

**SCOMI ENGINEERING BHD (111633-M)**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2017**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE PERIOD</b>	
	<b>Current Year Quarter</b>	Preceding Year Corresponding Quarter	<b>Current Year Period Ended</b>	Preceding Year Corresponding Period Ended
	<b>30-Jun-17</b>	30-Jun-16	<b>30-Jun-17</b>	30-Jun-16
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited
Revenue	<b>45,320</b>	32,972	<b>45,320</b>	32,972
Cost of sales	<b>(44,821)</b>	(32,835)	<b>(44,821)</b>	(32,835)
Gross profit	<b>499</b>	137	<b>499</b>	137
Other income	<b>1,619</b>	7,148	<b>1,619</b>	7,148
Operating expenses	<b>(11,908)</b>	(5,295)	<b>(11,908)</b>	(5,295)
Operating (loss)/profit	<b>(9,790)</b>	1,990	<b>(9,790)</b>	1,990
Finance costs	<b>(3,360)</b>	(1,404)	<b>(3,360)</b>	(1,404)
(Loss)/profit before taxation	<b>(13,150)</b>	586	<b>(13,150)</b>	586
Tax expense	<b>(849)</b>	(242)	<b>(849)</b>	(242)
(Loss)/profit for the period	<b>(13,999)</b>	344	<b>(13,999)</b>	344
<b>Other comprehensive (expense)/income</b>				
Currency translation differences arising from foreign operations	<b>(4,968)</b>	10,086	<b>(4,968)</b>	10,086
<b>Total other comprehensive (expense)/income</b>	<b>(4,968)</b>	10,086	<b>(4,968)</b>	10,086
<b>Total comprehensive (expense)/income for the period</b>	<b>(18,967)</b>	10,430	<b>(18,967)</b>	10,430
<b>Basic (loss)/earnings per share (sen) from operations attributable to owners of the Company:</b>	<b>(4.09)</b>	0.10	<b>(4.09)</b>	0.10

Note: The detailed calculations for the Basic earnings per share are shown in Note B10.

*The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Audited Financial Report for the year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**SCOMI ENGINEERING BHD (111633-M)**  
(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	<b>As at 30-Jun-17 RM'000 Unaudited</b>	As at 31-Mar-17 RM'000 Audited
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant & equipment	<b>60,496</b>	60,389
Intangible assets	<b>153,693</b>	153,693
Deferred tax assets	<b>34,621</b>	34,600
Available-for-sale financial assets	<b>170</b>	170
	<b>248,980</b>	248,852
<b>CURRENT ASSETS</b>		
Inventories	<b>11,166</b>	16,512
Receivables, deposits and prepayments	<b>818,982</b>	797,617
Current tax assets	<b>1,997</b>	4,619
Short term deposits, cash and bank balances	<b>34,576</b>	38,452
	<b>866,721</b>	857,200
<b>TOTAL ASSETS</b>	<b>1,115,701</b>	1,106,052
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	<b>388,685</b>	388,685
Treasury shares	<b>(103)</b>	(103)
Merger relief reserve	<b>21,260</b>	21,260
Available-for-sale reserve	<b>66</b>	66
Currency exchange reserve	<b>(6,081)</b>	(1,113)
Accumulated losses	<b>(166,777)</b>	(152,778)
	<b>237,050</b>	256,017
<b>NON-CURRENT LIABILITIES</b>		
Payables	<b>84,890</b>	78,582
Deferred tax liabilities	<b>9,510</b>	9,398
Deferred income	<b>1,611</b>	1,681
Loans and borrowings	<b>78,054</b>	74,159
	<b>174,065</b>	163,820
<b>CURRENT LIABILITIES</b>		
Payables	<b>241,428</b>	216,909
Deferred income	<b>120</b>	120
Loans and borrowings	<b>448,507</b>	451,482
Current tax liabilities	<b>14,262</b>	17,435
Deferred government grant	<b>269</b>	269
	<b>704,586</b>	686,215
<b>TOTAL LIABILITIES</b>	<b>878,651</b>	850,035
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,115,701</b>	1,106,052
Net assets per share attributable to owners of the Company (RM)	<b>0.69</b>	0.75

*The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**SCOMI ENGINEERING BERHAD (111633-M)**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2017**

&lt;-----Attributable to owners of the Company-----&gt;

	<u>Share capital</u> RM'000	<u>Treasury shares</u> RM'000	<u>Share premium</u> RM'000	<u>Merger relief reserve</u> RM'000	<u>Foreign currency translation reserve</u> RM'000	<u>Available for sale reserve</u> RM'000	<u>Accumulated losses</u> RM'000	<u>Total equity</u> RM'000
<b><u>3-months ended 30 June 2017</u></b>								
<b>At 1 April 2017</b>	388,685	(103)	-	21,260	(1,113)	66	(152,778)	256,017
Foreign currency translation differences for foreign operations	-	-	-	-	(4,968)	-	-	(4,968)
Total other comprehensive expense for the period	-	-	-	-	(4,968)	-	-	(4,968)
Loss for the period	-	-	-	-	-	-	(13,999)	(13,999)
Total comprehensive expense for the period	-	-	-	-	(4,968)	-	(13,999)	(18,967)
<b>At 30 June 2017</b>	<b>388,685</b>	<b>(103)</b>	<b>-</b>	<b>21,260</b>	<b>(6,081)</b>	<b>66</b>	<b>(166,777)</b>	<b>237,050</b>
<b>Note A</b>								
<b><u>3-months ended 30 June 2016</u></b>								
<b>At 1 April 2016</b>	342,080	(103)	46,605	21,260	(11,547)	-	(133,022)	265,273
Foreign currency translation differences for foreign operations	-	-	-	-	10,086	-	-	10,086
Total other comprehensive income for the period	-	-	-	-	10,086	-	-	10,086
Profit for the period	-	-	-	-	-	-	344	344
Total comprehensive income for the period	-	-	-	-	10,086	-	344	10,430
<b>At 30 June 2016</b>	<b>342,080</b>	<b>(103)</b>	<b>46,605</b>	<b>21,260</b>	<b>(1,461)</b>	<b>-</b>	<b>(132,678)</b>	<b>275,703</b>

**Note A**

Pursuant to Section 618 of Companies Act 2016 commenced on 31 January 2017, the credits standing in the share premium account amounting to RM46,605,000 has been transferred to share capital account. The Group has twenty-four months upon the commencement of Companies Act 2016 to utilise the credits on or before 31 January 2019.

*The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Report for the year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.*

**SCOMI ENGINEERING BERHAD (111633-M)**

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2017**

	<b>3 months ended 30-Jun-17 RM'000 Unaudited</b>	3 months ended 30-Jun-16 RM'000 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	<b>(13,150)</b>	586
Adjustments for:		
Non-cash items	<b>9,527</b>	(4,856)
Interest expense	<b>11,718</b>	8,721
Interest income	<b>(289)</b>	(184)
Operating profit before changes in working capital	<b>7,806</b>	4,267
Changes in current assets	<b>(27,669)</b>	(30,847)
Changes in current liabilities	<b>27,647</b>	12,805
Cash generated from/(used in) operations	<b>7,784</b>	(13,775)
Tax paid	<b>(44)</b>	(339)
Interest received	<b>289</b>	184
Net cash from/(used in) operating activities	<b>8,029</b>	(13,930)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance from ultimate holding company	<b>4,273</b>	8,810
Repayment of borrowings	-	(4,972)
Drawdown of borrowings	<b>5,260</b>	8,536
Drawdown of term loan	-	2,804
Net finance lease principal repayment	<b>(793)</b>	(169)
Net drawdown of trade facilities	-	339
Interest paid	<b>(9,554)</b>	(8,721)
Changes in deposits pledged	<b>(287)</b>	(41)
Net cash (used in)/from financing activities	<b>(1,101)</b>	6,586
<b>Net increase/(decrease) in cash and cash equivalents during the period</b>	<b>6,928</b>	(7,344)
<b>Currency translation differences</b>	<b>(10,182)</b>	8,499
<b>Cash and cash equivalents at beginning of financial year</b>	<b>(69,450)</b>	(65,532)
<b>Cash and cash equivalents at end of the financial period</b>	<b>(72,704)</b>	(64,377)
Cash and cash equivalents comprise:		
Deposits placed with licensed banks	<b>33,047</b>	25,396
Cash and bank balances	<b>1,529</b>	8,461
Bank overdrafts	<b>(75,243)</b>	(72,976)
	<b>(40,667)</b>	(39,119)
Deposits with licensed banks pledged as security for bank facilities	<b>(32,037)</b>	(25,258)
	<b>(72,704)</b>	(64,377)

*The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Audited Financial Report for the year ended 31 March 2017 and the accompanying explanatory notes attached to the interim financial statements.*

## **SCOMI ENGINEERING BHD (111633-M)**

### **PART A: EXPLANATORY NOTES AS PER MFRS 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") 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 as at end for the period ended 30 June 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 audited financial statements for the year ended 31 March 2017.

As of 1 April 2017, the following MFRS, amendments and interpretations were issued by the Malaysian Accounting Standards Board but are not yet effective and have not been adopted by the Group:

#### Effective for annual periods commencing on or after 1 January 2017

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

The above pronouncements are either not relevant or do not have any impact on the financial statements of the Group, except for the Amendments to MFRS 107 Statement of Cash Flows – Disclosure Initiative.

These amendments to MFRS 107 Statement of Cash Flows – Disclosure Initiative require the Group to disclose a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes arising from cash flow and non-cash flow items.

The adoption of these amendments does not require additional disclosure in the condensed consolidated financial statements, but such disclosure will be required in the annual audited financial statements.

Effective for annual periods commencing on or after 1 January 2018

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

Effective for annual periods commencing on or after 1 January 2019

MFRS 16	Leases
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Effective for annual periods commencing on a date yet to be confirmed

Amendments on 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
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**A2. Seasonal or Cyclical Factors**

The Group's results were not materially affected by any major seasonal or cyclical factors.

**A3. Unusual and Extraordinary Items**

There were no unusual and/or extraordinary items affecting assets, liabilities, equity, net income or cashflows during the period under review.

**A4. 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, deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances, assessment of penalties and indirect taxes payable, construction contracts profits and capitalised development expenditure.

There were no material changes in estimates reported in the period under review.

**A5. Issuance and Repayment of Debt and Equity Securities**

There were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Company during the period under review.

**A6. Dividends Paid**

No dividends were paid during the period under review.

**A7. Segmental Information****Current Quarter as compared to Preceding Year Corresponding Quarter**

	<b>3-mths ended</b>		<b>YTD 3-mths ended</b>	
	30.06.17	30.06.16	30.06.17	30.06.16
	RM'000	RM'000	RM'000	RM'000
<b>Segment Revenue</b>				
Rail	23,955	20,335	23,955	20,335
Commercial Vehicles	21,365	12,637	21,365	12,637
<b>Revenue</b>	<b>45,320</b>	<b>32,972</b>	<b>45,320</b>	<b>32,972</b>
<b>Segment Results</b>				
Rail	(11,553)	4,218	(11,553)	4,218
Commercial Vehicles	1,551	(2,041)	1,551	(2,041)
Corporate expenses	(3,148)	(1,591)	(3,148)	(1,591)
(Loss)/profit before taxation	(13,150)	586	(13,150)	586
Tax expense	(849)	(242)	(849)	(242)
<b>(Loss)/profit for the financial period</b>	<b>(13,999)</b>	<b>344</b>	<b>(13,999)</b>	<b>344</b>

**A8. Material Events Subsequent to the End of the Period**

There were no material events subsequent to the end of the period under review.

**A9. Contingent Liabilities**

There were no contingent liabilities for the Group as at 30 June 2017.

## A10. Capital and Operating Lease Commitments

- (a) There were no capital commitments for the Group as at 30 June 2017.
- (b) The Group has entered into non-cancellable operating lease agreement for property, plant and equipment. Commitments for future minimum lease payments are as follows:

	<b>30.06.17</b> <b>RM'000</b>	<b>31.03.17</b> <b>RM'000</b>
Due within 1 year	37	39
Due within 1 and 2 years	31	32
Due later than 2 years	35	42
Total	<u>103</u>	<u>113</u>

## A11. Significant Related Party Transactions

The following are the Group's significant related party transactions:

	<b>3-mths</b> <b>ended</b> <b>30.06.17</b> <b>RM'000</b>	<b>YTD</b> <b>3-mths</b> <b>ended</b> <b>30.06.17</b> <b>RM'000</b>
Transactions with a company connected to Directors		
- Provision of airline ticketing services	8	8
- Sharing of rental and office relocation costs with immediate holding company	96	96
	<u>          </u>	<u>          </u>

## A12. Significant Events Subsequent To Balance Sheet Date

On 21 August 2017, the Company received a proposal ("Proposal Letter") from Scomi Group Bhd ("SGB") on the proposed merger of Scomi Engineering Bhd ("SEB") with SGB by way of a members' scheme of arrangement pursuant to Section 366 of the Companies Act, 2016, between SEB and all the shareholders of SEB, other than SGB ("Proposed Merger").

As of 30 August 2017, the Board of Directors have yet to deliberate and decide on the next course of action.

Save and except for the above, there are no other material events subsequent to the balance sheet date.



**PART B: ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA**

**B1. Review of Performance**

**Current quarter compared to corresponding quarter of the preceding year**

	INDIVIDUAL QUARTER				CUMULATIVE PERIOD			
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes		Current Year Period Ended	Preceding Year Corresponding Period Ended	Changes	
	30-Jun-17	30-Jun-16			30-Jun-17	30-Jun-16		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	45,320	32,972	12,348	37	45,320	32,972	12,348	37
Operating (loss)/profit	(9,790)	1,990	(11,780)	-	(9,790)	1,990	(11,780)	-
(Loss)/profit before tax	(13,150)	586	(13,736)	-	(13,150)	586	(13,736)	-
(Loss)/profit after tax	(13,999)	344	(14,343)	-	(13,999)	344	(14,343)	-

The Group recorded revenue of RM45.3 million for the current quarter as compared to RM33.0 million for the corresponding quarter in financial year 2017, an increase of RM12.3 million, mainly due to higher revenue generated from Commercial Vehicles segment.

The Group posted a loss after taxation for the current quarter of RM14.0 million as compared to profit after taxation of RM0.3 million for the corresponding quarter in financial year 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 during the quarter.

**Rail segment**

	INDIVIDUAL QUARTER				CUMULATIVE PERIOD			
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes		Current Year Period Ended	Preceding Year Corresponding Period Ended	Changes	
	30-Jun-17	30-Jun-16			30-Jun-17	30-Jun-16		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	23,955	20,335	3,620	18	23,955	20,335	3,620	18
Operating (loss)/profit	(8,265)	5,338	(13,603)	-	(8,265)	5,338	(13,603)	-
(Loss)/profit before tax	(11,553)	4,218	(15,771)	-	(11,553)	4,218	(15,771)	-
(Loss)/profit after tax	(12,402)	4,209	(16,611)	-	(12,402)	4,209	(16,611)	-

Revenue for the current quarter is RM23.9 million, higher by RM3.6 million as compared to RM20.3 million for the corresponding quarter in financial year 2017. This was mainly due to higher work done on the Mumbai Monorail Onshore works for completion of Phase 2 works and Line 17 Sao Paulo Monorail project.

The segment posted a loss before taxation of RM11.5 million for the current quarter, as compared to profit before taxation of RM4.2 million for the corresponding quarter in financial year 2017.

This was mainly due to unrealised foreign exchange losses arising from translation of accrued receivables for both Mumbai and Brazil Monorail projects due to weakening of Indian Rupee and Brazilian Real against Malaysian Ringgit and higher unrealised foreign exchange losses arising from translation of US Dollar loan for Brazil Monorail project due to weakening of Brazilian Real against US Dollar for the current quarter, as compared to corresponding quarter in financial year 2017.

### Commercial Vehicles segment

	INDIVIDUAL QUARTER				CUMULATIVE PERIOD			
	Current Year Quarter	Preceding Year Corresponding Quarter	Changes		Current Year Period Ended	Preceding Year Corresponding Period Ended	Changes	
	30-Jun-17	30-Jun-16			30-Jun-17	30-Jun-16		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	<b>21,365</b>	12,637	8,728	69	<b>21,365</b>	12,637	8,728	69
Operating profit/(loss)	<b>1,623</b>	(1,757)	3,380	-	<b>1,623</b>	(1,757)	3,380	-
Profit/(loss) before tax	<b>1,551</b>	(2,041)	3,592	-	<b>1,551</b>	(2,041)	3,592	-
Profit/(loss) after tax	<b>1,551</b>	(2,274)	3,825	-	<b>1,551</b>	(2,274)	3,825	-

Revenue for the current quarter is RM21.4 million as compared to RM12.6 million for the corresponding quarter in financial year 2017, an increase of RM8.8 million.

The segment posted a profit before taxation for the current quarter of RM1.5 million, as compared to loss after taxation RM2.0 million recorded in the corresponding quarter in financial year 2017, an improvement of RM3.5 million.

The above increase in revenue and profits during the quarter were mainly due to work done on the MRT Feeder Bus project during the current quarter.

## B2. Material Change in Profit Before Taxation as compared to preceding quarter

	<b>Current Quarter</b>	<b>Immediate Preceding Quarter</b>	<b>Changes</b>	
	<b>30-Jun-17</b>	<b>31-Mar-17</b>	RM'000	%
Revenue	<b>45,320</b>	<b>44,267</b>	1,053	2
Operating loss	<b>(9,790)</b>	<b>(6,765)</b>	(3,025)	45
Loss before tax	<b>(13,150)</b>	<b>(12,288)</b>	(862)	7
Loss after tax	<b>(13,999)</b>	<b>(20,158)</b>	6,159	31

The Group posted a loss before taxation for the current quarter of RM13.1 million as compared to RM12.2 million for the immediate preceding quarter.

The higher losses in the current quarter as compared to immediate preceding quarter was mainly due to unrealised foreign exchange losses arising from translation of accrued receivables for Mumbai Monorail project due to weakening of Indian Rupee against Malaysian Ringgit and unrealised foreign exchange losses arising from translation of US Dollar loan for Brazil Monorail project due to weakening of Brazilian Real against US Dollar.

## B3. Prospects

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 commencement of operations of Phase 2 within 2017.

In Malaysia, Scomi Transit Project Sdn Bhd ("STP"), a wholly-owned subsidiary of Scomi Engineering Bhd, is currently in litigation relating to the Kuala Lumpur Monorail Fleet Expansion Project. STP continues to pursue its extension of time and variation order claims and all other claims in line with its entitlements.

In view of these, the Group remains cautious of its performance for the financial year.

## B4. Profit Forecast or Profit Guarantee

The Group has not provided any profit forecast or profit guarantee.

## B5. Tax Expense

	3-mths ended		YTD 3-mths ended	
	30.06.17	30.06.16	30.06.17	30.06.16
	RM'000	RM'000	RM'000	RM'000
Current period taxation				
Malaysian income tax	-	32	-	32
Foreign tax	-	-	-	-
	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>
Prior period taxation				
Income tax under provided	-	210	-	210
	<u>-</u>	<u>242</u>	<u>-</u>	<u>242</u>
Deferred tax	849	-	849	-
Total tax expense	<u>849</u>	<u>242</u>	<u>849</u>	<u>242</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% (2016: 24%) of the estimated assessable profit for the period. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The effective tax rate of the Group for the current and previous corresponding quarters before adjustment in respect of prior period taxation were lower than the Malaysian statutory tax rate mainly due to income not subject to tax and income subject to lower tax rate in certain jurisdiction of the subsidiaries.

## B6. Status of Corporate Proposal

Saved as disclosed in Item A12 above, there were no other corporate proposals as at the date of issue of this report.

## B7. Group Borrowings

The group borrowings are as follows:

<b>Secured</b>	<b>30.06.17 RM'000</b>	<b>31.03.17 RM'000</b>
<b>Non-Current</b>		
Revolving credit	40,001	36,259
Finance lease liabilities	38,053	37,900
	<u>78,054</u>	<u>74,159</u>
<b>Current</b>		
Bank overdrafts	75,243	76,152
Term loans	159,535	161,099
Trade facilities	579	579
Finance lease liabilities	4,078	5,025
Revolving credits	209,072	208,627
	<u>448,507</u>	<u>451,482</u>
<b>Total</b>		
Bank overdrafts	75,243	76,152
Term loans	159,535	161,099
Trade facilities	579	579
Finance lease liabilities	42,131	42,925
Revolving credits	249,073	244,886
Total borrowings	<u>526,561</u>	<u>525,641</u>

The group borrowings are denominated in the following currencies:

	<b>30.06.17 RM'000 <u>equivalent</u></b>	<b>31.03.17 RM'000 <u>equivalent</u></b>
Ringgit Malaysia	389,328	384,429
United States Dollar	78,445	81,070
Indian Rupee	58,788	60,142
	<u>526,561</u>	<u>525,641</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") to facilitate settlement negotiations. Pursuant to these negotiations, STP and PMB entered into a further contract i.e. a Third Supplemental Contract on 3 March 2017 ("TSC") to, amongst others, facilitate the completion of the Project by STP ("TSC Works").

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

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

The Appeal is now fixed for hearing on 28 August 2017.

Apart from the above actions, STP also commenced an action against PMB and Rapid Rail Sdn Bhd ("RRSB") at the Kuala Lumpur High Court on 16 Jun 2017 for damages for statements which STP asserts were defamatory as against PMB ("Defamation Action"). The action is pending and trial dates have not been fixed. In the interim, STP has applied for orders to restrain PMB and RRSB from making other such statements against STP (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 is now fixed for hearing on 23 August 2017.

## B9. Dividend Declared

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

## B10. (Loss)/Earnings Per Share

The computations for basic loss per share are as follows:-

	3-mths ended		YTD 3-mths ended	
	30.06.17	30.06.16	30.06.17	30.06.16
	RM'000	RM'000	RM'000	RM'000
(Loss)/profits for the period	(13,999)	344	(13,999)	344
Weighted average no. of shares in issue ('000)	341,958	341,958	341,958	341,958
Basic (loss)/earnings per share (sen)	<u>(4.09)</u>	<u>0.10</u>	<u>(4.09)</u>	<u>0.10</u>

There was no dilution in the earnings per share of the Company as at 30 June 2017 as the market price of the Company's ordinary shares was anti-dilutive.

## B11. Current Status of the Matter Giving Rise to Qualification of Financial Statements

The preceding annual audited financial statement was not qualified.

## B12. Additional Information

The following items are included in the statement of comprehensive income:-

	3-mths ended		YTD 3-mths ended	
	30.06.17	30.06.16	30.06.17	30.06.16
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit before taxation is stated after charging/(crediting):-				
- Interest income	(289)	(184)	(289)	(184)
- Interest expense	11,718	8,721	11,718	8,721
- Depreciation and amortisation	1,871	2,206	1,871	2,206
- Unrealised foreign exchange losses/(gains)	8,086	(6,976)	8,086	(6,976)
- Realised foreign exchange (gains)/losses	(63)	225	(63)	225

Note: The finance costs included within cost of sales amounted to RM8.4 million (2017: RM7.3 million) for both current quarter and year to date.

There were no provision for and write off of receivables and inventories, gain or loss on disposal of quoted or unquoted investments, impairment assets and exceptional items.

**B13. Retained Earnings / (Accumulated Losses)**

	<b>As at</b>	
	<b>30.06.17</b>	<b>31.03.17</b>
	<b>RM'000</b>	<b>RM'000</b>
Total accumulated (losses)/retained earnings of the Company and its subsidiaries :		
Realised	(283,970)	(278,574)
Unrealised	51,819	60,492
	<u>(232,151)</u>	<u>(218,082)</u>
Less : Consolidation adjustments	65,374	65,304
Total Group accumulated losses	<u>(166,777)</u>	<u>(152,778)</u>

**B14. Auditors' Report on Preceding Annual Financial Statements**

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

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

The Group continues to pursue various fundraising exercises and bid for new projects. There have been no material developments since the date of our last announcement on 24 July 2017.

**B15. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 August 2017.