)	(0.33)	(4.76)	(2.09)

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	As at 31 December 2017 RM'000	As at 31 March 2017 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	A9	353,338	590,886
Intangible assets		275,081	282,446
Investment properties		2,256	2,499
Investment in associate		7,939	7,439
Investment in joint ventures and joint operations		55,255	53,794
Available-for-sale assets		170	170
Deferred tax assets		40,258	39,032
Receivables		471	226
		734,768	976,492
Current assets			
Inventories		141,018	181,434
Receivables, deposits and prepayments		1,088,789	1,082,244
Current tax assets		23,677	31,899
Short-term deposits, cash and bank balances		84,273	163,815
		1,337,757	1,459,392
Assets classified as held for sale		143,471	-
		1,481,228	1,459,392
Total assets		**2,215,996**	**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)
Other reserves		(121,419)	(68,732)
Retained earnings		(65,580)	24,959
		430,887	574,113
Non controlling interests		439,762	502,147
		870,649	1,076,260
Non-current liabilities			
Payables		5,584	7,374
Provision for retirement benefit		7,926	10,800
Loans and borrowings	B7	164,400	123,661
Deferred taxation		15,791	18,510
Derivative financial liabilities		14,643	21,118
		208,344	181,463
Current liabilities			
Trade and other payables		522,256	467,401
Loans and borrowings	B7	576,701	647,437
Current tax liabilities		31,878	39,909
Deferred government grant		-	269
Derivative financial liabilities		6,168	23,145
		1,137,003	1,178,161
Total liabilities		1,345,347	1,359,624
Total equity and liabilities		**2,215,996**	**2,435,884**
Net asset per share attributable to equity holders of the parent (RM)		0.22	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 31 DECEMBER 2017

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Translation reserve RM'000	Merger reserve RM'000	Share option reserve RM'000	Hedge reserve RM'000	Other reserve RM'000	Available for sale reserve 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)**	**(79,389)**	**-**	**-**	**10,657**	**-**	**-**	**-**	**(68,732)**	**24,959**	**574,113**	**502,147**	**1,076,260**
Foreign currency translation differences for foreign operations	-	-	-	(52,090)	-	-	-	-	-		(52,090)	-	(52,090)	(24,786)	(76,876)
Cash flow hedges	-	-	-	-	-	-	(556)		-		(556)		(556)	(291)	(847)
Retirement benefits	-	-	-	-	-	-	-	-	-		-		-	-	-
Profit for the period												(90,580)	(90,580)	(37,308)	(127,888)
Total comprehensive income for the period	-	-	-	(52,090)	-	-	(556)	-	-	-	(52,646)	(90,580)	(143,226)	(62,385)	(205,611)
Share of reserves in subsidiaries and associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share options expired															
- proceeds from shares issued			-	-	-	-	-	-	-	-	-	-	-	-	-
- value of employees services	-	-	-	-	-	-	-	-	-	-	-	-	-		-
Disposal of a subsidiary			-	(41)	-	-	-	-	-	-	(41)	41	-		-
			-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	**636,582**	**-**	**(18,696)**	**(131,520)**	**-**	**-**	**10,101**	**-**	**-**	**-**	**(121,419)**	**(65,580)**	**430,887**	**439,762**	**870,649**
At 1 April 2016	**191,751**	**444,831**	**(18,696)**	**(102,448)**	**-**	**-**	**4,704**	**-**	**-**	**-**	**(97,744)**	**133,386**	**653,528**	**537,002**	**1,190,530**
Foreign currency translation differences for foreign operations	-	-	-	23,059	-	-	-	-	-		23,059	-	**23,059**	20,224	43,283
Cash flow hedges							5,953				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	-	-	-	**23,059**	-	-	**5,953**	-	-	-	**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)**	**(79,389)**	**-**	**-**	**10,657**	**-**	**-**	**-**	**(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 31 DECEMBER 2017

	Cumulative Quarter	
	9 months ended 31 December 2017 RM'000	**9 months ended 31 December 2016 RM'000**
Cash flows from operating activities		
Profit before taxation continuing operations	(115,662)	(54,170)
Adjustments for non-cash items	103,854	41,337
Operating profit before working capital changes	**(11,808)**	**(12,833)**
Changes in working capital:		
Inventories	40,416	6,177
Trade and other receivables	(55,864)	705
Trade and other payables	17,246	5,636
Cash from operations	(10,010)	(315)
Tax paid	(4,373)	(14,280)
Redundancy payments	-	16
Net cash used for operating activities	**(14,383)**	**(14,579)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,584)	(16,126)
Proceeds from disposal of property, plant and equipment	8,483	651
Addition to intangible assets	-	(4,901)
Investment in associates	(500)	-
Interest received	779	2,862
Net cash from/(used) in investing activities	**178**	**(17,514)**
Cash flows from financing activities		
Proceeds from bank borrowings	9,220	106,355
Repayment of bank borrowings	(24,757)	(103,982)
Interest paid on borrowings	(25,587)	(49,011)
Increase in cash and short term deposit pledged as security	241	20,866
Net cash (used in) / from financing activities	**(40,882)**	**(25,772)**
Net decrease in cash and cash equivalents	(55,087)	(57,865)
Cash and cash equivalents at beginning of period	32,802	44,444
Currency translation differences	(19,424)	31,115
Cash and cash equivalents at end of period	**(41,709)**	**17,694**
Cash and cash equivalents comprise:		
Short term deposits with licensed banks	56,216	53,864
Cash and bank balances	28,057	88,604
Bank overdrafts	(73,839)	(76,407)
	10,434	66,061
Less: Short-term deposit pledged as securities	(52,143)	(48,367)
	(41,709)	**17,694**

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 31 December 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 Group adopted the following Amendments during the current financial period:

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*

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 2018</u>

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*

<u>Effective for annual periods commencing on or after 1 January 2019</u>

MFRS 16	*Leases*

<u>Effective for a date yet to be confirmed</u>

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 9 month period ended 31 December 2017					
Revenue					
Revenue for the period	395,590	98,258	77,853	-	571,701
Results					
Operating loss	(16,361)	(12,129)	(34,564)	(34,846)	(97,900)
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	-	(3,514)	-	-	(3,514)
Other income/(expenses)	3,698	(4,758)	(10,861)	25,604	13,683
Finance cost	(10,963)	(4,102)	(18,888)	6,022	(27,931)
Segment results	(23,626)	(24,503)	(64,313)	(3,220)	(115,662)
Taxation					(12,226)
Profit for the period					(127,888)

	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 2016					
Revenue					
External sales	391,657	127,920	118,613	-	638,190
Results					
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)

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	2,100

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	-	42,116	42,116
Others	-	1,826	1,826
Total	-	43,942	43,942

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	3,013	3,723	6,735
Plant and Machinery	1,194	-	1,194
Vessels	-	-	-
Others	2,433	3,596	6,029
Total	6,640	7,319	13,958

A14. Related Party Transactions

The following are the significant related party transactions:

	Current Quarter 31 Dec 2017 RM'000	Cumulative 9 months ended 31 Dec 2017 RM'000
Transactions with companies connected to Directors		
Leasing of computers	0	9
Share registration and related professional fee	57	93
Human resources processing	79	191
Air ticketing	433	753

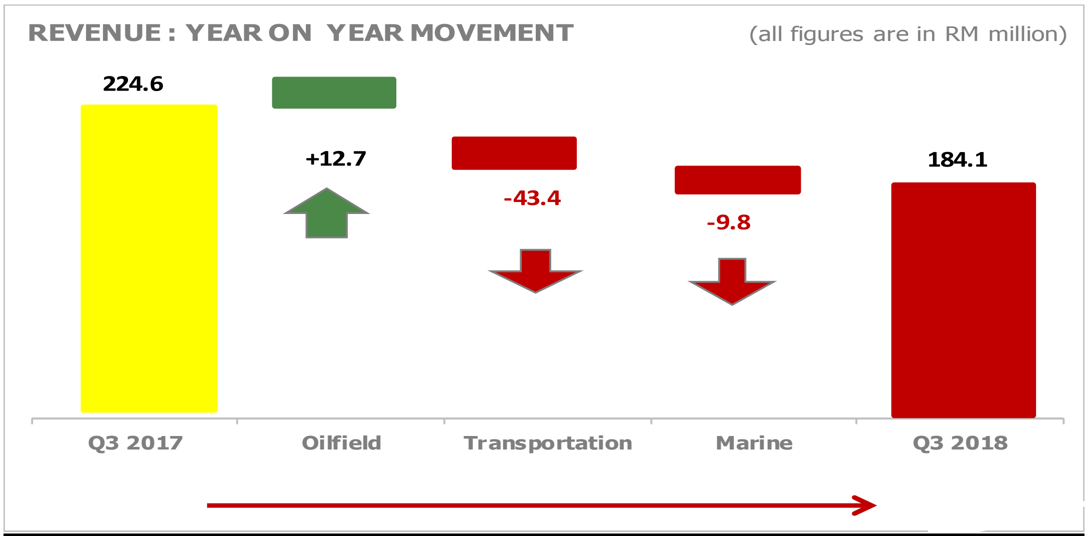
The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favourable to the Group and the Company than those arranged with independent third parties.

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

B1. Review of Operating Segments

Current Quarter

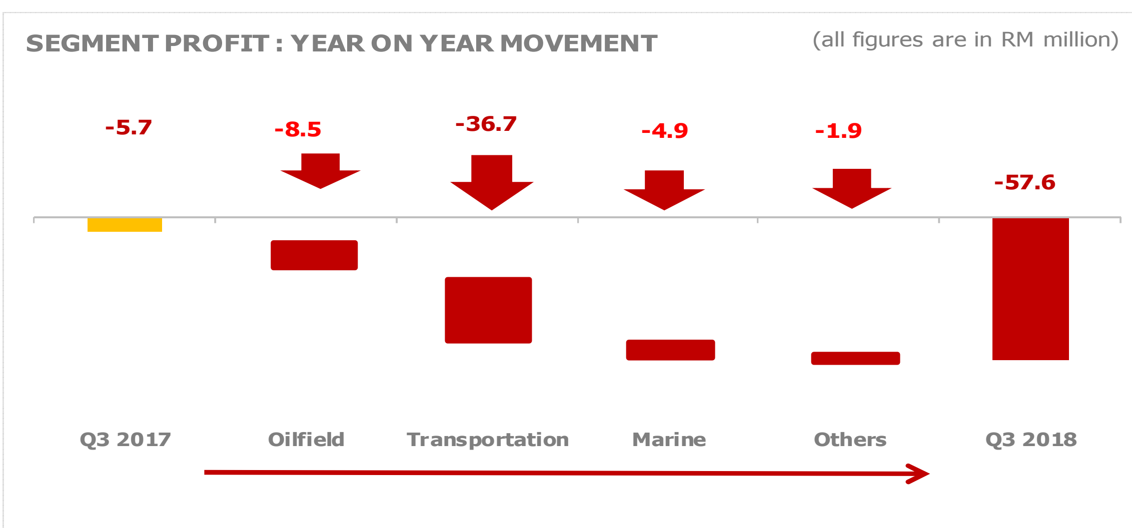
Overall revenue for the current quarter ended 31 December 2017 ("Q3 2018") was RM184.1 million, a reduction of 18.0% from RM224.6 million recorded in the corresponding quarter ("Q3 2017"). Details of the key factors driving the performance of each segment are provided in the respective section below.



Total segment results for Q3 2018 and Q3 2017 were as follows:

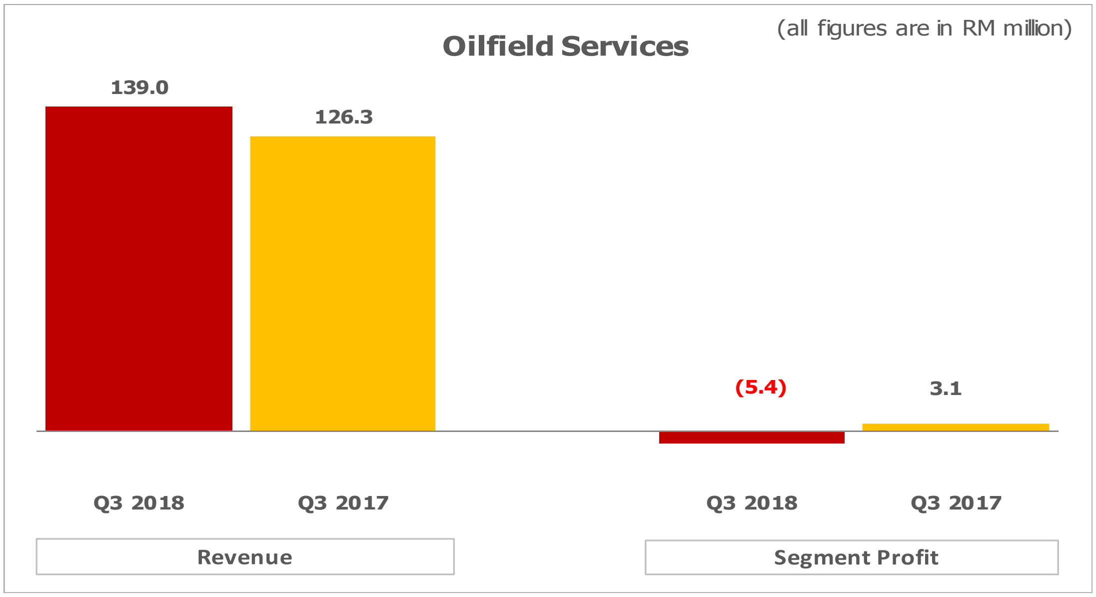
	Q3 2018 RM'000	Q3 2017 RM'000
Results		
Losses before tax	(57,531)	(5,681)

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 RM139.0 million, as compared to RM126.3 million in Q3 2017, due to higher drilling activities especially in Russia and Malaysia.

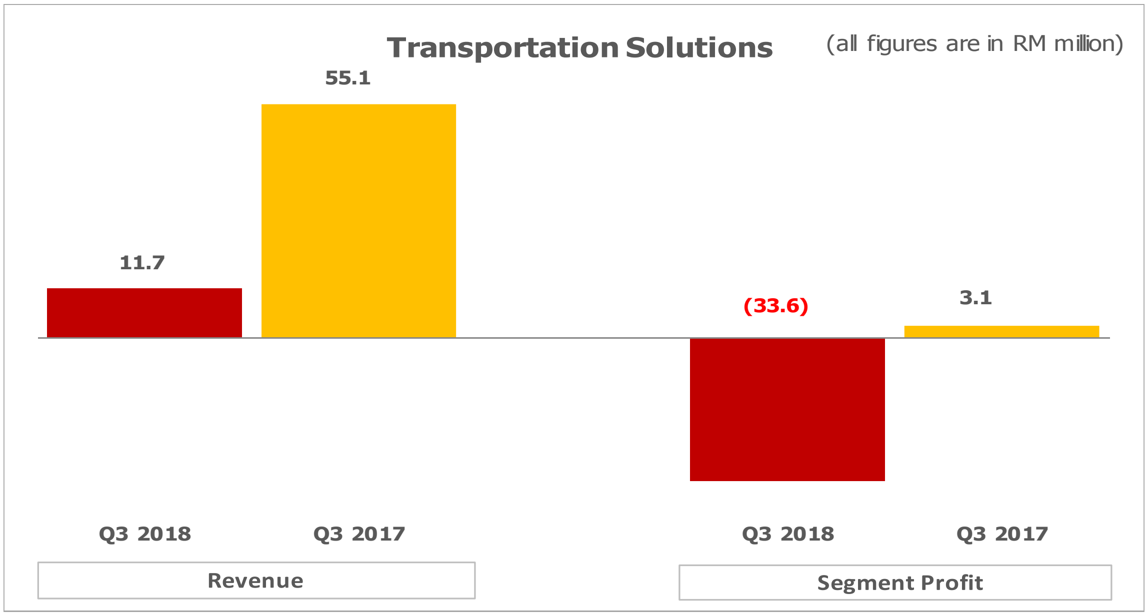


As tabulated below, the division posted a segment loss of RM5.4 million, as compared to RM3.1 million profit in Q3 2017 mainly due to foreign exchange losses.

	Q3 2018 RM'000	Q3 2017 RM'000
Operating (loss)/profit	(833)	(12,431)
Share of result of		
- jointly controlled entities	-	(254)
Other income	(1,033)	20,837
Finance cost	(3,499)	(5,045)
Segment results	(5,365)	3,107

Transport Solutions

The Transport Solutions division recorded lower revenue of RM11.7 million, as compared to RM55.1 million in Q3 2017. This is principally due to low activities that led to lower revenue generated from both Rail and Commercial Vehicles segments.

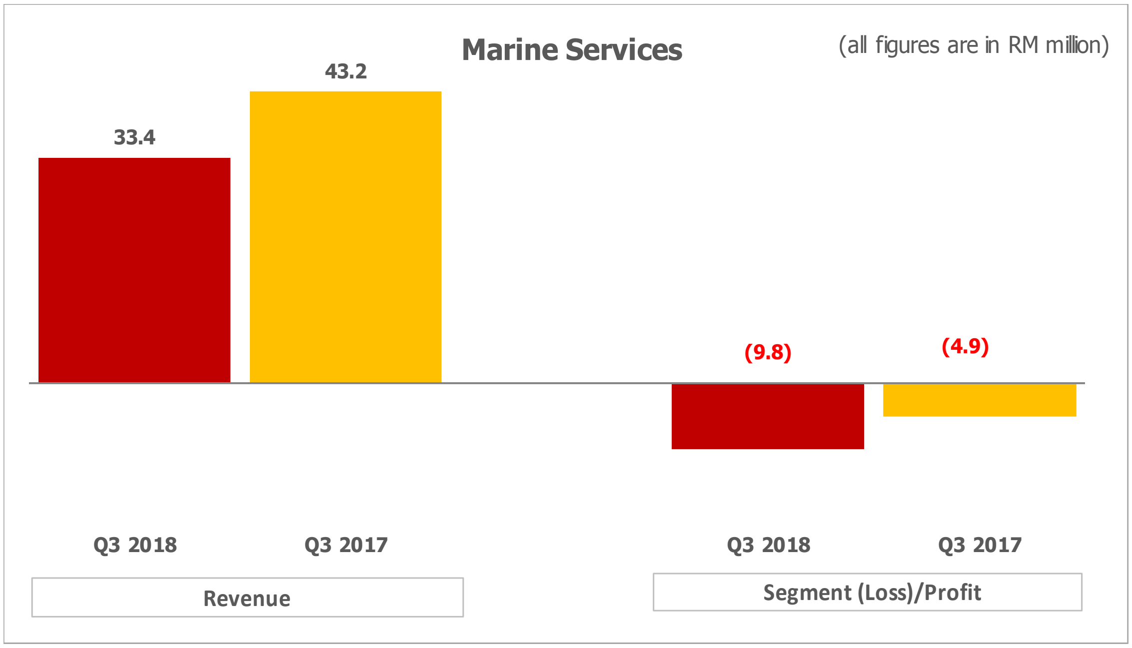


The division posted a loss of RM33.6 million, as compared to RM3.1 million in Q3 2017. This was mainly due to higher financial cost and unrealised foreign exchange losses of RM3.5 million during the quarter against unrealised foreign exchange gain of RM17.8 million in Q3 2017. The losses were from translation 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.

	Q3 2018 RM'000	Q3 2017 RM'000
Operating (loss)/profit	(21,705)	(29,169)
Other income/(expense)	(3,466)	33,558
Finance cost	(8,424)	(1,331)
Segment results	(33,595)	3,058

Marine Services

The Marine Services division recorded lower revenue of RM33.4 million in Q3 2018 against RM43.2 million in Q3 2017, due to lower coal affreightment contract revenue in Malaysia.



Higher loss before tax of RM9.8 million for the quarter compared to RM4.9 million in Q3 2017 was mainly due to RM4.5 million loss on disposal of vessels and unrealised foreign exchange losses of RM3.0 million against RM2.9 million gain in Q3 2017.

	Q3 2018 RM'000	Q3 2017 RM'000
Operating loss	(3,294)	(4,961)
Share of result of		
- jointly controlled entities	(607)	(1,742)
Other expense	(4,567)	2,961
Finance cost	(1,292)	(1,172)
Segment results	(9,760)	(4,914)

B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a loss before tax of RM57.5 million in the current quarter ended 31 December 2017 ("Q3 2018") as compared to a loss of RM33.5 million in the preceding quarter ended 30 September 2017 ("Q2 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, higher financial cost and net unrealised foreign exchange losses during the quarter.

In addition, Marine Services' losses also increased but these were partially offset by Oilfield Services' improved bottom-line.

Performance as Compared to Immediate Preceding Quarter

	Current Quarter Q3 2018 RM'000	Previous Quarter Q2 2018 RM'000	Changes RM'000	Changes %
Revenue	184,085	173,807	10,278	5.9%
Cost of revenue	(161,712)	(152,384)	(9,328)	6.1%
Gross profit	22,373	21,423	950	4.4%
Gross margin	12.2%	12.3%	-0.2%	-1.4%
Segment results from continuing operations of :				
- Oilfield Services Division	(5,365)	(7,341)	1,976	26.9%
- Marine Services Division	(9,760)	(8,938)	(822)	-9.2%
- Transport Solutions Division	(33,595)	(17,568)	(16,027)	-91.2%
	(48,720)	(33,847)	(14,873)	-43.9%
SGB Corporate income, net	(8,811)	380	(9,191)	-2418.6%
Loss before tax	(57,531)	(33,467)	(24,064)	71.9%

B3. Future prospects

Oilfield Services Division

Drilling Services

Drilling activities have been picking up in some of the markets we are operating in especially Malaysia, which has boosted both our top line and margins. However, we do not expect activities to significantly increase before the end of the financial year as we are still awaiting the results of some of the tenders we have participated in the preceding months. Winning these tenders should provide good top line support as well as growth for the segment.

Development and Production Asset and Services

Following first oil, Ophir development capital expenditure is expected to come in below budget. The first production lifting was completed on 24 January 2018.

Marine Services Division

We expect the activity at our Coal unit in Indonesia to continue as mine owners will be encouraged by the high coal prices and increase production. This should provide the division with a stable revenue stream. However, the Offshore Vessels are still largely idle due to the depressed offshore market.

Transport Solutions Division

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 the Mumbai Monorail Project in India, work continues on Phase 2 with expected completion of our scope in relation to the commissioning to be in the first half of 2018.

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. Whilst STP is in discussion to resolve the matter amicably, any unfavorable outcome will potentially have an adverse impact on the Group.

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 31 Dec 2017 RM'000	Cumulative Period 9 months ended 31 Dec 2017 RM'000
Continuing operations		
Current tax:		
Malaysian income tax	1,192	1,538
Foreign tax	6,948	12,465
	8,140	14,003
Under/(Over) provision of income tax in prior years	107	(192)
	8,247	13,811
Deferred tax:		
Malaysia	(48)	(48)
Foreign	(2,390)	(1,537)
Total from continuing operations	5,809	12,226

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.

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 CCMs were duly convened for on 4 January 2018 for Scomi Energy and 5 January 2018 for Scomi Engineering.

The non-interested Scheme Shareholders had not approved the Proposed Merger by way of poll voting at the CCM of Scomi Energy. Thus, the Scheme Resolution 1 is not carried.

On the other hand, the non-interested Scheme Shareholders had approved the Proposed Merger by way of poll voting at the CCM of Scomi Engineering. As all the 3-tier threshold required under Paragraph 2(f) of Schedule 3 of the Rules on Take-overs, Mergers and Compulsory Acquisition have been met, the Scheme Resolution 1 is carried. The application to the High Court for the sanction of the Scheme will be made in due course.

<u>Proposed Share Consolidation</u>

Bursa Securities has vide its letter dated 30 November 2017 resolved to approve the Company's applications for the following:

i) Proposed Share Consolidation;

ii) Admission to the Official List of Bursa Securities and listing of up to 671,128,549 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants and up to 67,184,958 Consideration Warrants to be issued pursuant to the Proposed Mergers;
iii) Listing of up to 618,197,411 Consideration Shares to be issued pursuant to the Proposed Mergers;
iv) Listing of up to 671,128,549 new Consolidated Shares to be issued arising from the full exercise of the Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and
v) Listing of up to 67,184,958 new Consolidated Shares to be issued arising from the full exercise of the Consideration Warrants to be issued pursuant to the Proposed Mergers.

The approval by Bursa Securities is subject to the following conditions:

i) HLIB is required to make the relevant announcements pursuant to Paragraph 13.02 of the Listing Requirements;
ii) Scomi and HLIB must fully comply with the provisions under the Listing Requirements pertaining to the implementation of the Proposals;
iii) Scomi and HLIB to inform Bursa Securities upon the completion of the Proposals;
iv) Scomi to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed; and
v) Payment of additional listing fees pertaining to the exercise of Warrants, if relevant. In this respect, Scomi is required to furnish Bursa Securities on a quarterly basis a summary of the total number of Consolidated Shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of the listing fees payable.

The shareholders of the Company have duly approved all the resolutions set out in the Notice of EGM dated 12 December 2017 by way of poll on 4 January 2018.

The Company's share consolidation (2:1) exercise was carried out on 18 January 2018. 1,917,510,141 existing Shares (including 6,448,700 Shares held as treasury shares) as at 5.00 p.m. on 18 January 2018 were consolidated into 958,755,070 Consolidated Shares (including 3,224,350 Consolidated Shares held as treasury shares. The Consolidated Shares were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m. on 19 January 2018.

<u>Bonus Issue of Warrants and Merger of Scomi Engineering</u>

On 30 January 2018, the Company has executed the Deed Poll which sets out the terms and conditions of the Warrants to be issued under the Corporate Exercises. The Board has also fixed the entitlement basis for the Bonus Issue of up to 479,377,535 Warrants in Scomi Group Bhd on the basis of 1 Warrant for every 2 Consolidated Shares held by the entitled shareholders. The ex-date is 13 Feb 2018 and the entitlement date is 15 Feb 2018.

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 2017 RM'000
Current	576,701
Non Current	164,400
Total	741,101

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

	As at 31 Dec 2017 RM'000
Denominated in:	
Ringgit Malaysia	507,082
US Dollar	178,846
Indian Rupee	55,172
Total	741,101

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. The 3 and 4 January dates have been vacated due to the EGM of Scomi Group and Scomi Engineering which fell on the 4 and 5 January 2018. The new hearing dates are 22 & 23 February 2018 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 and the matter has been fixed for case management on 22 November 2017 and a further case management on 21 December 2017.

At the case management of the Appeal on 21 December 2017, the Court has fixed the matter for further case management on 15 January 2018 for STP to file Notice of Discontinuance of Appeal with no order as to costs. At the case management of the Appeal on 15 January 2018, the Court has fixed the matter for further case management on 24 January 2018 for STP to file its Notice of Withdrawal of the Appeal with no order as to costs and refund of the deposits to STP. At the final case management of the Appeal on 24 January 2018, STP withdrew its appeal with no order as to costs and deposit to be refunded to STP.

In respect of the Termination Injunction, 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. On 6 December 2017 the Court has given a further mention date before the panel on 12 March 2018 to update the court on the status of the TSC Arbitration.

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.

On 28 November 2017, the matter came up for case management before the Judge and the court has tentatively fixed trial dates from the 15 October 2018 to 19 October 2018 subject to confirmation by the parties on the next case management date on 8 January 2018.

On 4 December 2017 PMB filed its Notice of Appeal against the High Court's decision on 20 November 2017 granting STP interim injunction.

On 8 January 2018, at the first case management of the matter, the Court of Appeal fixed the matter for further case management on 28 February 2018 for the appellant (PMB) to file its Appeal Record.

On the same date, the court fixed the matter for further case management on 24 April 2018. The Court also fixed trial dates for the matter on 15 October 2018 to 19 October 2018.

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 31 Dec 2017	**Cumulative Period 9 months ended 31 Dec 2017**
Basic earnings per share			
Net losses attributable to shareholders	(RM'000)	(48,414)	(90,580)
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)	(2.54)	(4.76)

Diluted earnings per ordinary share are not presented as the Group has no shares or other instruments with potential dilutive effects as at 31 December 2017.

B11. Realised and Unrealised Retained Profits

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

	As at 31 Dec 2017 RM'000	As at 31 March 2017 RM'000 (Audited)
Total retained profits of company and its subsidiaries:		
- Realised	575,649	654,538
- Unrealised	(300,460)	(224,797)
	275,189	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	-	-
	280,569	409,952
Consolidation adjustments	(346,149)	(384,993)
Total retained earnings	(65,580)	24,959

B12. Profit for the period

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

	Current Quarter 31 Dec 2017 RM'000	Cumulative Period 9 months ended 31 Dec 2017 RM'000
Interest income	(18)	(779)
Interest expense	10,759	27,932
Unrealized foreign exchange (gain)/loss, net	13,637	45,640
Realized foreign exchange loss/(gain), net	746	(11,856)
Depreciation and amortisation	16,981	57,149
Reversal of doubtful debt provision	12,947	(1,275)
Gain on disposal of property, plant and equipment	5,677	5,317

B13. Auditors' Report on Preceding Annual Financial Statements

The auditors drew attention to the material uncertainty related to going concern which is 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.

There has been no material development since 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 28 February 2018.