

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

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

	<u>Quarter</u>	<u>Quarter</u>	<u>Cummulative</u>	<u>Cummulative</u>	
	<u>3 months ended</u>	<u>3 months ended</u>	<u>Period</u>	<u>Period</u>	
Note	<u>31 Mar</u>	<u>31 Mar</u>	<u>Current Year</u>	<u>Preceding Year</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
	<u>RM '000</u>	<u>RM '000</u>	<u>RM '000</u>	<u>(Audited)</u>	
				<u>RM '000</u>	
Continuing Operations					
Revenue	A8	224,747	291,728	862,937	1,383,332
Cost of revenue		(212,204)	(229,807)	(806,700)	(1,121,479)
Gross profit		12,543	61,921	56,237	261,853
Other income, net		(21,893)	85,699	43,446	110,460
Operating expenses		(54,153)	(153,814)	(190,109)	(302,209)
Finance costs		(6,745)	(7,251)	(26,967)	(34,178)
Share of results of associates		-	495	-	495
Share of results of jointly controlled entities		(17,562)	(8,821)	(24,587)	(10,628)
Profit before taxation	B12	(87,810)	(21,771)	(141,980)	25,793
Taxation	B5	(12,332)	4,072	(18,809)	(13,889)
Profit for the period	A8	(100,142)	(17,699)	(160,789)	11,904
Other comprehensive income					
Currency translation differences		31,669	(75,532)	85,274	(13,916)
Cash flow hedges		277	2,538	8,208	18,768
Other comprehensive income, net of tax		31,946	(72,994)	93,482	4,852
Total comprehensive income for the period		(68,196)	(90,693)	(67,307)	16,756
Profit attributable to:					
Owners of the Company		(68,044)	2,081	(107,591)	22,536
Non-controlling interests		(32,098)	(19,780)	(53,198)	(10,632)
		(100,142)	(17,699)	(160,789)	11,904
Total comprehensive income attributable to:					
Owners of the Company		(46,744)	(52,751)	(51,610)	15,142
Non-controlling interests		(21,452)	(37,942)	(15,697)	1,614
		(68,196)	(90,693)	(67,307)	16,756
Earnings per share					
	B10	sen	sen	sen	sen
- Basic		(3.60)	0.11	(5.70)	1.18
- Diluted		(3.58)	0.11	(5.65)	1.18

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As at 31 Mac 2017 RM'000	As at 31 March 2016 RM'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	A9	596,575	608,818
Intangible assets		282,446	295,193
Investment properties		2,499	2,440
Investment in associate		7,439	7,439
Investment in joint ventures and joint operations		50,100	66,081
Available-for-sale financial asset		170	104
Deferred tax assets		36,978	37,198
Receivables		224	335
		976,431	1,017,608
Current assets			
Inventories		184,127	213,324
Receivables, deposits and prepayments		1,095,600	1,109,618
Current tax assets		31,172	21,455
Short-term deposits, cash and bank balances		161,540	188,047
		1,472,439	1,532,444
Total assets		2,448,870	2,550,052
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital		191,751	191,751
Treasury shares		(18,696)	(18,696)
Share premium		444,831	444,831
Convertible bonds		-	-
Other reserves		(41,763)	(97,744)
Retained earnings		25,795	133,386
		601,918	653,528
Non controlling interests		521,305	537,002
		1,123,223	1,190,530
Non-current liabilities			
Payables		5,584	5,684
Provision for retirement benefit		8,204	7,359
Loans and borrowings	B7	169,327	174,810
Deferred taxation		17,051	8,602
Derivative financial liabilities		18,985	28,845
		219,151	225,300
Current liabilities			
Trade and other payables		447,710	482,652
Loans and borrowings	B7	595,353	596,368
Current tax liabilities		39,483	39,326
Deferred government grant		269	629
Derivative financial liabilities		23,681	15,247
		1,106,496	1,134,222
Total liabilities		1,325,647	1,359,522
Total equity and liabilities		2,448,870	2,550,052
Net asset per share attributable to equity holders of the parent (RM)			
		0.31	0.34

The above should be read in conjunction with the audited financial statements for the year ended 31 March 2016.

SCOMI GROUP BHD
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2017**

	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Convertible bond reserve RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
At 1 April 2016	191,751	444,831	(18,696)	-	(97,744)	133,386	653,528	537,002	1,190,530
Currency translation differences arising during the year:									
- subsidiaries	-	-	-		50,627	-	50,627	34,647	85,274
Cash flow hedges:									
- transfer to income statement	-	-	-		5,354	-	5,354	2,854	8,208
Profit for the period						(107,591)	(107,591)	(53,198)	(160,789)
Total comprehensive income for the period	-	-	-	-	55,981	(107,591)	(51,610)	(15,697)	(67,307)
Share of reserves in subsidiaries and associate	-	-	-	-	-	-	-	-	-
Share options expired									
- proceeds from shares issued			-	-	-	-	-	-	-
- value of employees services	-	-	-	-	-	-	-	-	-
Share options expired	-	-	-	-	-	-	-	-	-
Issue of new shares			-	-	-	-	-	-	-
At 31 March 2017	191,751	444,831	(18,696)	-	(41,763)	25,795	601,918	521,305	1,123,223
At 1 April 2015, restated	156,864	352,379	(18,696)	106,471	(87,013)	127,176	637,181	536,598	1,173,779
Currency translation differences									
for foreign operations	-	-	-		(19,715)	-	(19,715)	5,799	(13,916)
Cash flow hedges					12,321		12,321	6,447	18,768
Profit for the year						22,536	22,536	(10,632)	11,904
Total comprehensive income for the year	-	-	-	-	(7,394)	22,536	15,142	1,614	16,756
Contributions by and distributions to owners of the Company	-	-	-	-	-	-	-	-	-
Share options :									
- value of options terminated	-	-	-	-	(3,337)	4,547	1,210	(1,210)	-
Disposal and deconsolidation of subsidiaries	-	-	-	-	-	-	-	-	-
Conversion of convertible bonds	34,887	92,452	-	(106,471)	-	(20,868)	-	-	-
Other movements			-		-	(5)	(5)	-	(5)
At 31 March 2016	191,751	444,831	(18,696)	-	(97,744)	133,386	653,528	537,002	1,190,530

SCOMI GROUP BHD
(COMPANY NO: 571212-A)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017**

	Cumulative Quarter	
	Current Year To Date	Preceding Year (Audited)
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation continuing operations	(141,980)	25,793
Adjustments for non-cash items	145,765	154,780
Operating profit before working capital changes	3,785	180,573
Changes in working capital:		
Inventories	29,683	20,409
Trade and other receivables	50,309	116,167
Trade and other payables	(55,608)	(47,599)
Cash from operations	28,169	269,550
Tax paid	(14,527)	(35,124)
Retirement benefits paid	-	(753)
Redundancy payments	25	-
Net cash from operating activities	13,667	233,673
Cash flows from investing activities		
Additional investment in/acquisition of joint venture company	-	(5,566)
Development expenditure incurred	-	(5,827)
Purchase of property, plant and equipment	(21,696)	(33,520)
Proceeds from disposal of property, plant and equipment	2,445	5,127
Investment in jointly-controlled entity	-	336
(Increase)/Decrease in other investment	(4,901)	-
Interest received	4,207	4,696
Net cash used in investing activities	(19,945)	(34,754)
Cash flows from financing activities		
Proceeds from bank borrowings	92,668	24,444
Repayment of bank borrowings	(99,166)	(207,049)
Interest paid on borrowings	(67,158)	(50,939)
Increase in cash and short term deposit pledged as security	16,621	734
Net cash (used in) / from financing activities	(57,036)	(232,810)
Net decrease in cash and cash equivalents	(63,314)	(33,891)
Cash and cash equivalents at beginning of period	44,444	83,727
Currency translation differences	49,168	(5,392)
Cash and cash equivalents at end of period	30,298	44,444
<u>Cash and cash equivalents comprise:</u>		
Short term deposits with licensed banks	62,301	72,432
Cash and bank balances	99,239	115,615
Bank overdrafts	(78,630)	(74,370)
	82,910	113,677
Less: Short-term deposit pledged as securities	(52,612)	(69,233)
	30,298	44,444

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 2016 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in associates and joint ventures as at and for the quarter ended 31 March 2017.

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for year ended 31 March 2016.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

Effective for annual periods commencing on or after 1 January 2016

Amendments to MFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception Amendments to MFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements – Disclosure Initiative</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 127	<i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)</i>

Effective for annual periods commencing on or after 1 January 2017

Amendments to MFRS 107	<i>Statement of Cash Flows – Disclosure Initiative</i>
Amendments to MFRS 112	<i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i>

Effective for annual periods commencing on or after 1 January 2018

MFRS 9	<i>Financial Instruments (2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>

Effective for annual periods commencing on or after 1 January 2019

MFRS 16 *Leases*

Effective for 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 initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempt from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

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

A2. Qualification of financial statements

The preceding year annual financial statements were not subject to any qualification.

A3. Seasonal and cyclical factors

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

A4. Unusual and extraordinary items

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A5. Material changes in estimates

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date including impairment of intangible assets, depreciation on property, plant and equipment, and deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances.

There was no material changes in estimates reported in the current quarter under review.

A6. Issuance and repayment of debt and equity securities

There were no issuances, cancellations, share buy-backs, resale of shares bought back or repayment of debt and equity securities during the current quarter.

A7. Dividends Paid

No dividends were paid during the current quarter.

A8. Segmental Information

The segmental information is as tabulated below.

	<u>Oilfield Services</u> RM'000	<u>Marine Services</u> RM'000	<u>Transport Solutions</u> RM'000	<u>Others/ Elimination</u> RM'000	<u>Group</u> RM'000
Cumulative 12 month period ended 31 March 2017					
Revenue					
<u>Continuing operations</u>					
Revenue for the period	525,098	174,959	162,880	-	862,937
	<u>525,098</u>	<u>174,959</u>	<u>162,880</u>	<u>-</u>	<u>862,937</u>
Results					
<u>Continuing operations</u>					
Operating profit / (loss)	(60,768)	(26,671)	(6,923)	(10,338)	(104,700)
Share of result of					
- associated companies	-	-	-	-	-
- jointly controlled entities	(4,742)	(19,845)	-	-	(24,587)
Finance income	10,418	2,413	1,443	-	14,274
Finance cost	(18,459)	(2,360)	(6,166)	18	(26,967)
Segment results	<u>(73,551)</u>	<u>(46,463)</u>	<u>(11,646)</u>	<u>(10,320)</u>	<u>(141,980)</u>
Taxation					(18,809)
Profit for the period					<u>(160,789)</u>
	<u>Oilfield Services</u> RM'000	<u>Marine Services</u> RM'000	<u>Transport Solutions</u> RM'000	<u>Elimination</u> RM'000	<u>Group</u> RM'000
Cumulative 12 month period ended 31 March 2016 (Audited)					
Revenue					
<u>Continuing operations</u>					
External sales	1,013,857	194,927	174,548	-	1,383,332
	<u>1,013,857</u>	<u>194,927</u>	<u>174,548</u>	<u>-</u>	<u>1,383,332</u>
Results					
<u>Continuing operations</u>					
Operating profit / (loss)	90,618	(42,463)	(7,160)	24,413	65,408
Share of result of					
- associated companies	-	495	-	-	495
- jointly controlled entities	(3,181)	(7,447)	-	-	(10,628)
Finance income	854	399	2,134	1,309	4,696
Finance cost	(26,762)	(517)	(6,854)	(45)	(34,178)
Segment results	<u>61,529</u>	<u>(49,533)</u>	<u>(11,880)</u>	<u>25,677</u>	<u>25,793</u>
Taxation					(13,889)
Profit for the period					<u>11,904</u>

A9. Valuation of property, plant and equipment

There is no revaluation of property, plant and equipment, as the Group does not adopt a revaluation policy on property, plant and equipment.

A10. Subsequent Events

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

A11. Changes in composition of the Group

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

A12. Contingent liabilities

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

	RM'000
Contingent liabilities arising from :	
- tax matters	<u>2,200</u>

A13. Capital and operating lease commitments

a) Capital commitments:

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Property, plant and equipment	-	32,843	32,843
Others	-	4,409	4,409
Total	<u>-</u>	<u>37,252</u>	<u>37,252</u>

b) Operating lease commitments:

	Current Due within 1 year RM'000	Non-current Due within 1 & 5 years RM'000	Total RM'000
Land	-	-	-
Property	4,394	7,025	11,419
Plant and Machinery	559	98	657
Others	2,853	5,195	8,048
Total	<u>7,806</u>	<u>12,318</u>	<u>20,124</u>

A14. Related Party Transactions

The following are the significant related party transactions:

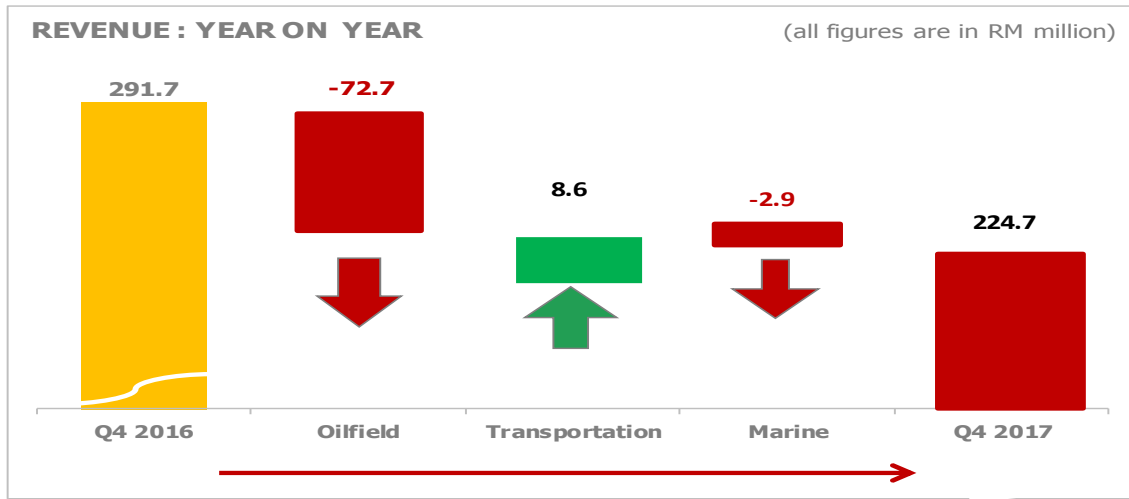
	Current Quarter 3 months ended 31 Mar 2017 RM'000	Cumulative 12 months ended 31 Mar 2017 RM'000
<i>Transactions with companies connected to Directors</i>		
Leasing of computers	17	65
Share registration and related professional fee	51	109
Human resources processing	94	344
Air ticketing	200	947
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PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES

B1. Review of Operating Segments

Current Quarter

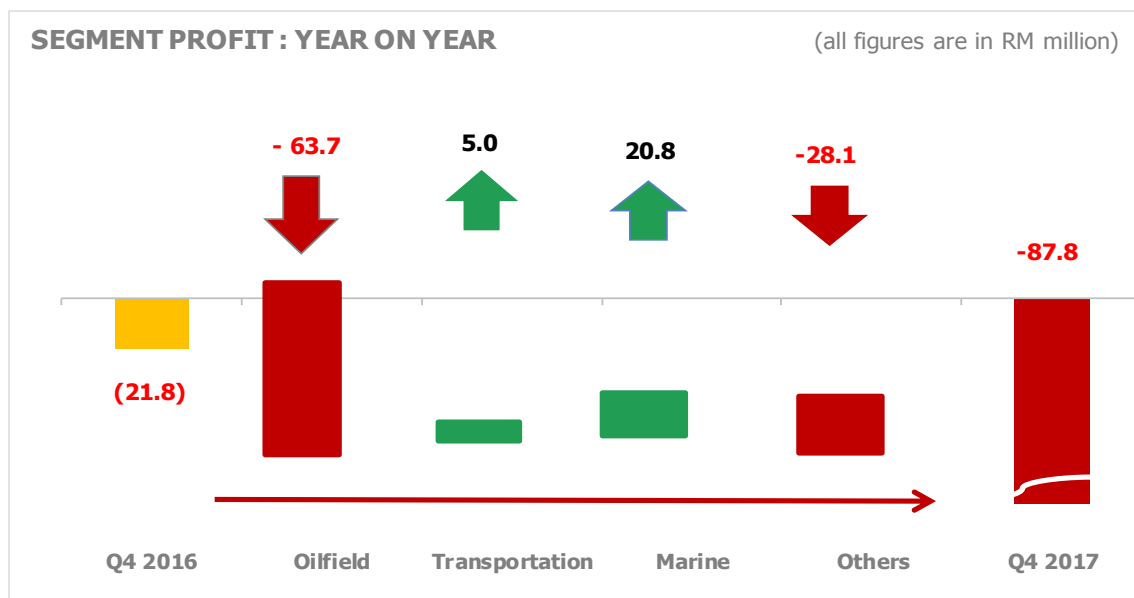
Overall revenue for the current quarter ended 31 March 2017 ("Q4 2017") was RM224.7 million, a reduction of 23.0% from RM291.7 million recorded in the corresponding quarter ("Q4 2016"). Details of the key factors driving the performance of each segment are provided in the respective section below.



Total segment results for Q4 2017 and Q4 2016 were as follows:

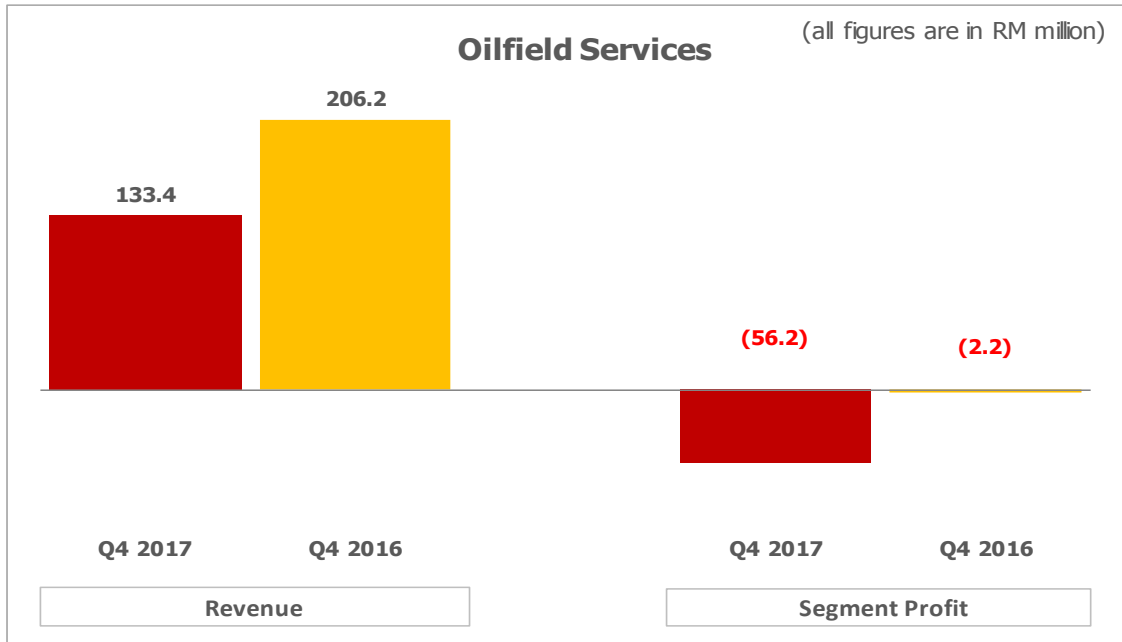
	Q4 2017	Q4 2016
	RM'000	RM'000
Results		
<u>Continuing operations</u>		
Losses before tax	<u>(87,810)</u>	<u>(21,771)</u>

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



Oilfield Services

The Oilfield Services division recorded lower revenue of RM133.4 million, as compared to RM206.2 million in Q4 2016, due to lower drilling activities in most countries except Russia.

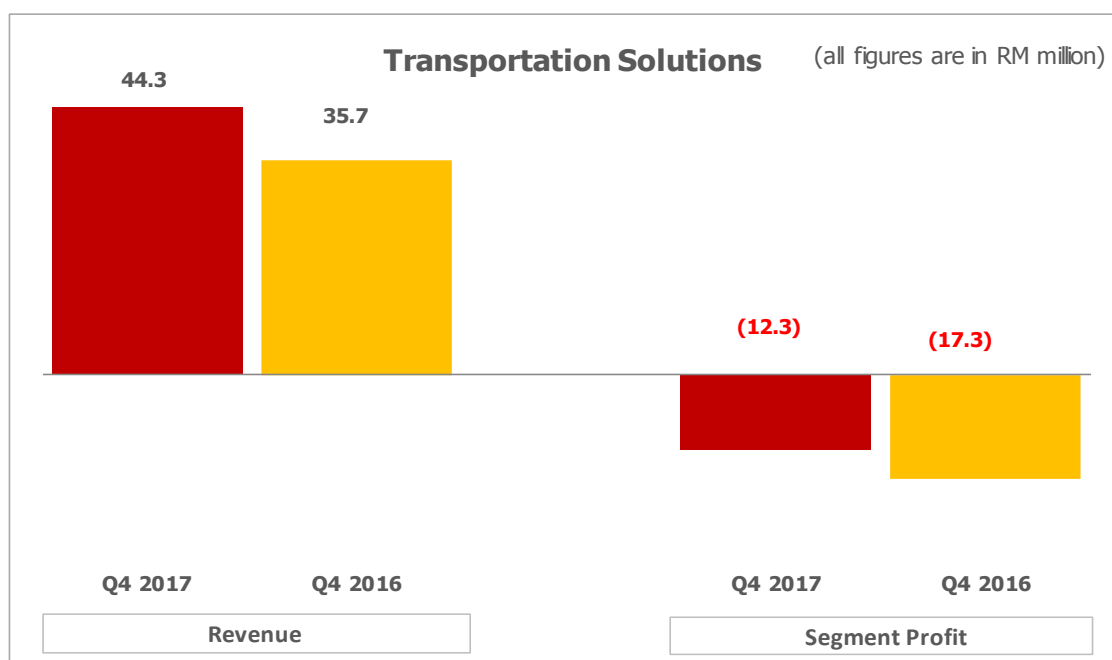


As tabulated below, the division posted a segment loss of RM56.2 million, as compared to a loss of RM2.2 million in Q4 2016. The decrease is principally due to loss from operations, coupled with non-recurring charges which includes development cost written-off, inventory, receivables, property, plant and equipment adjustments.

	<u>Q4 2017</u> RM'000	<u>Q4 2016</u> RM'000
<u>Continuing operations</u>		
Operating (loss)/profit	(18,562)	17,800
Share of result of		
- jointly controlled entities	(3,728)	(3,181)
Finance income	9,356	183
Finance cost	(3,154)	(5,344)
Core profit / (loss) before non-recurring charges	<u>(16,088)</u>	<u>9,458</u>
Non-recurring charges	(40,131)	(11,620)
Segment results	<u><u>(56,219)</u></u>	<u><u>(2,162)</u></u>

Transport Solutions

The Transport Solutions division recorded higher revenue of RM44.3 million, as compared to RM35.7 million in Q4 2016. This is principally due to higher revenue generated from Commercial Vehicle segments.

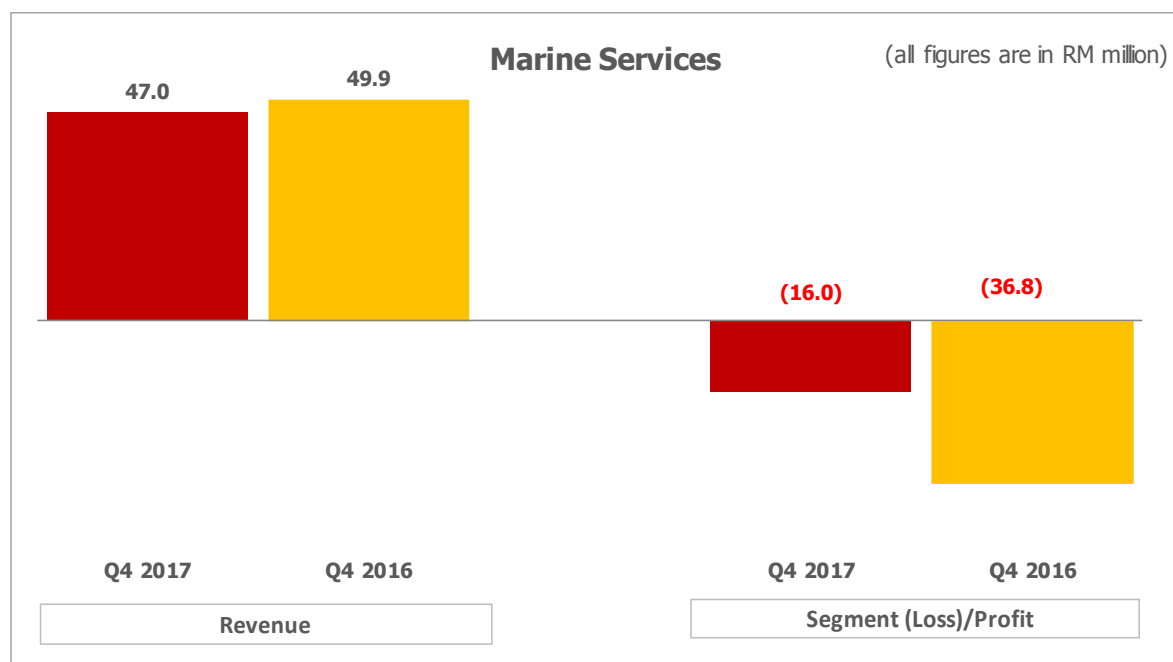


The division posted a loss of RM12.3 million, as compared to a loss of RM17.3 million in Q4 2016. This was mainly due to revised value in KLMFEP variation order ("VO") and extension of time ("EOT").

	<u>Q4 2017</u>	<u>Q4 2016</u>
	RM'000	RM'000
<u>Continuing operations</u>		
Operating loss	(10,222)	(15,899)
Finance income	517	565
Finance cost	(2,583)	(1,953)
Segment results	<u>(12,288)</u>	<u>(17,287)</u>

Marine Services

The Marine Services division recorded lower revenue of RM47.0 million in Q4 2017 against RM49.9 million in Q4 2016, due to low utilisation of offshore vessels.



The division posted a loss of RM16.0 million, lower than Q4 2016 due to lower non-recurring charges which includes accelerated amortisation for dry-docking cost, goodwill and vessel impairment.

	<u>Q4 2017</u> RM'000	<u>Q4 2016</u> RM'000
<u>Continuing operations</u>		
Operating (loss)/profit	9,653	3,637
Share of result of		
- associated companies	-	495
- jointly controlled entities	(13,834)	(8,479)
Finance income	2,291	338
Finance cost	(1,030)	(74)
Core profit / (loss) before non-recurring charges	(2,920)	(4,083)
Non-recurring charges	(13,105)	(32,695)
Segment results	<u>(16,025)</u>	<u>(36,778)</u>

B2. Material Change in Performance as Compared to Preceding Quarter

The Group recorded a loss before tax from continuing operations of RM87.8 million in the current quarter ended 31 March 2017 ("Q4 2017") as compared to a loss of RM5.7 million in the preceding quarter ended 31 December 2016 ("Q3 2017").

As tabulated below, the result was principally due to higher losses from all segments as explained below:-

a) Oilfield & Marine Services Division.

Operationally, both Drilling Services and Marine Services have shown marginally better results for the current quarter compared to preceding quarter as a result of stable activity and better margins.

The segments losses were mainly due to Non-Recurring Charges for the quarter of RM53.2 million. Additionally, significant forex gain in the last quarter also favourably impacted the preceding quarter's result.

b) Transport Solution Division.

This were due to certain provisions made during the quarter with regards to the ongoing litigation cases and unrealised foreign exchange losses arising from translation of accrued receivables for the Brazil monorail project as a result of weakening of the BRL against RM during the quarter.

Performance as Compared to Preceding Quarter

	Current Quarter <u>Q4 2017</u> RM'000	Previous Quarter <u>Q3 2017</u> RM'000
<u>Continuing operations</u>		
Revenue	224,747	224,581
Cost of revenue	(212,204)	(218,865)
Gross profit	<u>12,543</u>	<u>5,716</u>
Gross margin	5.6%	2.5%
 <u>Segment results from continuing operations of :</u>		
- Oilfield Services Division	(56,219)	3,107
- Marine Services Division	(16,025)	(4,914)
- Transport Solutions Division	(12,288)	3,058
	<u>(84,532)</u>	<u>1,251</u>
SGB Corporate income/(costs),net	(3,278)	(6,932)
Loss before tax	<u>(87,810)</u>	<u>(5,681)</u>

B3. Future prospects

Oilfield Services Division

Drilling Services

The stabilization of oil price provides some assurance for customers to invest. However, the benefit of the current price range could only be seen in the months to come with possible increased drilling activities. We continue to focus on our core products and also actively explore opportunities in the area of production especially chemical sales which has lower barrier of entry. Providing innovative solutions to our customers at competitive prices continues to be our selling point and we hope this would support our revenue growth plan in the coming year.

Development and Production Asset and Services

Ophir Production Sdn Bhd continues to make good progress with the completion and installation of the wellhead platform. The platform is ready for rig and drilling in mid-May. The current projected Capex for Ophir is currently below our FDP Capex of USD90 million. First Oil is expected in the fourth quarter of calendar year 2017.

Marine Services Division

The high coal prices has resulted in encouraging utilisation rates for the Coal vessels. We expect current activity levels to continue and provide avenues for further revenue growth for Marine Services. For Offshore Vessels, we continue to bid with competitive pricing though it has been a challenge to charter out the vessels on long term contracts.

Transport Solutions Division

The Group continues with efforts to complete its current projects. Even though the current projects continue to be faced with various challenges that affect the operations and financial performance, various mitigative actions are being implemented.

Work continues on Phase 2 of the Mumbai Monorail Project in India and the additional scopes awarded for the Line 17 Monorail Project in Brazil. With the launch of the Line 17 1st 5 car train this quarter for Line 17 Monorail Project, we are poised for timely delivery of the trains to Sao Paulo and this will have positive contribution for the Rail Segment in the coming year.

In Malaysia, Scomi Transit Project Sdn Bhd ("STP"), a wholly-owned subsidiary of Scomi Engineering Bhd, is currently in litigation relating to the termination of the Kuala Lumpur Monorail Fleet Expansion Project. STP also 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 with its client, to resolve the matter amicably, any unfavorable outcome will potentially have an adverse impact on the Group.

As part of future growth plan, there is added focus to pursue projects in various strategic markets such as China, Turkey and ASEAN.

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

B4. Variance of actual and revenue or profit estimate

The Group has not announced or disclosed any revenue or profit estimate, forecast, projection or internal targets for the Group for the period under review.

B5. Taxation

	Current Quarter 3 months ended 31 Mar 2017 RM'000	Cumulative Period 12 months ended 31 Mar 2017 RM'000
Continuing operations		
Current tax:		
Malaysian income tax	464	1,265
Foreign tax	4,241	9,676
	<u>4,705</u>	<u>10,941</u>
Under provision of income tax in prior years	(241)	0
	<u>4,464</u>	<u>10,941</u>
Deferred tax		
Malaysia	203	203
Foreign	7,665	7,665
Total from continuing operations	<u>12,332</u>	<u>18,809</u>

Domestic current income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the taxable profit for the year. Taxation for the other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax expense for the current quarter was mainly due to:

- non-deductibility of certain expenses for tax purposes;
- higher statutory corporate tax rates for certain foreign subsidiaries

B6. Status of corporate proposals announced by the Company

There was no corporate proposal announced by the Company in the current quarter under review.

B7. Group borrowings and debt securities

The Group borrowings and debt securities as at the end of the reporting period are as follows:

	As at 31 Mar 2017 RM'000
Current	595,353
Non Current	169,327
Total	<u>764,680</u>

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

	As at 31 Mar 2017 RM'000
Denominated in:	
Ringgit Malaysia	527,207
US Dollar	177,331
Indian Rupee	60,142
Total	<u><u>764,680</u></u>

B8. Change in material litigation

Claims by and Counter Claims against Molinari Rail AG and Molinari Rail Austria GmbH

The following arbitrations have been instituted against Scomi Rail Bhd ("**SRB**") and the Company respectively:

- a) SIAC ARB 036/14/ALO between Molinari Rail Austria GmbH and Molinari Rail AG v SRB ("**SRB Arbitration**"); and
- b) SIAC ARB 090/16/JJ between Molinari Rail AG v SEB ("**SEB Arbitration**")

Arbitration hearing on the SRB Arbitration commenced on 1 August 2016 and completed on 8 August 2016. Molinari claims payment for services provided. SRB, the main recipient of the services, is defending the claims and has a counter claim arising out of the services performed by the claimants. The parties have delivered their respective written submissions on the claims and counterclaims

The Arbitral Tribunal gave its final award on 3 April 2017 in favour of Claimants in both cases. A summary of the final award is as follows:

- a) **Under the SRB Arbitration Final Award:**
 - i) SRB (Respondent) is to pay Molinari Rail Austria GmbH (1st Claimant) the sum of EUR598,726.43, comprising EUR 504,439.15 in the claimed amount and EUR94,287.28 in interest on that sum;
 - ii) SRB to pay the Claimants the sum of EUR982,850.62 in respect of legal costs; and
 - iii) SRB pays the entire costs of the arbitration, as assessed by the SIAC, amounting to SGD478,051.55 and to the extent that any such costs have been paid by the Claimants, the Claimants are to be reimbursed by Scomi Rail.
- b) **Under the SEB Arbitration Final Award:**
 - i) SEB (Respondent) is to pay Molinari Rail AG (Claimant) the amount of CHF102,256.40, comprising CHF96,813.49 in the claim amount and CHF5,442.91 in interest on that sum;
 - ii) SEB to pay Molinari Rail AG the sum of EUR18,858.98 in legal costs; and

- ii) SEB pays the entire costs of the arbitration, as assessed by the SIAC, amounting to SGD59,241.30 and to the extent that any such costs have been paid by Molinari Rail, Molinari Rail, are to be reimbursed by Scomi Engineering.

The Company and SRB have recently appointed Solicitors in Singapore for Legal Services in relation to the SRB Arbitration and SEB Arbitration to advice on the merits of potential application(s) to set aside the two arbitration awards thereunder.

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, 6 of which have been delivered with 5 in successful revenue service. 83% of the Project works have been completed by STP despite extensive delays beyond its control and ongoing disputes relating to contractor claims.

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 on grounds that the purported terminated was in breach of the Contract, was bad in law, made in bad faith, unconscionable and that PMB was estopped from terminating the Contract ("Dispute").

STP filed a Notice of Arbitration against PMB in respect of the Dispute on 21 July 2016. The 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 fixed for hearing on 16 August 2016 ("Appeal").

The High Court on 26 July 2016, on an application by STP, granted an interim injunction to restrain PMB from appointing another contractor in respect of the Project pending the disposal of the Appeal on 16 August 2016 ("interim injunction").

On 16 August 2016, the Court of Appeal adjourned the hearing of the Appeal to 20 September 2016 and extended the interim injunction to 20 September 2016.

The hearing of the Appeal was adjourned to 9 November 2016, 10 January 2017 and 20 February 2017, 27 April 2017 and 26 May 2017. The interim injunction was extended by the Court of appeal until 9 November 2016, and then to 10 January 2017, 20 February 2017, 27 April 2017 and to 26 May 2017 respectively.

The hearing of the Appeal was adjourned on 26 May 2017 pending settlement of the matter and is now fixed for case management on 12 July 2017. The interim injunction remains extended until the disposal of the Appeal.

B9. Proposed Dividend

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

B10. Earnings per share

The computation for earnings per share is as shown below.

		Current Quarter 3 months ended 31 Mar 2017	Cumulative Period 12 months ended 31 Mar 2017
Basic earnings per share			
Net losses attributable to shareholders	(RM'000)	<u>(68,044)</u>	<u>(107,591)</u>
Weighted average number of shares			
Issued shares at opening	('000)	1,903,083	1,903,083
Treasury shares	('000)	<u>(14,427)</u>	<u>(14,427)</u>
Weighted average number of shares	('000)	<u>1,888,656</u>	<u>1,888,656</u>
Basic earnings per share	(sen)	<u>(3.60)</u>	<u>(5.70)</u>
Diluted earnings per share			
Net losses attributable to shareholders	(RM'000)	<u>(68,044)</u>	<u>(107,591)</u>
Issued shares at opening			
Weighted average number of shares	('000)	<u>1,903,083</u>	<u>1,903,083</u>
Diluted earnings per share	(sen)	<u>(3.58)</u>	<u>(5.65)</u>

B11. Realised and Unrealised Retained Profits

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

	As at 31 Mar 2017 RM'000	As at 31 March 2016 RM'000 (Audited)
Total retained profits of company and its subsidiaries:		
- Realised	1,004,472	1,253,371
- Unrealised	(207,175)	(318,423)
	<u>797,298</u>	<u>934,948</u>
Total share of retained profits from associated companies:		
- Realised	(16,733)	(9,418)
- Unrealised	-	-
Total share of retained profits from jointly controlled entities:		
- Realised	(1,239)	13,837
- Unrealised	-	-
	<u>779,326</u>	<u>939,367</u>
Consolidation adjustments	(753,531)	(805,981)
Total retained earnings	<u><u>25,795</u></u>	<u><u>133,386</u></u>

B12. Profit for the period

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

	Current Quarter 3 months ended 31 Mar 2017 RM'000	Cumulative Period 12 months ended 31 Mar 2017 RM'000
Interest income	(925)	(3,035)
Interest expense	6,745	26,967
Unrealized foreign exchange (gain)/loss, net	(5,566)	(63,516)
Realized foreign exchange loss/(gain), net	(20)	1,730
Depreciation and amortisation	24,190	104,938
Reversal of doubtful debt provision	6,957	769
Gain on disposal of property, plant and equipment	(588)	(482)
	<u><u></u></u>	<u><u></u></u>

B13. 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 31 May 2017.