

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

	<u>Quarter</u> 3 months ended 30 September 2018 RM '000	<u>Quarter</u> 3 months ended 30 September 2017 RM '000	<u>Cummulative Period</u> 6 months ended 30 September 2018 RM '000	<u>Cummulative Period</u> 6 months ended 30 September 2017 RM '000
<u>Continuing Operations</u>				
Revenue	142,887	173,807	287,668	387,616
Cost of revenue	(122,585)	(152,384)	(248,009)	(339,809)
Gross (loss)/profit	20,302	21,423	39,659	47,807
Other (expenses)/income, net	2,670	214	3,735	26,440
Operating expenses	(34,217)	(42,784)	(66,392)	(112,299)
Finance costs	(10,834)	(10,648)	(22,127)	(17,172)
Share of results of jointly controlled entities	(430)	(1,672)	(430)	(2,907)
Loss before taxation	(22,509)	(33,467)	(45,555)	(58,131)
Taxation	(5,296)	(3,302)	(7,886)	(6,417)
Loss for the period/year	(27,805)	(36,769)	(53,441)	(64,548)
Other comprehensive income/(expense)				
Currency translation differences	20,724	(22,526)	41,413	(70,980)
Cash flow hedges	-	11,417	-	15,640
Other comprehensive income/(expense), net of tax	20,724	(11,109)	41,413	(55,340)
Total comprehensive expense for the period/year	(7,081)	(47,878)	(12,028)	(119,888)
Loss attributable to:				
Owners of the Company	(27,914)	(25,986)	(53,529)	(42,166)
Non-controlling interests	109	(10,783)	88	(22,382)
	(27,805)	(36,769)	(53,441)	(64,548)
Total comprehensive expense attributable to:				
Owners of the Company	(15,246)	(32,931)	(29,628)	(82,088)
Non-controlling interests	8,165	(14,947)	17,600	(37,800)
	(7,081)	(47,878)	(12,028)	(119,888)
Earnings/(loss) per share	sen	sen	sen	sen
Basic earnings/(loss) per share	(2.55)	(1.37)	(4.89)	(2.22)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial statements.

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	As at 30 September 2018 RM'000 Unaudited	As at 31 March 2018 RM'000 Restated
ASSETS		
Non-current assets		
Property, plant and equipment	440,996	441,585
Intangible assets	277,777	277,293
Investment properties	585	2,140
Investment in associate	7,439	7,439
Investment in joint ventures and joint operations	25,808	25,413
Available-for-sale assets	108	108
Deferred tax assets	36,781	41,507
Receivables	2,233	5,525
	791,727	801,010
Current assets		
Inventories	120,962	126,876
Receivables, deposits and prepayments	986,070	973,030
Current tax assets	27,757	20,921
Short-term deposits, cash and bank balances	95,919	102,127
	1,230,708	1,222,954
Total assets	2,022,435	2,023,964
EQUITY AND LIABILITIES		
Equity attributable to owners of the company		
Share capital	664,964	664,964
Treasury shares	-	(3,239)
Other reserves	(72,899)	(96,800)
Retained earnings	(276,130)	(219,524)
	315,935	345,401
Non controlling interests	358,361	340,761
	674,296	686,162
Non-current liabilities		
Trade and other payables	2,924	3,738
Provision for retirement benefit	9,277	8,932
Loans and borrowings	153,132	150,944
Deferred taxation	11,802	10,004
	177,135	173,618
Current liabilities		
Trade and other payables	597,877	553,043
Loans and borrowings	544,300	565,382
Current tax liabilities	28,827	35,243
Derivative financial liabilities	-	10,516
	1,171,004	1,164,184
Total liabilities	1,348,139	1,337,802
Total equity and liabilities	2,022,435	2,023,964
Net asset per share attributable to equity holders of the parent (RM)	0.29	0.32

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 March 2018 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Share capital RM'000	Treasury shares RM'000	Other reserves Translation reserve RM'000	Hedge reserve RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 April 2018	664,964	(3,239)	(97,856)	-	(202,236)	361,633	345,725	707,358
Restatement as per MFRS 9	-	-	1,056	-	(17,288)	(16,232)	(4,964)	(21,196)
At 1 April 2018, restated	664,964	(3,239)	(96,800)	-	(219,524)	345,401	340,761	686,162
Foreign currency translation differences for foreign operations	-	-	23,901	-	-	23,901	17,512	41,413
Loss for the period	-	-	-	-	(53,529)	(53,529)	88	(53,441)
Total comprehensive income for the year	-	-	23,901	-	(53,529)	(29,628)	17,600	(12,028)
Own shares sold	-	3,239	-	-	(3,077)	162	-	162
At 30 September 2018	664,964	-	(72,899)	-	(276,130)	315,935	358,361	674,296
At 1 April 2017	636,582	(18,696)	(79,389)	10,657	24,959	574,113	502,147	1,076,260
Foreign currency translation differences for foreign operations	-	-	(18,467)	-	-	(18,467)	(3,078)	(21,545)
Cash flow hedges	-	-	-	(10,657)	-	(10,657)	(5,576)	(16,233)
Loss for the year	-	-	-	-	(249,974)	(249,974)	(82,108)	(332,082)
Retirement benefits	-	-	-	-	350	350	-	350
Total comprehensive income for the year	-	-	(18,467)	(10,657)	(249,624)	(278,748)	(90,762)	(369,510)
Issue of ordinary shares	28,382	-	-	-	-	28,382	(28,382)	-
Transaction with non-controlling interest	-	-	-	-	36,445	36,445	(37,278)	(833)
Own shares sold	-	15,457	-	-	(14,016)	1,441	-	1,441
At 31 March 2018	664,964	(3,239)	(97,856)	-	(202,236)	361,633	345,725	707,358

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2018**

	Cumulative Period	
	Current Year 30 September 2018 RM'000 Unaudited	Preceding Year 30 September 2017 RM'000 Unaudited
Cash flows from operating activities		
Loss before taxation		
continuing operations	(45,555)	(58,131)
Adjustments for non-cash items	68,437	56,438
Operating (loss)/profit before working capital changes	22,882	(1,693)
Changes in working capital:		
Inventories	5,914	31,627
Trade and other receivables	(7,948)	(51,985)
Trade and other payables	(7,472)	(7,324)
Cash from operations	13,376	(29,375)
Tax paid	(3,534)	(5,128)
Net cash from operating activities	9,842	(34,503)
Cash flows from investing activities		
Additional investment in Joint-Venture/Associates	-	(500)
Purchase of property, plant and equipment	(2,061)	(6,479)
Proceeds from disposal of property, plant and equipment	4,542	-
Interest received	602	761
Net cash used in investing activities	3,083	(6,218)
Cash flows from financing activities		
Proceeds from bank borrowings	-	30,449
Repayment of bank borrowings	(4,390)	(19,888)
Interest paid on borrowings	(10,073)	(18,314)
Increase in cash and short term deposit pledged as security	(3,213)	(5,398)
Sale of treasury shares	163	-
Net cash used in financing activities	(17,513)	(13,151)
Net decrease in cash and cash equivalents	(4,588)	(53,872)
Cash and cash equivalents at beginning of period	(31,407)	32,802
Currency translation differences	4,021	(21,885)
Cash and cash equivalents at end of period	(31,974)	(42,955)
<u>Cash and cash equivalents comprise:</u>		
Short term deposits with licensed banks	59,510	61,991
Cash and bank balances	36,409	28,353
Bank overdrafts	(70,465)	(75,517)
	25,454	14,827
Less: Short-term deposit pledged as securities	(57,428)	(57,782)
	(31,974)	(42,955)

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 2018 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 2018.

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 2018.

The following are amendments to the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") and have been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning 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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 Group and the Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 April 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 April 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

A1. Basis of Preparation of interim financial reports (“continued”)

The Group and the Company does not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on 1 April 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or 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 application of MFRS 15 does not have a material effect on the Group’s financial statements.

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.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with a forward looking “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

As allowed by the transitional provisions of MFRS 9, the Group elected not to restate the comparatives. Effects arising from the initial application of MFRS 9 is as below:

Group	As reported at 31 March 2018 RM’000	Estimated adjustments due to adoption of MFRS 9 RM’000	Estimated adjusted opening balance at 1 April 2018 RM’000
Trade and other receivables	994,226	(21,196)	973,030
Translation reserve	(97,856)	1,056	(96,800)
Accumulated Losses	(202,236)	(17,288)	(219,524)
Non-Controlling Interest	345,725	(4,964)	340,761

A1. Basis of Preparation of interim financial reports (“continued”)**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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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 items

There are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current period under review other than as disclosed in these unaudited condensed consolidated interim financial statements.

A5. Material changes in estimates

There were no material changes in estimates other than as disclosed in these unaudited condensed consolidated interim financial statements that have a material effect on the results for the current period under review.

A6. 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 period, except as stated below:-

Sale of treasury shares during the period as follow:-

Date	No. of units	Price/unit RM	Total consideration RM
12 April 18	361,400	0.13	46,982
19 April 18	388,600	0.13	50,518
20 April 18	330,800	0.13	43,070
8 June 18	169,200	0.13	21,996
Total	1,250,000		162,566

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A7. Dividends paid

No dividends were paid during the current period.

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 months period ended 30 September 2018					
Revenue					
Revenue for the period	201,856	57,304	28,508	-	287,668
Results					
Operating loss	(2,039)	(51)	(21,803)	(2,840)	(26,733)
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	-	(430)	-	-	(430)
Other income/(expenses)	17,506	4,036	(14,478)	(3,329)	3,735
Finance cost	(7,348)	(2,438)	(18,092)	5,751	(22,127)
Segment results	8,119	1,117	(54,373)	(418)	(45,555)
Taxation					(7,886)
Loss for the period					(53,441)
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)
Loss for the period					(64,548)

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 period under review.

A11. Changes in composition of the Group

There were no material changes in composition of the Group during the period under review.

A12. Contingent liabilities

Details of contingent liabilities of the Group at the end of the period are as follows:

	RM'000
Contingent liabilities arising from :	
- tax matters	<u>2,000</u>

A13. Capital and operating lease commitments

a) Capital commitments:

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Plant and equipment	141	6,390	6,531
Vessels	8,476	13,707	22,183
Total	<u>8,617</u>	<u>20,097</u>	<u>28,714</u>

b) Operating lease commitments:

	30 September 2018 RM'000
Less than one year	1,844
Between one and five years	3,749
	<u>5,593</u>

A14. Related Party Transactions

The following are the significant related party transactions:

	Current Quarter 30 September 2018 RM'000	Cumulative Period Ended 30 September 2018 RM'000
Transactions with companies connected to Directors: (expenses / (Income))		
Airline Ticketing Services	22	47
Rental Income	(16)	(60)

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 performance
Current quarter compared to corresponding quarter of the preceding year as follows:

	INDIVIDUAL QUARTER			
	Current Year Quarter 30-Sep-18	Preceding Year Corresponding Quarter 30-Sep-17	Changes	
	RM'000	RM'000	RM'000	%
Revenue	142,887	173,807	(30,920)	-18%
Gross Profit	20,302	21,423	(1,121)	-5%
Operating expenses	(34,217)	(42,784)	8,567	20%
Other Income/(Charges)	2,670	214	2,456	1148%
Finance Costs	(10,834)	(10,648)	(186)	-2%
Share of Losses	(430)	(1,672)	1,242	74%
Loss Before Tax	(22,509)	(33,467)	10,958	33%
Loss After Tax	(27,805)	(36,769)	8,964	24%
Loss Attributable to the Owners of the Company	(27,914)	(25,986)	(1,928)	-7%

Current Quarter

Details of the key factors driving the performance of each segment are provided in the respective sections below:

Current quarter vs. corresponding quarter of the preceding year

	Revenue		Variance		Loss Before Tax		Variance	
	3 months to				3 months to			
	30 Sept 2018	30 Sept 2017	30 Sept 2018	30 Sept 2017	30 Sept 2018	30 Sept 2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Operating segments:								
Oilfield Services	107,299	124,483	(17,184)	-14%	10,645	(7,341)	17,986	245%
Marine Services	26,970	28,479	(1,509)	-5%	(4,311)	(8,938)	4,627	52%
Transport Solutions	8,618	20,845	(12,227)	-59%	(28,756)	(17,568)	(11,188)	-64%
Corporate/Elimination	-	-	-	-	(87)	380	(467)	-123%
	142,887	173,807			(22,509)	(33,467)		

Oilfield Services

The segment's revenue for the current quarter decreased by RM17.2 million or 14% compared to 2QFY2018, mainly due to lower activity in countries such as Turkmenistan, Thailand, and Malaysia offset by higher revenue in West Africa.

Profit Before Tax was RM10.6 million in the current quarter as compared to a loss of RM7.3 million in 2QFY2018. This was primarily due to lower operating expenses in current quarter coupled with forex gain of RM6.0 million whereas 2QFY2018 had forex losses.

Marine Services

The segment revenue for the current quarter was lower by RM1.5 million or 5% compared to 2QFY2018. This was mainly due to lower revenue on the coal affreightment contract in Malaysia though there was an increase in revenue from coal shipments.

The segment posted a lower Loss before tax of RM4.3 million as compared to a loss of RM8.9million in 2QFY2018 as a result of higher gross profit from the Coal unit, lower operating expenses and lower share of losses from joint venture, which was partly offset by forex losses in current quarter of RM2.9 million.

Transport Solutions

The Transport Solutions division recorded lower revenue of RM8.6 million, as compared to RM20.8 million in 2QFY2018. 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 before tax of RM28.8 million, as compared to loss of RM17.6 million in 2QFY2018. This was mainly due to lower revenue impacting margins and unrealised foreign exchange losses of RM2.5 million during the quarter. The forex losses were mainly 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.

Current Period
Current period vs. corresponding period of the preceding year

	CUMULATIVE PERIOD			
	Current Year Period Ended	Preceding Year Corresponding Period Ended	Changes	
	30-Sep-18	30-Sep-17		
	RM'000	RM'000	RM'000	%
Revenue	287,668	387,616	(99,948)	-26%
Gross Profit	39,659	47,807	(8,148)	-17%
Operating expenses	(66,392)	(112,299)	45,907	41%
Other Income/(Charges)	3,735	26,440	(22,705)	-86%
Finance Costs	(22,127)	(17,172)	(4,955)	-29%
Share of Losses	(430)	(2,907)	2,477	85%
Loss Before Tax	(45,555)	(58,131)	12,576	22%
Loss After Tax	(53,441)	(64,548)	11,107	17%
Loss Attributable to the Owners of the Company	(53,529)	(42,166)	(11,363)	-27%

Details of the key factors driving the performance of each segment are provided in the respective sections below:

	Revenue		Variance		Loss Before Tax		Variance	
	6 months to				6 months to			
	30 Sept 2018	30 Sept 2017	RM'000	%	30 Sept 2018	30 Sept 2017	RM'000	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Operating segments:								
Oilfield Services	201,856	256,573	(54,717)	-21%	8,119	(18,261)	26,380	144%
Marine Services	57,304	64,878	(7,574)	-12%	1,117	(14,743)	15,860	108%
Transport Solutions	28,508	66,165	(37,657)	-57%	(54,373)	(30,718)	(23,655)	-77%
Corporate/Elimination	-	-	-	-	(418)	5,591	(6,009)	-107%
	287,668	387,616			(45,555)	(58,131)		

Oilfield Services

The segment's revenue for the current period decreased by RM54.7 million or 21% as compared to YTD2QFY2018, mainly due to lower activity in countries such as Turkmenistan, Thailand, and Malaysia offset by higher revenue in West Africa and France.

Profit Before Tax was RM8.1 million in the current period as compared to a loss of RM18.2 million in YTD2QFY2018. This was primarily due to lower operating expenses coupled with net forex gain of RM11.7 million whereas YTD2QFY2018 had forex losses.

Marine Services

The segment revenue for the current quarter was lower by RM7.6 million or 12% compared to YTD2QFY2018 primarily due to lower revenue on the coal affreightment contract in Malaysia and partially offset by higher revenues at Coal unit due to increased coal shipment.

The segment posted a Profit before tax of RM1.1 million during the current period as compared to a loss of RM14.7million in YTD2QFY2018 contributed by higher gross profit from the Coal unit, lower operating expenses, forex gain and lower share of losses from joint venture.

Transport Solutions

The Transport Solutions division recorded lower revenue of RM28.5 million, as compared to RM66.2 million in YTD2QFY2018. 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 before tax of RM54.4 million, as compared to loss of RM30.7 million in YTD2QFY2018. This was mainly due to lower revenue impacting margins, higher financial cost and unrealised foreign exchange losses of RM14.2 million during the period. The forex 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.

B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a loss before tax of RM22.5 million in the current quarter ended 30 September 2018 ("2QFY2019") as compared to a loss of RM23.0 million in the preceding quarter ended 30 June 2018 ("1QFY2019").

As tabulated below, the current quarter Loss Before Tax is lower than preceding quarter due to higher profits from Oilfield Services due to improvement in margins which was offset by losses sustained by Transport Solutions as a result of low activity and total net forex losses for the quarter of RM0.3 million (1QFY2019: forex losses of RM4.0 million).

	Revenue		Variance		Loss Before Tax		Variance	
	3 months to				3 months to			
	30 Sept 2018	30 June 2018	RM'000	%	30 Sept 2018	30 June 2018	RM'000	%
Operating segments:	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Oilfield Services	107,299	94,557	12,742	13%	10,645	(2,526)	13,171	521%
Marine Services	26,970	30,334	(3,364)	-11%	(4,311)	5,428	(9,739)	179%
Transport Solutions	8,618	19,890	(11,272)	-57%	(28,756)	(25,617)	(3,139)	-12%
Corporate	-	-	-	-	(87)	(331)	244	-74%
	142,887	144,781			(22,509)	(23,046)		

B3. Current Financial Year Prospects

Drilling Service Outlook

With the oil price increasing, and more importantly stabilizing, we are seeing a general increase in activity and request for quotes and new tenders in many countries, though we are yet to see increase in rates for services rendered.

Marine Services

We expect the coal market to continue to be active over the rest of the year. We do not anticipate much movement in the Offshore market and the Offshore vessels are still idle.

Transport Solutions

The segment continues to face significant challenges in its efforts to complete its current projects.

For Mumbai Monorail Project in India, work is completed for Phase 2. We have recommenced the Operations and Maintenance in September 2018 on Phase 1. Construction work for Phase 2 has completed.

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. We continue to be in discussion with the customer to resolve the matter amicably. However, any unfavourable outcome will potentially have an adverse impact on the Group.

B4. Profit Forecast

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 September 2018 RM'000	Cumulative Period Year Ended 30 September 2018 RM'000
Continuing operations		
Current tax:		
Malaysian income tax	-	-
Foreign tax	5,296	7,886
	5,296	7,886
Deferred tax:		
Malaysia	-	-
Foreign	-	-
Total income tax	5,296	7,886

Domestic current income tax is calculated at the statutory tax rate of 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 5 June 2018, the Company announced a Proposed Private Placement ("Placement") of up to 10% of the issued share capital of the Company. On 29 November 2018, the Company submitted an application to Bursa Malaysia Securities Berhad ("Bursa Securities") to seek an extension of time of six (6) months from 14 December 2018, on which the approval of Bursa Securities for the Private Placement granted on 14 June 2018 would lapse, for the Company to implement the Placement.

The Company also announced on 14 August 2018 that it is proposing to undertake a reduction of the issued share capital of the Company ("Capital Reduction Exercise") pursuant to Section 116 of the Companies Act, 2016. At the Extraordinary General Meeting held on 2 November 2018, the shareholders of the Company duly approved the Capital Reduction Exercise.

There are no other corporate proposals that have been announced but not completed.

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 September 2018 RM'000
Current	544,300
Non Current	153,132
Total	<u>697,432</u>

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

	As at 30 September 2018 RM'000
Denominated in:	
Ringgit Malaysia	483,896
US Dollar	161,210
Indian Rupee	52,326
Total	<u>697,432</u>

B8. Changes in material litigation**Notice of Termination by Prasarana Malaysia Berhad ("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") 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 hearing commenced on 13 November 2017 and continued on 22 February 2018, 23 March 2018 and

23 May 2018. The last hearing dates which was fixed on 30 & 31 July 2018 did not proceed following a letter from the Arbitrator dated 24 July 2018 which informed PMB and STP ("Parties") that it is presently necessary for him to stay the current arbitration proceedings until further notice due to his appointment as the Speaker for Dewan Rakyat. On 11 October 2018, the Arbitrator wrote to the Parties solicitors on his withdrawal as the Arbitrator. The Parties were advised that they may proceed to appoint a substitute Arbitrator in accordance with section 17 of the Arbitration Act 2005.

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 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 and various dates in 2018 to update the court on the status of the TSC Arbitration. At the latest case management dated 31 July 2018, the Registrar has fixed the matter for further case management on 6 September 2018 to update court on the status of the TSC Arbitration. At the case management dated 31 July 2018, the Registrar has fixed the matter for further case management on 6 September 2018. At the latest case management on 6 September 2018, the court fixed a further case management on 3 December 2018 to update 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 PMB and/or RRSB 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 was 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 RRSB 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 RRSB 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 on 28 November 2017 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 on 8 January 2018, the Court of Appeal fixed the matter for further case management on 28 February 2018 for the appellant (PMB) to file its Appeal Record. The matter has been fixed for hearing on 13 July 2018. On 13 July 2018, the Court of Appeal had allowed PMB / RRSB's appeal against the defamation injunction. Accordingly, the Injunction dated 20 November 2017 is set aside. The main suit came up for case management on 25 June 2018, 25 July 2018 and 16 August 2018 for parties to update court on the status of the filing of the Bundle of Documents for the trial.

At the latest case management dated 16 August 2018, STP's Solicitor informed the Court that both parties are in the midst of settlement negotiations on a global basis and requested that the trial fixed on 15 October 2018 to 19 October 2018 be vacated in order to facilitate the settlement between the parties.

The Court however only granted a stay of compliance with pre-trial case management directions and fixed a further case management on the 19 September 2018 for parties to update the court on the settlement before the court makes any decision to vacate the trial dates. On 19 September 2018, the court has vacated the trial dates on the 15 October 2018 to 19 October 2018 and has fixed a case management date on 15 October 2018 on the basis that parties are in the midst of settlement negotiations on a global basis.

On 15 Oct 2018, the court has fixed the matter for further case management on 22 November 2018 to update the Court on the ongoing settlement negotiations. If there is no change in status, the Court will fix the matter for early trial. On 22 November 2018, the Court fixed a further case management on 10 January 2019 to update the Court of the ongoing negotiation on a global basis.

B9. Proposed Dividend

No dividend has been declared for the current period under review.

B10. Earnings per share

The computation for earnings per share is as shown below.

		Current Quarter 30 September 2018	Cumulative Period Year Ended 30 September 2018
Basic earnings/(loss) per share			
Net losses attributable to shareholders	(RM'000)	<u>(27,914)</u>	<u>(53,529)</u>
<u>Weighted average number of shares</u>	('000)		
Issued shares at opening		1,092,657	1,092,657
Effect of sale of treasury shares		1,250	1,250
Weighted average number of shares	('000)	<u>1,093,907</u>	<u>1,093,907</u>
Basic earnings/(loss) per share	(sen)	<u>(2.55)</u>	<u>(4.89)</u>

Diluted earnings per ordinary share are not presented as the Group's warrants exercise price is more than the average share price for the period.

B11. Profit/(loss) for the period

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

	Current Quarter 30 September 2018 RM'000	Cumulative Year Ended 30 September 2018 RM'000
Interest income	278	602
Interest expense	(10,594)	(21,652)
Foreign exchange gain/(loss), net	(292)	(4,244)
Depreciation and amortisation	(18,037)	(36,333)
Gain/(Loss) on disposal of property, plant and equipment	520	3,891

B12. 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 2018.