

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 SEPTEMBER 2017**

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|--|-------------------------|--|------------------------------|---|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year Period Ended | Preceding Year Corresponding Period Ended |
| | 30-Sep-17 | 30-Sep-16 | 30-Sep-17 | 30-Sep-16 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| Revenue | 20,845 | 30,568 | 66,165 | 63,540 |
| Cost of sales | (22,968) | (32,428) | (67,789) | (65,263) |
| Gross loss | (2,123) | (1,860) | (1,624) | (1,723) |
| Other income | (305) | 8,205 | 1,314 | 15,353 |
| Operating expenses | (8,037) | (5,221) | (19,945) | (10,516) |
| Operating (loss)/profit | (10,465) | 1,124 | (20,255) | 3,114 |
| Finance costs | (7,104) | (4,127) | (10,464) | (5,531) |
| Loss before taxation | (17,569) | (3,003) | (30,719) | (2,417) |
| Tax credit/(expense) | 289 | 32 | (560) | (210) |
| Loss for the period | (17,280) | (2,971) | (31,279) | (2,627) |
| Other comprehensive (expense)/income | | | | |
| Currency translation differences arising from foreign operations | (5,960) | 2,017 | (10,928) | 12,103 |
| Total other comprehensive (expense)/income | (5,960) | 2,017 | (10,928) | 12,103 |
| Total comprehensive (expense)/income for the period | (23,240) | (954) | (42,207) | 9,476 |
| Basic loss per share (sen) from operations attributable to owners of the Company: | (5.05) | (0.87) | (9.15) | (0.77) |

Note: The detailed calculations for the Basic loss 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 SEPTEMBER 2017

| | As at 30-Sep-17 RM'000 Unaudited | As at 31-Mar-17 RM'000 Audited |
|---|---|---|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, plant & equipment | 58,385 | 60,389 |
| Intangible assets | 153,693 | 153,693 |
| Deferred tax assets | 34,659 | 34,600 |
| Available-for-sale financial assets | 170 | 170 |
| | 246,907 | 248,852 |
| CURRENT ASSETS | | |
| Inventories | 10,971 | 16,512 |
| Receivables, deposits and prepayments | 811,067 | 797,617 |
| Current tax assets | 1,855 | 4,619 |
| Short term deposits, cash and bank balances | 38,010 | 38,452 |
| | 861,903 | 857,200 |
| TOTAL ASSETS | 1,108,810 | 1,106,052 |
| EQUITY AND LIABILITIES | | |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | |
| Share capital | 388,685 | 388,685 |
| Treasury shares | (103) | (103) |
| Merger relief reserve | 21,260 | 21,260 |
| Available-for-sale reserve | 66 | 66 |
| Currency exchange reserve | (12,041) | (1,113) |
| Accumulated losses | (184,057) | (152,778) |
| | 213,810 | 256,017 |
| NON-CURRENT LIABILITIES | | |
| Payables | 88,607 | 78,582 |
| Deferred tax liabilities | 9,297 | 9,398 |
| Deferred income | 1,581 | 1,681 |
| Loans and borrowings | 76,781 | 74,159 |
| | 176,266 | 163,820 |
| CURRENT LIABILITIES | | |
| Payables | 268,436 | 216,909 |
| Deferred income | 120 | 120 |
| Loans and borrowings | 434,282 | 451,482 |
| Current tax liabilities | 15,805 | 17,435 |
| Deferred government grant | 90 | 269 |
| | 718,733 | 686,215 |
| TOTAL LIABILITIES | 894,999 | 850,035 |
| TOTAL EQUITY AND LIABILITIES | 1,108,809 | 1,106,052 |
| Net assets per share attributable to owners of the Company (RM) | 0.63 | 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 SEPTEMBER 2017**

<-----Attributable to owners of the Company----->

| | Share capital RM'000 | Treasury shares RM'000 | Share premium RM'000 | Merger relief reserve RM'000 | Foreign currency translation reserve RM'000 | Available for sale reserve RM'000 | Accumulated losses RM'000 | Total equity RM'000 |
|--|----------------------------|------------------------------|----------------------------|---------------------------------------|---|---|---------------------------------|---------------------------|
| <u>6-months ended 30 September 2017</u> | | | | | | | | |
| At 1 April 2017 | 388,685 | (103) | - | 21,260 | (1,113) | 66 | (152,778) | 256,017 |
| Foreign currency translation differences for foreign operations | - | - | - | - | (10,928) | - | - | (10,928) |
| Total other comprehensive expense for the period | - | - | - | - | (10,928) | - | - | (10,928) |
| Loss for the period | - | - | - | - | - | - | (31,279) | (31,279) |
| Total comprehensive expense for the period | - | - | - | - | (10,928) | - | (31,279) | (42,207) |
| At 30 September 2017 | 388,685 | (103) | - | 21,260 | (12,041) | 66 | (184,057) | 213,810 |
| Note A | | | | | | | | |
| <u>6-months ended 30 September 2016</u> | | | | | | | | |
| At 1 April 2016 | 342,080 | (103) | 46,605 | 21,260 | (11,547) | - | (133,022) | 265,273 |
| Foreign currency translation differences for foreign operations | - | - | - | - | 12,103 | - | - | 12,103 |
| Total other comprehensive income for the period | - | - | - | - | 12,103 | - | - | 12,103 |
| Loss for the period | - | - | - | - | - | - | (2,627) | (2,627) |
| Total comprehensive income/(expense) for the period | - | - | - | - | 12,103 | - | (2,627) | 9,476 |
| At 30 September 2016 | 342,080 | (103) | 46,605 | 21,260 | 556 | - | (135,649) | 274,749 |

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 SEPTEMBER 2017

| | 6 months ended 30-Sep-17 RM'000 Unaudited | 6 months ended 30-Sep-16 RM'000 Unaudited |
|---|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | (30,719) | (2,417) |
| Adjustments for: | | |
| Non-cash items | 14,642 | (11,337) |
| Interest expense | 24,769 | 17,299 |
| Interest income | (403) | (246) |
| Operating profit before changes in working capital | 8,289 | 3,299 |
| Changes in current assets | (29,026) | (69,495) |
| Changes in current liabilities | 49,711 | 35,017 |
| Cash generated from/(used in) operations | 28,974 | (31,179) |
| Tax refunded/(paid) | 1,455 | (773) |
| Interest received | 403 | 246 |
| Net cash from/(used in) operating activities | 30,832 | (31,706) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | - | (9) |
| Net cash used in investing activities | - | (9) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Advance from ultimate holding company | 3,396 | 18,662 |
| Repayment of borrowings | (14,778) | (5,972) |
| Drawdown of borrowings | 8,927 | 17,120 |
| Drawdown of term loan | - | 2,804 |
| Net finance lease principal repayment | (1,512) | (1,756) |
| Net settlement of trade facilities | - | (173) |
| Interest paid | (9,394) | (17,299) |
| Changes in deposits pledged | (1,892) | (577) |
| Net cash (used in)/from financing activities | (15,253) | 12,809 |
| Net increase/(decrease) in cash and cash equivalents during the period | 15,579 | (18,906) |
| Currency translation differences | (15,186) | 21,218 |
| Cash and cash equivalents at beginning of financial year | (69,450) | (65,532) |
| Cash and cash equivalents at end of the financial period | (69,057) | (63,220) |
| Cash and cash equivalents comprise: | | |
| Deposits placed with licensed banks | 33,642 | 25,937 |
| Cash and bank balances | 4,368 | 6,815 |
| Bank overdrafts | (73,425) | (70,178) |
| | (35,415) | (37,426) |
| Deposits with licensed banks pledged as security for bank facilities | (33,642) | (25,794) |
| | (69,057) | (63,220) |

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 September 2017.

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the 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 |
|---------|--------|

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 |
|-----------------------|--|

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**

| | 3-mths ended | | YTD 6-mths ended | |
|--------------------------------------|---------------------|----------------|-------------------------|----------------|
| | 30.09.17 | 30.09.16 | 30.09.17 | 30.09.16 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment Revenue | | | | |
| Rail | 18,370 | 21,739 | 42,325 | 42,074 |
| Commercial Vehicles | 2,475 | 8,829 | 23,840 | 21,466 |
| Revenue | <u>20,845</u> | <u>30,568</u> | <u>66,165</u> | <u>63,540</u> |
| Segment Results | | | | |
| Rail | (15,809) | 558 | (27,362) | 4,776 |
| Commercial Vehicles | (2,434) | (417) | (883) | (2,458) |
| Corporate expenses | 674 | (3,144) | (2,474) | (4,735) |
| Loss before taxation | <u>(17,569)</u> | <u>(3,003)</u> | <u>(30,719)</u> | <u>(2,417)</u> |
| Tax credit/(expense) | 289 | 32 | (560) | (210) |
| Loss for the financial period | <u>(17,280)</u> | <u>(2,971)</u> | <u>(31,279)</u> | <u>(2,627)</u> |

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 September 2017.

A10. Capital and Operating Lease Commitments

- (a) There were no capital commitments for the Group as at 30 September 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:

| | 30.09.17 RM'000 | 31.03.17 RM'000 |
|--------------------------|----------------------------------|----------------------------------|
| Due within 1 year | 35 | 39 |
| Due within 1 and 2 years | 30 | 32 |
| Due later than 2 years | 27 | 42 |
| Total | <u>92</u> | <u>113</u> |

A11. Significant Related Party Transactions

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

| | 3-mths ended 30.09.17 RM'000 | YTD 6-mths ended 30.09.17 RM'000 |
|--|---|---|
| Transactions with a company connected to Directors | | |
| - Provision of airline ticketing services | 10 | 18 |
| - Sharing of rental and office relocation costs with immediate holding company | 97 | 193 |
| | <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").

On 15 September 2017, the Company appointed Mercury Securities Sdn Bhd ("Mercury Securities") as its Independent Adviser to advise the Board of Directors ("Board") (save for the Common Directors) and the Scheme Shareholders in relation to the Proposed Merger of SEB.

On 18 September 2017, the Company had submitted an application to the Securities Commission Malaysia ("SC") for an extension of time in relation to the Proposed Merger for the despatch of the Explanatory Statement to shareholders pursuant to Note (1) to the Paragraphs 11.02, 11.03 and 11.04 of Rule 11, Part C of the Rules on Take-Over, Mergers and Compulsory Acquisitions issued by the SC ("Rules") and Paragraph 5 of

Schedule 3 of the Rules.

On 5 October 2017, the SC had vide its letter dated 3 October 2017 approved an extension of time application for SEB to despatch the Explanatory Statement and the Independent Advice Letter ("IAL") no later than 7 market days after obtaining:

- (i) all regulatory approvals required by SGB and SEB;
- (ii) the SC's clearance for the Explanatory Statement and the IAL; and
- (iii) the grant of an order from the High Court to convene a court convened meeting for the Proposed Merger of SEB,

whichever is later.

On 10 October 2017, the Board (save for the Common Directors), after having considered all aspects of the Proposed Merger of SEB including the rationale, effects as well as the terms and conditions of the Proposed Merger of SEB and the advice of the Independent Adviser, had decided to present the Scheme to the Scheme Shareholders for approval at the meeting of the shareholders of SEB, which is to be convened pursuant to an order of the High Court under Section 366 of the Act ("CCM").

On 16 October 2017, the Company had submitted the draft Explanatory Statement to the SC and Bursa Securities.

SEB had received a letter dated 7 November 2017 ("Supplemental Letter") on a variation by SGB to the terms of the Proposed Merger.

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 Merger, instead of receiving the entire offer price in cash, and the entitlement of the Scheme Shareholders to the Consideration Shares or Consideration Warrants will also be rounded down to the nearest whole new Consideration Share and new Consideration Warrant.

Save for the above, all the other terms and conditions of the Proposed Merger as set out in the Proposal Letter submitted by SGB on 21 August 2017 shall remain the same.

On 14 November 2017, the High Court had granted SEB 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.

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-Sep-17 | 30-Sep-16 | RM'000 | % | 30-Sep-17 | 30-Sep-16 | RM'000 | % |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 20,845 | 30,568 | (9,723) | -32 | 66,165 | 63,540 | 2,625 | 4 |
| Operating (loss)/profit | (10,465) | 1,124 | (11,589) | - | (20,255) | 3,114 | (23,369) | - |
| Loss before tax | (17,569) | (3,003) | (14,566) | - | (30,719) | (2,417) | (28,302) | - |
| Loss after tax | (17,280) | (2,971) | (14,309) | - | (31,279) | (2,627) | (28,652) | - |

The Group recorded revenue of RM20.9 million for the current quarter as compared to RM30.6 million for the corresponding quarter in financial year 2017, a decrease of RM9.7 million, mainly due to lower revenue generated from both Rail and Commercial Vehicles segment.

The Group posted a loss after taxation for the current quarter of RM17.3 million as compared to RM3.0 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 and lesser work done on the current rail projects and the commercial vehicles segment.

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-Sep-17 | 30-Sep-16 | RM'000 | % | 30-Sep-17 | 30-Sep-16 | RM'000 | % |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 18,370 | 21,739 | (3,369) | -15 | 42,325 | 42,074 | 251 | 1 |
| Operating (loss)/profit | (11,705) | 2,151 | (13,856) | - | (22,539) | 6,969 | (29,508) | - |
| (Loss)/profit before tax | (15,809) | 558 | (16,367) | - | (27,362) | 4,776 | (32,138) | - |
| (Loss)/profit after tax | (15,458) | 590 | (16,048) | - | (27,860) | 4,799 | (32,659) | - |

Revenue for the current quarter is RM18.4 million, lower by RM3.3 million as compared to RM21.7 million for the corresponding quarter in financial year 2017. This was mainly due to lower work done on both Mumbai and Brazil Monorail projects.

The segment posted a loss before taxation of RM15.8 million for the current quarter, as compared to profit before taxation of RM0.6 million for the corresponding quarter in financial year 2017.

The loss was mainly due to:-

- Lower work done on the existing projects i.e. remaining trains for the Mumbai Monorail Project as we wait for completion of Phase 2 and the Sao Paulo Line 17 Monorail Project,
- No work done on the Kuala Lumpur Fleet Expansion Project due to the current litigation we have with Prasarana Malaysia Berhad and
- 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.

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-Sep-17 | 30-Sep-16 | RM'000 | % | 30-Sep-17 | 30-Sep-16 | RM'000 | % |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 2,475 | 8,829 | (6,354) | -72 | 23,840 | 21,466 | 2,374 | 11 |
| Operating loss | (2,326) | (469) | (1,857) | - | (703) | (2,226) | 1,523 | - |
| Loss before tax | (2,434) | (417) | (2,017) | - | (883) | (2,458) | 1,575 | - |
| Loss after tax | (2,497) | (417) | (2,080) | - | (946) | (2,691) | 1,745 | - |

Revenue for the current quarter is RM2.5 million as compared to RM8.8 million for the corresponding quarter in financial year 2017, lower by RM6.3 million.

The segment posted a loss before taxation for the current quarter of RM2.4 million, as compared to RM0.4 million recorded in the corresponding quarter in financial year 2017, higher by RM2.0 million.

The decrease in revenue and higher losses during the quarter were mainly due to substantial reduction in orders for Commercial Vehicles segment and lower sales generated as a result of completion of MRT Feeder Bus project in July 2017.

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

| | Current Quarter 30-Sep-17 | Immediate Preceding Quarter 30-Jun-17 | Changes | |
|-----------------|--------------------------------------|--|----------------|------|
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 20,845 | 45,320 | (24,475) | - 54 |
| Operating loss | (10,465) | (9,790) | (675) | 7 |
| Loss before tax | (17,569) | (13,150) | (4,419) | 34 |
| Loss after tax | (17,280) | (13,999) | (3,281) | - 23 |

The Group posted a loss before taxation for the current quarter of RM17.6 million as compared to RM13.1 million for the immediate preceding quarter.

The higher losses in the current quarter as compared to immediate preceding quarter was mainly due to lower revenue generated from both Rail and Commercial Vehicles segment.

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 commissioning within 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.

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 (Credit)/Expense

| | 3-mths ended | | YTD 6-mths ended | |
|----------------------------------|---------------------|-------------|-------------------------|------------|
| | 30.09.17 | 30.09.16 | 30.09.17 | 30.09.16 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current period taxation | | | | |
| Malaysian income tax | 6 | (32) | 6 | - |
| Foreign tax | - | - | - | - |
| | <u>6</u> | <u>(32)</u> | <u>6</u> | <u>-</u> |
| Prior period taxation | | | | |
| Income tax (over)/under provided | (299) | - | (299) | 210 |
| | <u>(293)</u> | <u>-</u> | <u>(293)</u> | <u>210</u> |
| Deferred tax | 4 | - | 853 | - |
| Total tax (credit)/expense | <u>(289)</u> | <u>(32)</u> | <u>560</u> | <u>210</u> |

Income tax is calculated at the Malaysian statutory tax rate of 24% (2017: 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:

| Secured | 30.09.17 | 31.03.17 |
|---------------------------|-----------------|-----------------|
| | RM'000 | RM'000 |
| Non-Current | | |
| Revolving credit | 39,513 | 36,259 |
| Finance lease liabilities | 37,268 | 37,900 |
| | <u>76,781</u> | <u>74,159</u> |
| Current | | |
| Bank overdrafts | 73,425 | 76,152 |
| Term loans | 158,172 | 161,099 |
| Trade facilities | 579 | 579 |
| Finance lease liabilities | 4,145 | 5,025 |
| Revolving credits | 197,961 | 208,627 |
| | <u>434,282</u> | <u>451,482</u> |
| Total | | |
| Bank overdrafts | 73,425 | 76,152 |
| Term loans | 158,172 | 161,099 |
| Trade facilities | 579 | 579 |
| Finance lease liabilities | 41,413 | 42,925 |
| Revolving credits | 237,474 | 244,886 |
| Total borrowings | <u>511,063</u> | <u>525,641</u> |

The group borrowings are denominated in the following currencies:

| | 30.09.17 | 31.03.17 |
|----------------------|--------------------------|--------------------------|
| | RM'000 | RM'000 |
| | <u>equivalent</u> | <u>equivalent</u> |
| Ringgit Malaysia | 377,390 | 384,429 |
| United States Dollar | 76,608 | 81,070 |
| Indian Rupee | 57,065 | 60,142 |
| | <u>511,063</u> | <u>525,641</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 will continue on the next hearing dates which have been fixed on 3 and 4 January, 22 February and 23 March 2018.

In the interim, STP on 3 July 2017 applied to the High Court pursuant to Section 11 Arbitration Act 2005 for an order to, inter alia, restrain PMB from appointing another contractor from completing the TSC Works pending disposal of the TSC Arbitration. The application was heard on 14 August 2017 and fixed for clarification and decision on 19 September 2017. On 19 September 2017 the Judge dismissed STP's application. STP has appealed against the decision by the High Court to the Court of Appeal on 17 October 2017 and the matter was fixed for case management on 22 November 2017 and a further case management on 21 December 2017.

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

Apart from the above actions, STP also commenced an action against PMB and Rapid Rail Sdn Bhd ("RRSB") at the Kuala Lumpur High Court on 16 Jun 2017 for damages for statements which STP asserts were defamatory as against PMB ("Defamation Action"). The action is pending and trial dates have not been fixed. In the interim, STP has applied for orders to restrain PMB and RRSB from making other such statements against STP (Injunction), pending disposal of the Defamation Action. The High Court had on 21 June 2017, granted an injunction on an ad interim basis to restrain PMB and/or Rapid Rail from making statements concerning STP pending the disposal of STP's application for the Injunction which was fixed for hearing on 23 August 2017. The hearing took place on 23 August 2017 and is reserved for decision on 20 November 2017.

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

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

B9. Dividend Declared

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

B10. Loss Per Share

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

| | 3-mths ended | | YTD 6-mths ended | |
|--|---------------------|---------------|-------------------------|---------------|
| | 30.09.17 | 30.09.16 | 30.09.17 | 30.09.16 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss for the period | (17,280) | (2,971) | (31,279) | (2,627) |
| Weighted average no. of shares in issue ('000) | 341,958 | 341,958 | 341,958 | 341,958 |
| Basic loss per share (sen) | <u>(5.05)</u> | <u>(0.87)</u> | <u>(9.15)</u> | <u>(0.77)</u> |

There was no dilution in the loss per share of the Company as at 30 September 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 6-mths ended | |
|---|---------------------|----------|-------------------------|----------|
| | 30.09.17 | 30.09.16 | 30.09.17 | 30.09.16 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loss before taxation is stated after charging/(crediting):- | | | | |
| - Interest income | (114) | (62) | (403) | (246) |
| - Interest expense | 13,051 | 11,857 | 24,769 | 20,578 |
| - Depreciation and amortisation | 2,309 | 1,638 | 4,180 | 3,844 |
| - Unrealised foreign exchange losses/(gains) | 622 | (8,116) | 8,708 | (15,092) |
| - Realised foreign exchange (gains)/losses | (172) | (147) | (235) | 78 |

Note: The finance costs included within cost of sales amounted to RM5.9 million (2017: RM7.7 million) and RM14.3 million (2017: RM15.0 million) for current quarter and year to date respectively.

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)

| | As at | |
|--|------------------|------------------|
| | 30.09.17 | 31.03.17 |
| | RM'000 | RM'000 |
| Total accumulated (losses)/retained earnings of the Company and its subsidiaries : | | |
| Realised | (300,172) | (278,574) |
| Unrealised | 49,156 | 60,492 |
| | <u>(251,016)</u> | <u>(218,082)</u> |
| Less : Consolidation adjustments | 66,959 | 65,304 |
| Total Group accumulated losses | <u>(184,057)</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 November 2017.