Scomi

2018 ANNUAL REPORT

Scomi Group Bhd

Contents

Key Financial Indicators

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Continuing operations					
Turnover	704,018	826,892	1,383,332	1,798,572	1,653,059
EBITDA	(177,387)	17,666	199,531	257,911	249,125
Depreciation	88,951	104,962	110,032	97,524	97,501
Finance costs	51,870	61,107	63,706	56,480	70,565
Share of profit in associates	-	-	495	(124)	(247)
Share of profit from joint ventures	(36,663)	(24,208)	(10,628)	1,117	5,310
(Loss)/Profit before tax	(318,208)	(148,403)	25,793	103,907	81,059
Taxation	(13,874)	(17,248)	(13,889)	(37,535)	(50,113)
(Loss)/Profit from continuing operations	(332,082)	(165,651)	11,904	66,372	30,946
Loss from discontinued operations	-	-	-	(71)	(9,258)
(Loss)/Profit for the year	(332,082)	(165,651)	11,904	66,301	21,688
Non-controlling interest	82,108	58,246	10,632	(22,045)	(16,732)
(Loss)/Profit attributed to owners of the Company	(249,974)	(107,405)	22,536	44,256	4,956
Numbers of shares in issue ('000)	1,093,907	1,917,510	1,917,510	1,568,637	1,568,637
Weighted average number of shares assumed in issue ('000)	1,092,657	1,903,083	1,903,083	1,554,210	1,554,210
Weighted average number of shares used to compute diluted earnings per share ('000)	1,092,657	1,903,083	1,903,083	1,903,083	1,903,083
Basic - Net EPS (sen)**	(22.88)	(5.64)	1.18	2.85	0.31
Fully diluted - Net EPS (sen)@	(22.88)	(5.64)	1.18	2.33	0.26

Notes

**
Based on profit/(loss) attributed to owner of the Company and the weighted average number of shares assumed to be in issue in the respective period/year.
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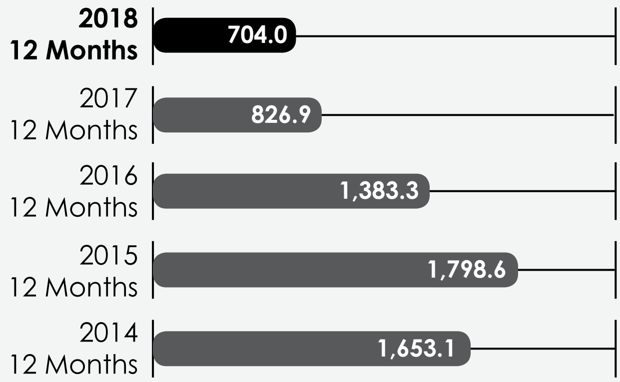
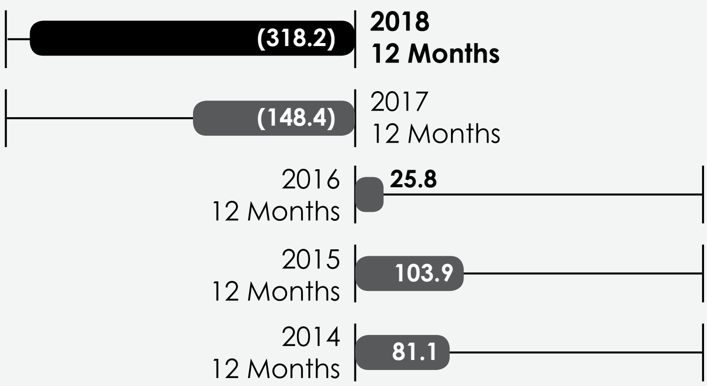
Based on profit/(loss) attributed to owner of the Company and the weighted average number of shares assumed to be in issue in the respective period/year after taking into consideration the dilutive effect of convertible bonds.

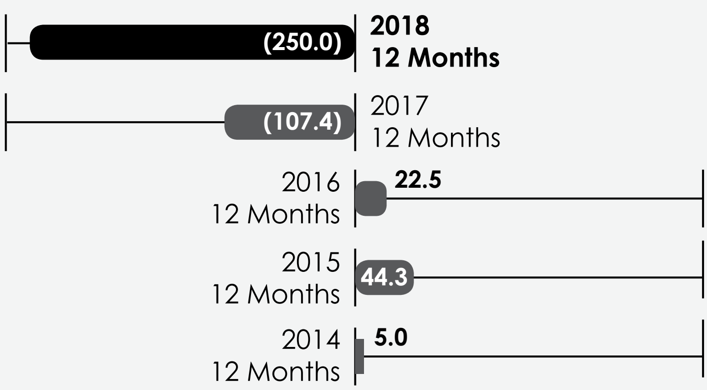
Turnover (RM Million)



(Loss)/Profit Before Tax (RM Million)



(Loss)/Profit attributed to owners of the Company
(RM Million)



Total Assets
(RM Million)
2,045
2017 : 2,436

Shareholder's Fund
(RM Million)
362
2017 : 574

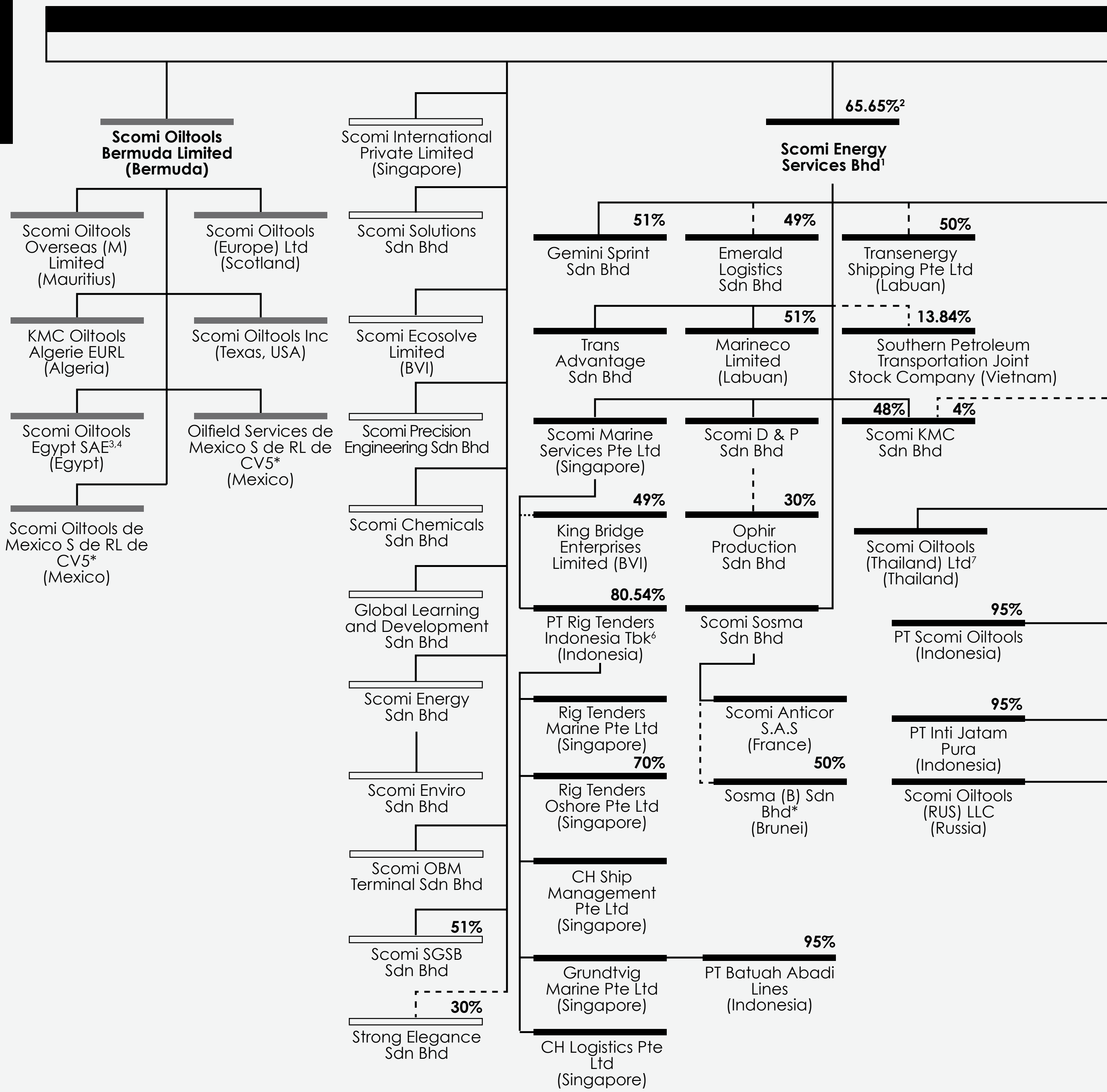
Net Tangible Assets
(RM Million)
85
2017 : 292

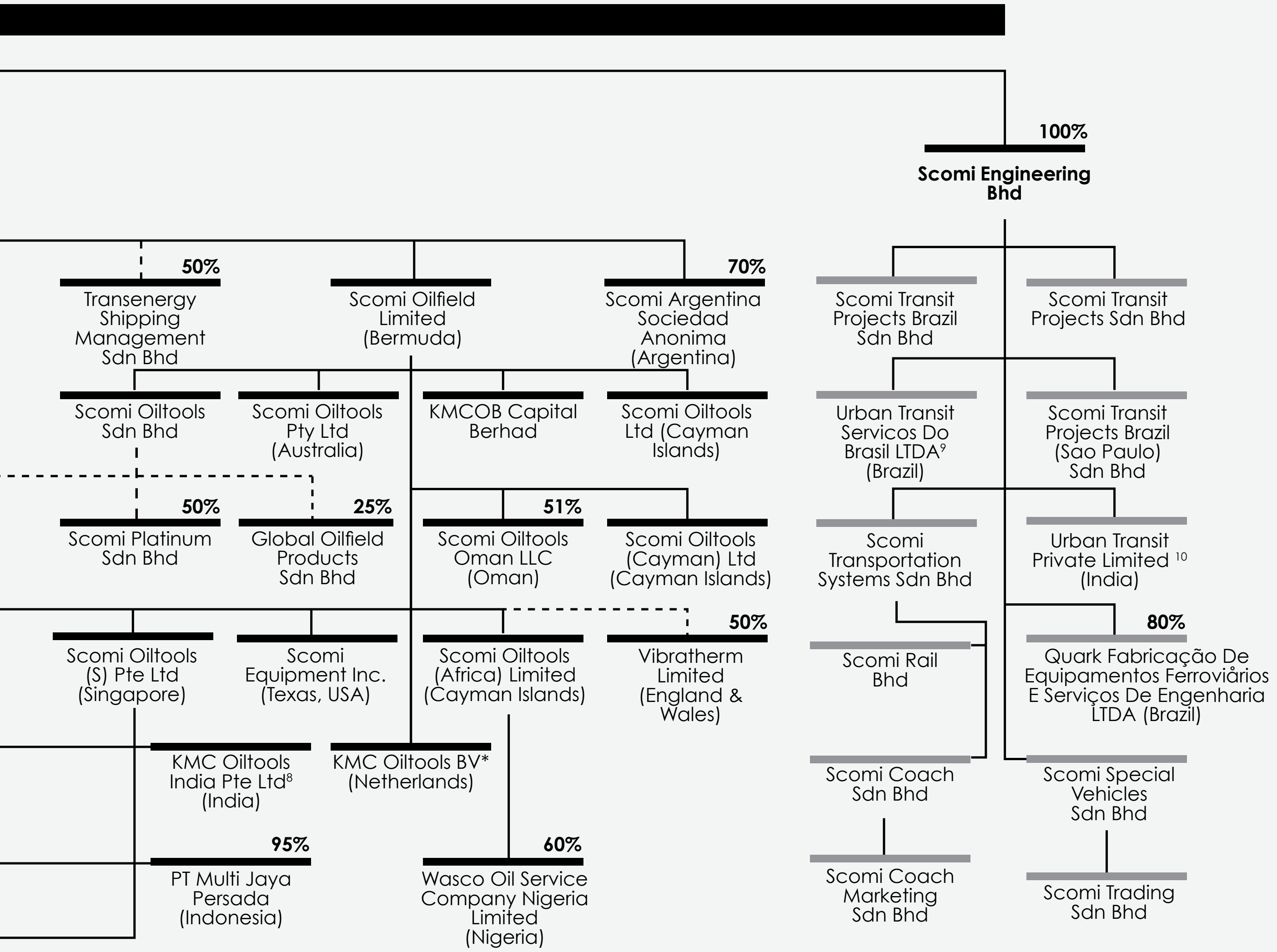
Basic Earning per sen
(sen)
(22.88)
2017 : (5.64)

Net Assets Per Share (Attributable to owners of the Company)
(sen)
33
2017 : 30

Corporate Structure as at 24 July 2018

SCOMI GROUP BHD[1]





Key:

Energy Services Division

Oilfield Services (Western) Division

Transport Solutions Division

1. Listed on the Bursa Malaysia Securities Berhad (Kuala Lumpur Stock Exchange).
2. Includes 0.01% held by Scomi Energy Sdn Bhd.
3. Scomi Oiltools Bermuda Limited holds on trust for Scomi Oilfield Limited pursuant to a trust deed dated 8 March 2013.
4. Includes 1 share each held by Scomi Oiltools Ltd and Scomi Oiltools (Cayman) Ltd.
5. Includes 1 share held by an individual.
6. Listed on the Indonesia Stock Exchange.
7. Includes 1 Class A share each held by Scomi Oiltools Ltd and Scomi Oiltools (Cayman) Ltd.
8. Includes 1 share held by Scomi Oiltools Ltd.
9. Includes 1 quota (similar to share in other jurisdictions) held by Scomi Rail Bhd.
10. Includes 0.0004% held by Scomi Rail Bhd.

Notes:

* The company has been placed under members' voluntary liquidation.
* Except as otherwise expressly stated, all companies in this corporate structure are incorporated in Malaysia.
* Except as otherwise expressly stated, all companies in this corporate structure are wholly owned by their respective holding companies.

Corporate Statement

With a presence in 21 countries, the Scomi group of companies is a global technology enterprise in the energy and logistics industries.

We are a global technology enterprise.

Our global reach, capabilities and talent provide us with the necessary resources to develop and own new technology in all areas of our business.

We focus on Energy & Logistics.

All our businesses are focused on the Energy and Logistics sectors with the ability to compete globally. All of us in the Scomi family should remember that any new initiatives we undertake will focus on these areas of business.

We provide innovative solutions.

We innovate to respond to an evolving environment. Our products and operations meet today's needs while anticipating tomorrow's. We are committed to developing competitive and innovative solutions to create efficiency, add value and grow with our customers to shape our future.

We aim to realise potential for our stakeholders.

Our customers:

We will develop and offer customers innovative and competitive products and services that help them grow their business.

Our shareholders:

We are committed to providing long-term superior returns to our shareholders.

Our people:

We aim to provide our employees with developmental opportunities so they can succeed on personal and professional levels.

Our suppliers:

We will treat our suppliers as our partners in the mutual interest of business growth.

Our society / environment:

As a good corporate citizen, we will give back to the communities we operate in, worldwide.

BOARD OF DIRECTORS

Liew Willip
Independent Non-Executive Director

Dato' Sreesanthan A/L Eliathamby
Non-Independent Non-Executive Director

Foong Choong Hong
Non-Independent Non-Executive Director

Lee Chun Fai
Non-Independent Non-Executive Director

Cyrus Eruch Daruwalla
Non-Independent Non-Executive Director

Shah Hakim @ Shahzanim Bin Zain
Executive Director/Chief Executive Officer

Sammy Tse Kwok Fai
Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE
Dato' Sreesanthan A/L Eliathamby
Liew Willip

NOMINATION AND REMUNERATION COMMITTEE
Lee Chun Fal
Liew Willip

REGISTERED OFFICE
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258

ADMINISTRATIVE AND CORRESPONDENCE ADDRESS
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258
Website : www.scomigroup.com.my
Email : info@scomigroup.com

REGISTRAR
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 03-7849 0777 (Helpdesk)
Fax : 03-7841 8151/8152
Email : ssr.helpdesk@symphony.com.my

COMPANY SECRETARY
Sim Bee Sin (MAICSA 7056323)

AUDITORS
KPMG PLT (LLP0010081-LCA & AF 0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Berhad
Menara UOB, Jalan Raja Laut
P.O. Box 11212
50738 Kuala Lumpur, Malaysia

Malayan Banking Berhad
Level 37, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia

OCBC Bank (Malaysia) Berhad
Menara OCBC
18, Jalan Tun Perak
50050 Kuala Lumpur, Malaysia

Standard Chartered Bank Malaysia Berhad
Level 16,
Menara Standard Chartered
30 Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

Export-Import Bank of Malaysia Berhad
EXIM Bank
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

Yes Bank Limited
Yes Bank Tower, IFC, 23rd Floor
Senapati Bapat Marg
Elphinstone (W)
Mumbai
400013 India

Axis Bank
Maker Towers 'F'
13 Floor, Cuffe Parade
Coloba, Mumbai
400005 India

Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
6th Floor, West Block
Wisma Selangor Dredging
142-C, Jalan Ampang
50450 Kuala Lumpur, Malaysia

Hong Leong Bank Berhad
Level 1, Wisma Hong Leong
18 Jalan Perak 50450 Kuala Lumpur, Malaysia

PT Bank Mandiri (Persero) Tbk
Plaza Mandiri, Jl. Jend. Gatot Subroto
Kav.36-38
Jakarta 12190, Indonesia

ICICI Bank Limited
9, Raffles Place,
#50-01, Republic Plaza,
Singapore, 048619

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Name: SCOMI
Stock Code: 7158

INVESTOR RELATIONS
Zubaidi Bin Harun
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258
Email : info@scomigroup.com

Cyrus Eruch Daruwalla
Non-Independent
Non-Executive Director

Mr Cyrus, male, aged 56, an Indian citizen, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on 23 May 2016.

He graduated with a Bachelor of Commerce (Honours) degree from University of Bombay in 1982, and was admitted as an associate member of the Association of Chartered Certified Accountants, United Kingdom in 1993.

Mr Cyrus joined IJM Corporation Berhad ("IJM") in September 2006 as Chief Financial Officer, heading the Accounts & Finance Department for the overall Group.

Upon graduation, he completed his audit articleship with Ernst & Young, London, UK prior to joining Addmoss Taylor & Partners, London, before being appointed as Senior Accountant for Portlands of Blackheath Ltd., UK in 1987. In Malaysia, he worked as Head of Professional Programmes for Emile Woolf Far East Sdn Bhd, before being appointed as Group Financial Controller for the Sri America Group of Companies. In 1999, he joined PricewaterhouseCoopers, Malaysia as Manager before assuming the position of Executive Director in 2003.

He is a Director of Road Builder (M) Holdings Bhd and is also an Executive Director for several of IJM Group's overseas entities.

He attended 5 out of the 6 Board Meetings held during the financial year ended 31 March 2018.

Lee Chun Fai
Non-Independent
Non-Executive Director

Mr Lee, male, aged 47, a Malaysian, was appointed to the Board as Non-Independent Non-Executive Director on 31 May 2015.

He holds a Bachelor of Accountancy (Honours) degree from University Utara Malaysia (1995) and a Master of Business Administration from Northwestern University (Kellogg) and The Hong Kong University of Science & Technology (2012).

He started his career with a public accounting firm. In October 1995, he joined Road Builder (M) Holdings Bhd ("RBH Group") and was the Head of Corporate Services Division of RBH Group prior to the acquisition of RBH Group by IJM Corporation Berhad ("IJM") in 2007. Currently, he is the Deputy Chief Executive Officer and Deputy Managing Director of IJM and also Head of Corporate Strategy and Investment of the IJM Group. Previously, he has served as the Deputy Chief Financial Officer.

His directorships in other public companies include Scomi Energy Services Bhd, IJM Corporation Berhad and WCE Holdings Berhad. His directorships in public companies include IJM Land Berhad, Road Builder (M) Holdings Bhd and Sebana Golf & Marina Resort Berhad.

He is a member of the Nomination and Remuneration Committee of the Board. He attended all of the 6 Board Meetings held during the financial year ended 31 March 2018.

Foong Choong Hong
Non-Independent
Non-Executive Director

Mr Foong, male, aged 57, a Malaysian, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on 17 March 2003.

Mr Foong graduated from Middlesex University (UK) in Management Studies majoring in Finance and is a Fellow of the Chartered Management Institute (UK) (FCMI), and a Certified Financial Planner (CFP).

Having completed his college and undergraduate studies in the United Kingdom, he joined British merchant bank Robert Fleming Merchant Bank as an Economist and Investment specialist, specialising in portfolio pension fund investments in Far East public equities. In 1988 he then became the Managing Director for an international procurement house based in the Far East, a company of British conglomerate – Associated British Foods Plc (ABF Plc) building supply channels between Asian producers and developed markets around the world.

Since then he has been heading an international trade & investment company Asian Asset Group (AAG). He is involved with the Food industry, Oil & Gas industry, Islamic Finance industry, Healthcare and Engineering technology in the Oil & Gas and Petrochemical industry.

Building on more than 33 years of Asia and global trade experience, he has garnered extensive industry knowledge and operational experience in a wide array of industries and coupled with his merchant banking & investment management foundation he continues to significantly value-add to the business ventures he gets involved with.

He holds board positions and senior positions in an Advisory role working with MNCs to plan and oversee corporate development activities in Asia. He is a member on the Economic Policy, Trade & Investment Council at the Malaysian International Chamber of Commerce International (MICCI).

Mr. Foong is also a Regional board member (Director) of Chartered Management Institute (Malaysia) (CMI Malaysia).

He attended all of the 6 Board Meetings held during the financial year ended 31 March 2018.

Dato' Sreesanthan A/L Eliathamby
Non-Independent
Non-Executive Director

Dato' Sreesanthan, male, aged 58, a Malaysian, is a Non-Independent Non-Executive Director of the Company and was appointed to the Board on 18 April 2006. Dato' Sreesanthan, is an Advocate & Solicitor and a Consultant with the legal firm of Messrs Jerald Gomez & Associates.

Dato' Sreesanthan obtained his undergraduate law degree from the University of Malaya and his post graduate degree in law from the University of Oxford, United Kingdom.

He was formerly a Partner with the legal firm of Messrs Zain & Co, Messrs Zul Rafique & Partners and Messrs Kadir Andri & Partners. Dato' Sreesanthan is on the Disciplinary Committee Panel of the Advocates and Solicitors' Disciplinary Board.

Dato' Sreesanthan is a member of the Audit and Risk Management Committee of the Board. He attended all of the 6 Board Meetings held during the financial year ended 31 March 2018.

Board of Directors

Liew Willip
Independent Non-Executive Director

Mr Liew, male, aged 50, a Malaysian, was appointed to the Board as an Independent Non-Executive Director on 3 January 2017.

Mr Liew is a commerce graduate of the University of Melbourne and a Chartered Financial Analyst. Upon graduation, Mr Liew worked with international accounting firm KPMG as an auditor.

Subsequently, he joined a local stockbroking company as an investment analyst, and later, moved to the Kuala Lumpur office of an international investment bank, Barclays deZoete Wedd, where he was the senior equity analyst. In 1996, Mr Liew was hired to set up the Malaysian equity research operations of another international investment bank, NatWest Markets, where he was the Director and Head of Research. In 1998, Mr Liew joined the national asset management company, Pengurusan Danaharta Nasional Berhad ("Danaharta"), where he was among the pioneer staff members. At Danaharta, Mr Liew was the Assistant General Manager/Head of Research unit (Corporate Services Division).

After leaving Danaharta in 2000, Mr Liew co-founded an independent investment advisory company, and a consulting company that specialized in financial and investor communications. Mr Liew is currently the Managing Director of a company providing consulting services.

Mr Liew is a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee of the Board. During the financial year ended 31 March 2018, he attended all six (6) Board meetings held during the financial year ended 31 March 2018.

Shah Hakim @ Shahzanim Bin Zain
Chief Executive Officer/ Executive Director

Encik Shah Hakim, male, aged 53, a Malaysian, is the Chief Executive Officer/ Executive Director of the Company and was appointed to the Board on 3 March 2003.

Encik Shah Hakim started his career as an auditor with Ernst & Young and was subsequently promoted as Consulting Manager, responsible for servicing large corporations. He went on to be appointed as Executive Director of a regional packaging manufacturer in 1992, with direct operational responsibility. He currently sits on the Board of Scomi Energy Services Bhd, Scomi Engineering Bhd and KMCOB Capital Berhad.

He attended all of the 6 Board Meetings held during the financial year ended 31 March 2018.

Sammy Tse Kwok Fai
Executive Director

Mr Sammy, male, aged 55, a British, is an Executive Director of the Company and was appointed to the Board on 24 July 2018.

Mr Sammy holds a Bachelor of Arts (Hon) in Geography and Geology from the University of Hong Kong (1986) and a Master of Business Management from the Chinese University of Hong Kong (1995). He is a Fellow Member of The Institute of Directors, United Kingdom and the Hong Kong Institute of Directors.

He started his career in IFS (HK) Limited in 1990 before joining the Hong Kong Telecom Group (now known as PCCW Limited) in 1992 where he held various positions culminating in the position as General Manager of Fixed Mobile Integration. He then joined Hutchinson E-commerce Limited (part of the Hutchinson Whampoa Group) in 1998 as their Chief Executive Officer. In 2004 he took up the position as Chief Operating Officer of entities within the South China Group before leaving in 2007 to take up the position as Executive Director and Chief Executive Officer of EPI Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. He resigned from these positions in 2016 but continues to provide consultancy services to this company.

He did not attend any of the Board Meetings held during the financial year ended 31 March 2018 as he was appointed with effect from 24 July 2018.

Notes:

Save as disclosed, none of the Directors have:

- any family relationship with any Director and/or Major Shareholder of Scomi Group Bhd;
- any conflict of interest or any personal interest in any business arrangement, involving Scomi Group Bhd;
- any conviction for offences within the past five (5) years (other than traffic offences, if any); and
- any public sanction or penalty imposed by the relevant regulated bodies during the financial year ended 31 March 2018.

Key Senior Management

Shah Hakim @ Shahzanim bin Zain
Chief Executive Officer/Executive Director

Encik Shah Hakim, male, aged 53, Malaysian, is the Chief Executive Offiicer/Executive Director of the Company and was appointed to the Board on 3 March 2003.

Encik Shah Hakim started his career as an auditor with Ernst & Young and was subsequently promoted as Consulting Manager, responsible for servicing large corporations. He went on to be appointed as Executive Director of a regional packaging manufacturer in 1992, with direct operational responsibility. He currently sits on the Board of Scomi Energy Services Bhd, Scomi Engineering Bhd and KMCOB Capital Berhad.

Kanesan Veluppillai
Deputy Chief Executive Officer

Kanesan Veluppillai, male, aged 57, Malaysian, is the Deputy Chief Executive Officer of Scomi Group Bhd since 1st April 2018.

He holds a Bachelor of Economics with Honours in Business Administration from the University of Malaysia.

Kanesan has over 30 years of experience in the financial services, automotive, property, infrastructure, transportation and oil and gas sectors and has served companies such as RHB Bank, DRB-HICOM, Credit Corporation (Malaysia) Berhad, Master-Carriage and Scomi.

Kanesan joined Scomi in 2007 where he has held combined positions of increasing authority and complexity, first as Senior Vice President - Global Marketing, President – Scomi International, Country President – Scomi India, Chief Executive Officer of Scomi Engineering Bhd and eventually Non-Independent Non-Executive Director of Scomi Engineering Bhd from 1st March 2016.

Prior to joining Scomi, Kanesan served as Group Head, Communications at RHB Capital Berhad, Malaysia's fourth largest banking group, from 2004 to 2007. During his time at RHB, Kanesan was extensively involved in various corporate initiatives notably, RHB Bank's branch rationalisation exercise, launch of the newly formed RHB Islamic Bank and merger of RHB Investment Bank. As a member of the Group Management Committee of RHB Capital, Kanesan played a key role in implementing strategic initiatives across the RHB Group of Companies.

His experience also includes time as Group Director, Corporate Communications and Public Affairs of DRB-HICOM Berhad, a leading Malaysian conglomerate with core businesses in the Automotive, Services and Property & Infrastructure sectors. He began his career in the financial services industry with Credit Corporation (Malaysia) Berhad and later moved on to head the communications functions at Master-Carriage Sdn Bhd as Group Communications Director.

He serves on several professional and industry-related boards among others a subsidiary of a premier incubation centre for the commercialisation of innovation and research results in Malaysia, producing innovative engineering solutions and managing engineering related projects.

Rohaida Ali Badaruddin
Chief Executive Officer
Scomi Engineering Bhd

Rohaida Ali Badaruddin, female, aged 49, Malaysian, is the Chief Executive Officer of Scomi Engineering Bhd, the Transport Division of Scomi Group Bhd since March 2016 and President since December 2014. Prior to that, she was responsible for Scomi's Marine Operations in Indonesia and Malaysia.

Rohaida joined Scomi Group Bhd in year 2000, one of the key team members in the listing of Scomi Group Bhd in 2003. She was involved in various acquisitions by Scomi, in the areas of process integration and organisational alignment. One of the positions she held was the Chief of Staff under the Group CEO's Office, driving various key initiatives for the group globally. These include global re-branding exercise, development of Scomi's Global People Policy, business blueprints and SAP implementation amongst others.

Rohaida started her career in 1991 with Projek Lebuhraya Utara Selatan Bhd (PLUS), where she was involved in the introduction of Malaysia's first electronic toll payment system and management of contracts for commercial outlets and advertising billboards along the expressway.

She is a graduate in Mathematics (minor in Computer Science) from the University of Texas at El Paso, USA, and in 2014 attended an Advanced Management Programme (AMP) at Harvard University, Boston, USA.

Chacko Kunjuvaru
Chief Financial Officer
Scomi Group Bhd

Chacko Kunjuvaru, male, aged 41, Malaysian, has more than 17 years of experience in Finance and Accounting roles, having worked with some of the larger engineering and Oil & Gas companies in Malaysia.

He joined Scomi Group Bhd in 2010 as Senior Manager Finance. He then joined Scomi Energy Services Bhd ("SESB") as General Manager, Finance and Accounts in 2012. In 2015 he was appointed as Group Financial Controller for SESB and subsequently as its Chief Financial Officer.

On 1 March 2018, he assumed his current role as the Chief Financial Officer of Scomi Group Bhd.

Key Senior Management

Sharifah Norizan Shahabudin
Head, Legal & Corporate Secretarial
Scomi Group Bhd

Sharifah Norizan Shahabudin, female, aged 52, Malaysian, is the Head, Legal & Corporate Secretarial for Scomi Group Bhd. She has over 20 years of experience in the practice of intellectual property, corporate and commercial and securities law. Prior to joining the in-house legal and secretarial team of Scomi in 2006, Norizan had previously been in private practice in the firms of Shearn Delamore & Co., Zaid Ibrahim & Co. and Azra & Associates.

Norizan's experience includes a broad range of corporate and commercial advisory work, which has included mergers and acquisitions, take-overs, reverse take-overs, corporate restructurings, cross-border transactions, joint ventures and government tenders and contracts. She has also been involved in the listings of companies on Bursa Malaysia.

Norizan holds a Bachelor Degree in Law from University of Lancaster, U.K. and was admitted as an advocate and solicitor to the High Court of Malaya in 1990.

Notes:

Save as disclosed, none of the Senior Management have:

- *any family relationship with any Director and/or Major Shareholder of Scomi Group Bhd;*
- any conflict of interest or any personal interest in any business arrangement, involving Scomi Group Bhd;
- any conviction for offences within the past five (5) years (other than traffic offences, if any); and
- any public sanction or penalty imposed by the relevant regulated bodies during the financial year ended 31 March 2018.

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Scomi Group Bhd ("SGB", "the Group") is a global technology enterprise in the energy and transport solution industries. With a presence in 21 countries, the Group, a Malaysian brand in the international arena, provides innovative solutions creating value for all its stakeholders.

SGB's energy business is operated by its Malaysian public listed subsidiary, Scomi Energy Services Bhd ("SESB"), which provides Drilling Fluids services ("DF"), Drilling Waste Management services ("DWM") and Production Enhancement Chemicals. SESB is able to provide holistic integrated solutions and we have a successful track record in providing services for challenging drilling environments including horizontal, multilateral, deep-water and high temperature & high pressure wells. Our expertise also extends to development and production activities including Sub-surface and Production Management, Integrated Drilling Management and Operations & Maintenance.

The Marine Services ("MS") segment provides marine logistic services to the energy sector via the provision of offshore support vessels, tugs and barges, accommodation work barges, and anchor handling tug and supply vessels. Our activities focus on the oil and gas upstream industry as well as the coal industry. For the latter, we provide coal barging, berthing services and ship management services.

The Group's transport solutions business comprises the rail business and commercial vehicles business. The business has the full value chain capability from design, manufacture, build, test & commission up to operations & maintenance.

The Group's business emphasis on technology ownership, offering differentiation and integration capability has helped to realise the potential of the brand in global markets.

Our operations are managed by a dedicated team of management and staff and governed by experienced Board of Directors. During the year under review and current year, Dato' Mohammed Azlan Bin Hashim, Independent Non-Executive Chairman, Dato' Abdul Hamid Bin Sh Mohamed, Independent Non-Executive Director and Tan Sir Nik Mohamed bin Nik Yaacob, Independent Non-Executive Director resigned from the Board of Directors. We thank our Directors, management and staff for their efforts during the year.

FINANCIAL HIGHLIGHTS

	FY2018 (RM'000)	FY2017 (RM'000)
Revenue	704,018	826,892
Cost of Sales/Services	(647,856)	(766,467)
Gross Profit	56,162	60,425
Operating Cost	(187,278)	(182,966)
(Other Cost) / Other Income	(101,002)	21,874
Finance Cost net of Finance income	(49,427)	(23,528)
Share of loss from joint ventures	(36,663)	(24,208)
Loss Before Tax	(318,208)	(148,403)
Net Loss After Tax	(332,082)	(165,651)
Total Equity Attributable to Owners of the Company	361,633	574,113
Borrowings	716,326	771,098
Net Debt/Equity Ratio	1.70	1.06
Earnings Per Share	(22.88)	(5.64)

The Oilfield and Marine Services Division is the largest contributor to the Group's revenue. However, the decreased activity levels in the global oil and gas sector has continued to impact the financial performance resulting in lower revenue as compared to the previous year. Further, the offshore support vessels continued to remain unutilised due to the lower activity in the oil and gas exploration and production market. Although revenue decreased year on year for the division, Gross Profit margins improved from 7% in FY17 to 8% in FY18 as a result of effectively managing costs. In the interim, the low activities in the Transport Solutions Division due to delays in most of its projects, resulted in comparably lower revenue. Arising from these factors, the Group's revenue declined by 14.86% compared to prior year.

The financial performance of the Group was also impacted by the weakening of the Brazilian Real ("BRL"), Indian Rupee ("INR") and US Dollar ("USD"), which resulted in unrealised foreign exchange losses. Another contributing factor was the impairment of assets, particularly the offshore support vessels in the Marine Services Division.

Given the continued challenging operating business conditions from FY2017 to FY2018 coupled with asset impairments as well as foreign exchange losses, the Group registered a net loss after tax for the FY2018. Moving forward, the Group will continue to manage its business through prudent management of operating expenditure and asset realisation activities across the Group.

CAPITAL STRUCTURE AND SIGNIFICANT CHANGES TO ASSETS

	FY2018 (RM'000)	FY2017 (RM'000)
Non-current	801,010	976,492
Current	1,244,150	1,459,392
Total Assets	2,045,160	2,435,884

The reduction in Group's total assets was mainly due to:

- Reduction in inventory and receivables to better manage working capital
- Impairment and depreciation of assets during the year
- Lower Cash and Bank Balances, which reflects the reduced business activities within the Group.

Equity & Liabilities Capital and Reserves Attributable to Owners of the Company	FY2018 (RM'000)	FY2017 (RM'000)
Share Capital	664,964	636,582
Total Equity Attributable to Owners of the Company	361,633	574,113
Total Equity	707,358	1,076,260
Non-Current Liabilities	173,618	181,463
Current Liabilities	1,164,184	1,178,161
Total Liabilities	1,337,802	1,359,624
Total Equity and Liabilities	2,045,160	2,435,884
Net Assets Per Share (RM)	0.33	0.30

As at 31 March 2018, the lower Equity level was mainly caused by the Net Losses registered during the year but offset by the increase in Share Capital arising from the new share issuance during the year. The reduction in Group's total liabilities is mainly due to lower utilisation of working capital lines, which is in line with our reduced business activities. The increase in the Group's Net Assets Per Share was due to the share consolidation exercise undertaken as part of the merger exercise carried out during the year.

CASH FLOW, CASH AND BANK BALANCES

	FY2018 (RM'000)	FY2017 (RM'000)
Net cash from operating activities	61,109	15,086
Net cash outflow for investing activities	(19,328)	(30,105)
Net cash outflow for financing activities	(53,238)	(53,435)
Net decrease in cash and cash equivalents	(11,457)	(68,454)
Effect of exchange rate fluctuations on cash held	(52,752)	56,811
Cash and cash equivalents at the beginning of the year	32,801	44,444
Cash and cash equivalents at the end of the year	(31,407)	32,801

Cash flow generation continues to be challenging due to the muted activity levels across the Group. The Group continues to be prudent in its cash management to fund its business operations going forward. As activities in the segments we operate continue to be weak and uncertain, the Group is focused in realising cash from better inventory and debtor management, whilst looking at an asset rationalisation and realisation exercise.

KNOWN TRENDS AND EVENTS

For the most of FY2018, the Group continues to be affected by the sluggish global oil and gas industry. Oil and Gas majors and national oil companies continue to be cautious in their capital expenditure resulting in reduced rig counts and drilling, exploration and production activities in most major oil producing markets. However, early 2018 saw a slight surge in oil prices with Brent crude moving up to USD70 per barrel at the end of March 2018 compared to USD67 per barrel at the end of December 2017. Although oil price continues to be volatile and the marginal upward trend has not translated to an immediate surge in activity levels in the industry, we are starting to see a slow but gradual increase in global rig count. This increase, although marginal of approximately 4% from December 2017 to March 2018, does bode well for the businesses in oil and gas.

OPERATIONAL HIGHLIGHTS

The business climate in the industries that we are in is still challenging. The largely depressed oil and gas industry has had some impact onto other industries and developments globally. Through all of this though, the Group's strategy has continued to remain focused on staying cost competitive for business sustainability. This we have achieved by remaining constant in our efforts to reduce our operational costs, optimise our product offerings and re-evaluate our organisational structure.

SESB has managed this focus across all its businesses through asset realisation activities, whereby, fixed assets such as its vessels or properties have been disposed or inventory has been better managed and current inventory utilised across operations to better realise value from its contracts. SESB has also introduced several new product offerings which include graphene-enhanced drilling fluids and lubricants, environmentally friendly base oil and post drilling and well simulation fluids. Through the year under review SESB has also focused on markets that were seeing growth, such as Middle East, Russia and Turkmenistan, which were all contributors to the revenue of the division. It also continued to strengthen its order book with the renewed activity in the industry. Most of its operations including UAE, Russia, Turkmenistan, Nigeria, Pakistan, Indonesia and Malaysia have won contracts during FY2018.

SESB's Ophir Risk Sharing Contract ("Ophir") however has not provided the anticipated results. Several interventions were used to attempt to restore production, however, due to the continued inability of the wells to sustain economical production, all activity was halted. Ophir has therefore requested Petronas to terminate the contract, which has been accepted by Petronas. Ophir will handover the operations, novate the existing contracts and secure the reimbursement of capital and operating expenditure for the development.

Scomi Engineering Bhd ("SEB"), which managed the Group's transport solutions business was delisted from Bursa Malaysia at the end of February 2018. This was in line with the proposed merger of Scomi Engineering Bhd with Scomi Group Bhd by way of a Members Scheme of Arrangement, and it is, today, a wholly owned subsidiary of SGB.

The monorail projects under the rail business continues to face challenges. The Mumbai project had completed its Phase 2 construction, testing & commissioning and certification process by the certified authority during FY2018. However, the operations and maintenance has yet to commence. In November 2017, the operations and maintenance of Phase 1 was halted following an incident that had occurred. Subsequently the operations for Phase 1 did not recommence. The consortium for the project, Larsen & Toubro Ltd and Scomi Engineering Bhd ("LTSE") is of the opinion that LTSE has completed its contractual obligation to run the Operations and Maintenance ("O&M") for 3 years in February 2017. Through a mutual agreement with the Client, LTSE continued to run the O&M since then with the understanding that the Client will be appointing a new contractor for O&M. Although the Client has floated tenders several times, it has not received an encouraging response and to date a contractor is yet to be appointed. SGB has also expressed its interest to the Client to take on the responsibility for the O&M, however, this is still subject to consideration by the Client.

The Brazil Line 18 project for which SEB was awarded additional work scope in FY2017 has seen minimal movement in FY2018. The 5 car test train ran its pilot run, which was witnessed by the Brazilian Ambassador to Malaysia, at SEB's North Kuala Lumpur Facility in September 2017. The Line 17 project still awaits direction from the client for commencement of works. As these transport solution projects are subject to respective government authorisations, we cautiously anticipate momentum to build up in FY2019, which is when we will be able to realise the financial value of these projects.

The continuation of the Kuala Lumpur Monorail Fleet Expansion project, which was on hold subject to various legal actions, continues to be a challenge. SGB has recommenced discussions with the client and we believe that we will be able to reach a mutually beneficial resolution for the project, which has only 17% work remaining for completion.

For the commercial vehicles business, we completed the delivery of 70 feeder buses to our client for the MRT Sg Buloh-Kajang line during the year under review. We also continued to deliver on our special purpose vehicles which include HAZMAT vehicles for Bomba Malaysia and specialised tankers for local and international clients.

The Group has also continued to work towards greener solutions in its existing businesses as well as explore ventures in renewable energy. For the oil and gas industry, our research and development focused on graphene-enhanced products and chemicals and fluids solutions, which will improve the environmental impact of drilling, exploration and production activities. For the rail industry, the research and development focused on a greener monorail utilising nano-technology for several components within the monorail system as well as incorporating Internet of Things ("IOT") for improved functionality. We have worked with a partner on conceptualising IOT for vehicle management and maintenance and a proof of concept was delivered. These are currently being evaluated for commercialisation and we are optimistic to realise benefits in FY2019.

OUTLOOK & PROSPECTS IN FY2019

A United Nations study indicates that the world population is expected to reach the 13 billion range by 2065 with 52% of the population in Asia and Oceania. This anticipated phenomenal population growth will certainly be the driver for emerging global trends. The need for energy for living sustainability would grow in direct proportion. The growing concern for the protection and conservation of the environment from fossil fuels and greenhouse emissions will drive the evolution to renewable energy. This population growth will also give rise to a tangential growth in urban mobility needs.

With these anticipated evolutions, we need to position ourselves to optimise our opportunities today whilst growing our business to meet tomorrow's requirements. Our strategy is to grow and expand our core business and product offering and to build integration capability.

With the oil and gas industry still as the dominant energy generator currently, our energy and logistics division will look to grow our current markets while expanding to new markets that are showing growth for oil and gas activity. To grow current markets, we will be exploring opportunities to provide our specialised product offerings such as the graphene-enhanced products. While to expand into new markets we will explore partnerships that will mitigate the inherent risk exposure of entering a new market especially as the gestation period for success in a new market is uncertain. We will also move towards being asset light by building integration capability with suppliers and contractors using our skills, experience and technical expertise so that we can then position ourselves, not only as a holistic solution provider but also as a second or third tier supplier, for the product portfolio in the industries that we operate in.

The Group has commenced and will continue to explore potential in the renewable energy sector especially on solar farms and hydro generation. Both of these present ample opportunities both locally and abroad. They also have the potential to add value to our transport solution product range in creating greener options for the micro systems or the macro transport solution.

A volatile oil and gas market, demand for new energy sources, project delays and cash flow constraints are just some of the challenges that we have faced during the year under review, and continue to face in the current year of business. Resolving the business issues which include completion of projects, unlocking the value of assets and implementing strategies for business repositioning are of an immediate priority.

1. OUR BUSINESS SUSTAINABILITY

Scomi Group's Annual Report for the Financial Year 2018 marks the debut of our Sustainability Statement in adherence to the guidelines provided by Bursa Malaysia Berhad in its listing requirements.

As we enter this new phase of reporting on sustainability, we are mindful that our sustainability framework and practices being a work in progress. Going forward, we will continuously seek improvements in capturing and presenting relevant data, performance targets and achievements which form the essence of sustainability statement for future reports.

With the recent merger between Scomi Group Bhd and Scomi Engineering Bhd into a single listed entity in early January 2018, the need for sustainability practices for the enlarged group has become more apparent. The Scomi Group derives its revenue from four core business segments, namely, Energy, Transport, Chemicals and Renewable Energy.

Scomi Group's sustainability statement revolves around its Corporate Statement, which is, "*we are a global technology enterprise that provides innovative solutions focusing on the energy and logistics sectors to realise potential for our stakeholders*". Therefore, the company's sustainability is very much dependent in our capability to seek out new technologies and introduction of innovative products and services for customers. The value proposition for our customers from these are enhanced operations and lower cost structure.

CORPORATE STATEMENT

OUR BUSINESS DEFINED

To determine where we are going, we must know who we are

- **We are a GLOBAL TECHNOLOGY enterprise**
- **We provide INNOVATIVE solution**
- **We focus on ENERGY AND LOGISTICS**
- **We aim to REALISE POTENTIAL for our stakeholders**

CORE BUSINESS SEGMENTS

ENERGY
- Oilfield Services
- Marine Services

TRANSPORT
- Monorail / Rail
- Commercial Vehicles

CHEMICALS
- Industrial
- Transport
- Agriculture
- Oil & Gas

RENEWABLE ENERGY
- Solar
- Hydro
- Wind

2. SUSTAINABILITY FRAMEWORK & SCOPE

In this inaugural sustainability report, the coverage scope is aimed at highlighting three core subjects that form the foundation of the company's sustainability statement. These are as follows:

i. the sustainability framework;
ii. the strategic thrusts for technological and innovative product sustainability; and
iii. the engagement of social responsibility towards the betterment of community and the environment as well as brand sustainability.

As we progress forward, a more comprehensive sustainability statement encompassing more sustainability issues will be introduced.

THE SUSTAINABILITY FRAMEWORK

Recognising that the sustainability framework is still at its infancy stage, formalising the existence of a core working group within the wider corporate structure is under evaluation. Currently, the responsibility to ensure business sustainability in the Group lies with each business unit. The business sustainability is currently being addressed by the management in its business strategy and budget which are presented to the Board of Directors on annual basis. In addition, the management also issues a rolling 5-year business plan that charts the business direction of the Group.

However, moving forward, there is a conscientious effort to formalise a Sustainability Working Committee that will enable the focused group to spearhead more in-depth dynamics of sustainability initiatives to be undertaken.

This working group governance could be in the form depicted below.

Sustainability Working Committee → Management Committees → Boards Of Directors

The sustainability working committee will be responsible to address all sustainability issues across all business segments – Energy, Transport, Chemicals and Renewable Energy – for all markets. Although each of these business segments is exposed to its specific sustainability materiality, there are three key sustainability materiality that are pivotal to all businesses. They are:

i. evolving domestic and global industrial trends that influence market opportunities
ii. keen competitive nature in conducting business
iii. technology trends and disruptive technologies that influence product & services development and sustainability

The Sustainability Working Committee group will be monitoring and conducting more methodological analysis of these material issues in greater depth as the work continues moving into the future.

STRATEGIC THRUSTS TO SUSTAINABILITY IN TECHNOLOGY AND INNOVATIVE PRODUCT DEVELOPMENT

The increasing competitive nature of our business in the domestic and global arena is made more complex from emerging industrial, social and technology trends. This has pushed us to be proactive and to seek out more innovative ways of doing things. To sustain and stay competitive, we have to ensure our range of products and services are able to meet our customers' requirements. This philosophy is embedded in our strategic thrust for the Group.

Sustainability for the Group, in this context, therefore, lies in the internal capability to seek out, develop and introduce new products and services enhanced by new technology to derive effectiveness and efficiencies. This provided the rationale for the Group to embark on several changes and actions over the period of the year to drive innovations.

In the Energy segment, the Oilfield Product Group, for example, in the early part of 2017, embarked on a restructuring exercise to better serve this qualification. Following the restructured and reinforced Oilfield Product Group, we were able to introduce new products and services with enhanced technology. Some of the breakthrough examples are:

OILFIELD SUSTAINABILITY			
REF	**PRODUCT / SERVICE**	**STRATEGIC THRUST**	**SUSTAINABILITY**
1	Introduce Cuttings Bed Removal Tool	Help increase 270% better efficiency in removal of cuttings while drilling	Product and market sustainability
2	Introduce HyPR-FLEX, FLUID	New High-Pressure water based mud with enhanced rheological properties that enable 72% reduction in fluid loss whilist optimising reservoir protection	Product and market sustainability
3	Introduce DrillRdillo Scraper	Designed to run in a drilling string in a switch-off mode while drilling open holes section. Tested positive in a Myanmar field with PETRONAS	Product and market sustainability
4	Restructure Product Group in Global Research & Technology Centre (GRTC)	Enable new product development for fluids, testing of equipment & tools and training	Enabler of new innovative products creation sustainability

Moving forward, the introduction of the Chemical segment will focus on new products for application in other industries besides oil & gas. These include products for industrial, transport, agriculture and oil & gas industry. All of these are developed using existing core oil & gas technology in chemical currently in use for oil & gas activities. The product diversification into other industries is a key strategy for the Group to ensure business sustainability.

CHEMICALS SUSTAINABILITY			
REF	**PRODUCT / SERVICE**	**STRATEGIC THRUST**	**SUSTAINABILITY**
1	Introduce GraphEat and PlatClean	Effectively kills bacteria, cost effective and tested better performance than chlorine	New market sustainability. Create new opportunities in water companies, district cooling towers, water injection and industrial sustainability
2	Introduce Glycol, Pour Point Depressant	Speciality chemicals for enhanced oil production	Product sustainability
3	Introduce CONFI-N-SURF	A highly concentrated blend of surfactant, powerful water-wetting agents designed to effectively remove residues from the formation remediating any oil residue blockage thus reducing formation damage.	Product sustainability
4	Nano composite materials	Infusion of graphene nanomaterial into polymer composite to reduce final product cost by increasing product strength and value	New product development sustainability

For the Transport segment, the Monorail had not only undergone cosmetic and technological upgrades resulting in higher passenger carrying capacity, comfort and noise reduction amongst others, it has begun developing Internet of Nano Things (IoNT) synergies in smart transportation ecosystems. This was made possible with the collaboration with Malaysian Digital Economy Corp and Nano Malaysia Bhd.

TRANSPORT SUSTAINABILITY			
REF	PRODUCT / SERVICE	STRATEGIC THRUST	SUSTAINABILITY
1	Develop Internet of Nano Things is smart transportation ecosystems (Monarail)	Realise holistic smart transportation ecosystems.	Responding to emerging technologies and adaption sustainability
2	Develop on-board communications system (Monorail)	Provide real time journey planner - arrival time; train journey time; service disruption notification; delay notification	Product sustainability
3	Introduce Lease & Use Concept for buses	Provide alternative business model for customers	Long-term recurring income sustainability

The Group has also moved beyond our traditional range of products and services with the introduction of Renewable Energy. For long-term sustainability, in the early part of the year, the Group has collaborated with a Malaysian group Synergy Generated Sdn. Bhd. to take on bids for engineering, procurement and construction contracts in the renewable energy sector, particularly for photovoltaic farms.

We have also been successful in forming a joint-venture with Strong Elegance Sdn. Bhd. to develop a 30MW large-scale solar photovoltaic power plant at Bandar Sungai Petani, Kuala Muda, Kedah, Malaysia, on a Build-Own-Operate basis.

Such collaboration will provide engineering works synergy to the Engineering Group by combining the parties' expertise in design engineering as well as operations and maintenance services for projects in hydropower plants and wind farms.

RENEWABLE ENERGY SUSTAINABILITY			
REF	PRODUCT / SERVICE	STRATEGIC THRUST	SUSTAINABILITY
1	Collaboration with strategic partners in renewable energy	Bid opportunities for engineering, procurement and construction contracts	Long-term recurring income sustainability
2	Collaboration to develop photovoltaic power plant	Capable to undertake construction and engineering works on solar farms and hydropower plants	Long-term recurring income sustainability
3	Synergistic expertise	Undertake design engineering and operations & maintenance services	Long-term recurring income sustainability

We believe these strategic thrusts on new products and services development undertaken at various stages of the year will help to position the Group to secure a stronger market presence and long-term business sustainability.

ENGAGEMENT OF SOCIAL RESPONSIBILITY TOWARDS THE BETTERMENT OF COMMUNITY, ENVIRONMENT AND BRAND SUSTAINABILITY

We believe that social responsibility plays an integral part in building a strong brand awareness that in-turn contributes towards brand sustainability. Whether it is the community at large or the stakeholders, they measure their acceptance to the brand when there is strong engagement in contributing towards community development and environmental consciousness.

For the period of 2017/2018, with limited financial resources allocated, we were able to mobilise our personnel to take on two social responsibility activities toward this cause. One, organised in collaboration with the main organiser, Society For The Severely Mentally Handicapped (SSM), for a fund raising-cum-charity bazaar themed as "Colour My World" on October 21 & 22, 2017. Indeed a very special event as all the artworks were created by the severely mentally handicapped children.

Held in Bangsar Shopping Mall, Kuala Lumpur, we contributed about 30 personnel as volunteers to man the various booths, assisted in sales of food coupons, set up our very own ice-cream booth and collected cash and donation of about RM10,000 for the charity fund.

Colour My World Charity Carnival

Secondly, for our contribution in environmental social responsibility, we collaborated with Universiti Putra Malaysia (UPM) and myTREEvolution ICSR under the National Forest Restoration Project, where more than 100 Scomi's staff and their spouses volunteered and planted 550 Agarwood seedlings at UPM's dedicated farm on February 25, 2018.

Indeed a worthy cause for our involvement. Not only is the Agarwood considered an endangered forest product, we were able to play out our living experience towards the Go Green movement and contributes towards carbon reduction in the environment.

Team Scomi Green Day Out

In summary, we believe, there is still a lot of room for improvement on our approach in reporting of sustainability initiatives for the group. A more comprehensive analysis and reporting will be adopted for future Annual Reports.

INTRODUCTION

The vision of Scomi Group Bhd (the "Company") and its group of companies (the "Group") is to be a global technology enterprise, providing innovative solutions to the energy and logistics industries, with an aim to realise potential for our shareholders and stakeholders. The Board of Directors (the "Board") of the Company is mindful of its accountability to shareholders and other stakeholders and in order to steer the Company and the Group towards achieving its mission and vision as well as sustainable business growth, and to implement sound corporate governance practices throughout the Group, the Board is committed to ensure that the highest standards of corporate governance are practiced by the Group at all times and views this as a fundamental part of discharging its roles and responsibilities.

This Corporate Governance Overview Statement sets out how the Group has applied and complied with the principles and recommendations as set out in the Malaysian Code on Corporate Governance 2017 (the "Code") for the financial year ended 31 March 2018 ("FY2018").

This Corporate Governance Overview Statement is supported by the Company's Corporate Governance Report and is based on prescribed format as outline in Paragraph 15.25(2) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") so as to map the application of the Company's corporate governance practices against the Code. The Corporate Governance Report is available on the Company's website, www.scomigroup.com.my and via an announcement on the website of Bursa Securities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board is responsible for oversight over the control and management of the Company, whilst the Management manages the Company and the Group in accordance with the strategic direction and delegations of the Board. Towards this end, the Board sets the corporate goals of the Group and maps medium and long term strategic plans, which are reviewed on a regular basis, in tandem with the Group's performance and implementation of the Management's action plans, to assess the progress made towards achieving the overall goals of the Group.

The Group is led and controlled by an effective Board which assumes, amongst others, the following principal roles and responsibilities in discharging its stewardship role and fiduciary and leadership functions:

(a) reviewing and adopting a strategic plan for the Company and the Group;

The Board constructively challenges and contributes to the development of the Company and the Group's strategic directions, and subsequently monitors the implementation of the strategic business plan by the Management to ensure sustainable growth and optimisation of returns for the Company and the Group.

The Group has in place an annual strategy planning session, whereby the Management presents to the Board its recommended strategy and proposed strategic business plans for the upcoming financial year. At the annual strategy planning and budget Board meeting, the Board reviews and deliberates upon the proposed strategic business plans for the upcoming financial year as well as probes Management to ensure Management has taken, and suggests Management to take, into consideration the varying opportunities and risks whilst developing the strategic business plan.

In conjunction with this, the Board also reviews and approves the proposed annual budget for the upcoming financial year and the key performance indicators ("KPIs") for the Corporate Balanced Scorecard ("BSC") as prepared and presented by the Management.

(b) overseeing and evaluating the conduct and performance of the Company and the Group's business;

The Chief Executive Officer ("CEO") has overall responsibility, with the support of the Key Management Team, for the day-to-day management of the business and operation of the Group as well as the implementation of the Board's policies, directives, strategies and decisions.

On a quarterly basis, the CEO reviews the Group's key financial performance metrics with both the Audit and Risk Management Committee of the Board ("ARMC") and the Board and highlights concerns and issues, if any, faced by the Group. The actual performance of the Group is assessed on a quarterly basis against the approved FY2018 budget, the results of the corresponding quarter of FY2017 and the immediate preceding quarter. Where significant variances in the performance results are reported by the Management to the ARMC and the Board, it is accompanied with explanations, clarifications and the corrective action taken.

Besides this, the ARMC and the Board were also informed by the Management of the key initiatives and significant operational issues. A summary of the performance of each business unit is also provided to the Board. The relevant members of the Management attended the ARMC and/or Board meetings to support the CEO in presenting the updates on the progress of key initiatives, business targets and achievements to date, and to provide clarification on the challenges and issues faced by the Management and business units.

(c) identifying principal risks of the Company and the Group and ensuring the implementation of appropriate internal controls and mitigation measures to manage these risks;

Whilst the Board has overall responsibility for the Group's risk management framework and internal controls system, it has delegated the implementation of the risk management framework and internal controls system to the Management and tasked the ARMC with the oversight responsibility to review the adequacy and effectiveness of the risk management framework and internal controls system.

However, the Board recognises that such systems are designed to manage and reduce, rather than eliminate, the risks identified to acceptable levels. Therefore, the internal controls implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud.

The Management reports to the ARMC on a quarterly basis on all risks areas faced by the Group and the audit findings identified from the internal audit activities conducted by the Group Internal Audit Department ("GIA"). The ARMC then deliberates the actions taken by the Management to address those high risks areas and audit findings. The ARMC also acts as an intermediary between the Management or other employees, and the external auditors where the external auditors are invited to present to the ARMC the audit plan, the audit findings, the independent auditors' report as well as any other matters considered by the external auditors as important and requiring the ARMC's attention. The ARMC also conducts private meetings with the external auditors, to give opportunity to the external auditors to raise any matters without the presence of the Executive Board Member and Management. Minutes of the meetings of the ARMC which record the deliberations of the ARMC are presented to the Board.

The Chairman of the ARMC will also report to the Board on the principal risks and internal controls related matters and recommendations deliberated by the ARMC at the immediate subsequent Board meeting.

Details of the Enterprise Risk Management Framework and internal controls system of the Group are as set out in the Statement of Risk Management and Internal Control in this Annual Report.

(d) reviewing the adequacy and the integrity of the management information, risk management and internal controls system of the Company and the Group;

The risk management and internal controls system of the Company and the Group is subject to the Board's regular review with a view towards appraising the adequacy, effectiveness and efficiency of such system within the Group and to ensure that these systems are viable and robust.

(e) overseeing management performance and ensure a sound succession plan for key positions with the Company;

The Board, through the Nomination and Remuneration Committee ("NRC"), annually develops and agrees on the CEO's BSC with the CEO based on the strategic objectives, measures and KPIs which are aligned to the Group's corporate goal and strategic business plan set by the Board.

Following the determination of the measures and KPIs for the CEO, the same will be cascaded down to his direct reports. The CEO reviews the progress of achievements of the KPIs or initiatives as set out in the BSC of his direct reports on a regular basis, allowing for timely response and corrective action to be taken to catch up to their targeted plan. These achievements are then flowed into the CEO's BSC which, together with the summary of achievements by his direct reports, are reviewed quarterly by the ARMC via the Risk Management Report presented.

In discharging its responsibility on succession planning, the NRC and the Board receive updates on the succession plan for management from the Head of Group Human Resources ("Group HR") and assurance from the CEO that all candidates appointed to the Senior Management positions are of sufficient calibre and are satisfied that there are programmes in place to provide for the orderly succession of Senior Management.

During the financial year, the Management was invited to the NRC Meeting to review the remuneration of the CEO, to review succession planning and development programme for the Senior Management and to present the new organisation structure of the Group, job fitting for the organisation as well as business requirements.

The NRC is also tasked by the Board to evaluate the performance of the CEO against the approved KPIs or initiatives as set out in the BSC of the CEO at the end of each financial year. Subsequently, the NRC provides the Board with its recommendation for the CEO's performance evaluation at the end of the financial year, for decision.

(f) overseeing the development and implementation of the investor relations and shareholder communications policy for the Company and the Group.

Recognising the importance of accurate and timely public disclosures of corporate information in order for the shareholders to exercise their ownership rights on an informed basis, the Board has established a Global Communications Policy.

Establish Clear Roles and Responsibilities

To enhance the Board and the Management's accountability to the Company and its shareholders, the Board has established clear functions reserved for the Board and those delegated to the Management. The Board operates under a Board Charter and Board Policy Manual, which establishes a formal schedule of matters and outlines the types of information required for the Board's attention and deliberation at the Board meetings. The Board Charter is available on the Company's website at **www.scomigroup.com.my**.

To ensure the effective discharge of its functions and responsibilities, the Board has delegated specific responsibilities to the relevant Board Committees, CEO and Management through a clear and formally defined written terms of reference ("TOR") and delegated authority limits ("DAL"), which are the primary instruments that govern and manage the decision-making process in the Group. Whilst the objective of the DAL is to empower Management, the key principle adhered to in its formulation is to ensure that a system of internal controls and checks and balances are incorporated therein. The TOR and DAL are continuously reviewed and updated to ensure their relevance to the Group's operations as well as for compliance with legislation and standards.

The Board Charter, TORs, DAL and all other policies and procedures of the Company are reviewed as and when required, to ensure a relevant and optimum structure for efficient and effective decision making in the organisation. The Board Charter, TORs, DAL and all policies and procedures of the Company, if relevant, are adopted by the subsidiaries to ensure that their corporate practices are aligned with the strategies of the Company.

The roles of the Chairman and the CEO are held by two separate individuals and are distinct and separate with each having a clear scope of duties and responsibilities to ensure there is a balance of power and authority. The division of the responsibilities of the Chairman and the CEO has been clearly defined in the Board Charter of the Company.

The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board, while the CEO has overall responsibility, with the support of the Key Management Team, for the day-to-day management of the business and operations of the Group as well as the implementation of the Board's policies, directives, strategies and decisions.

Reinforce Independence

In general, the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. In line with the recommendation 3.1 of the Code, the Board, through the NRC, has assessed the independence of each Independent Director annually. All the Independent Directors had given their confirmation on their independence pursuant to the Listing Requirements and responses had been collated by the Company Secretary. Taking into consideration interests disclosed by each Independent Director and having regard to the criteria for assessing the independence of Directors under the annual Board assessment and the Listing Requirements, the Board is satisfied with the level of independence demonstrated by all the Non-Executive Directors and their ability to act in the best interests of the Company during deliberations at Board meetings.

Further, the Board had recommended that Dato' Sreesanthan A/L Eliathamby be re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director of the Company. As Dato' Sreesanthan A/L Eliathamby has served the Board for more than nine (9) years, annual shareholders' approval will be obtained for him to continue to act as Independent Non-Executive Director of the Company.

Dato' Sreesanthan A/L Eliathamby is recommended to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

(a) that he fulfils the criteria set out in the definition of "Independent Director" in the Listing Requirements;

(b) that his vast experience and expertise enable the Board to discharge its duties effectively and in a competent manner;

(c) that although he has served the Company as Independent Director for cumulative terms of more than nine (9) years, he has at all times acted in the best interest of the Company, providing independent views to the deliberations and decision making of the Board and Board Committees and fully understand and provide critical oversight over the Company's objective and strategies as well as the business operation of the Company and the Group;

(d) he has proven to be reliable Independent Director with his professionalism, aptitude and business outlook and perspectives, devoted sufficient time and attention to his professional obligations for informed and balance decision making and has also exercised due care and diligence during his tenure in the best interest of the Company and the shareholders; and

(e) he has provided confirmation in writing that he is independent of the Management, the Board and major shareholders and are free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company and the Group.

Board Committees

The Board has established two (2) committees of the Board, namely the ARMC and the NRC, which operate within clearly defined written TOR. The Board Committees deliberate issues on a broad and in-depth basis before putting up any recommendation to the Board for decision. Notwithstanding the existence of the Board Committees and the relevant authorities granted to a committee under its TOR, ultimate responsibility for the affairs of the Company and decision-making lies with the Board. The Board keeps itself abreast of the significant matters and resolutions deliberated by each Board Committee through the reports by the Chairman of the relevant Board Committees and the tabling of the Minutes of the Board Committee meetings and circular resolutions passed by each Board Committee at the immediate subsequent Board meeting.

The Board is satisfied that the ARMC and NRC have effectively and efficiently discharged their roles and responsibilities with respect to their functions as defined in the respective TOR. As such, there is no need to separate the audit, risk management, nomination and remuneration functions into distinct committees.

	Board Committees	
	ARMC	NRC
Chairman/Independent Non-Executive Director		
Dato' Mohammed Azlan Bin Hashim[(1)]	-	C
Independent Non-Executive Directors		
Tan Sri Nik Mohamed Bin Nik Yaacob[(4)]	C	-
Dato' Abdul Hamid bin Sh Mohamed[(2)]	M	M
Mr Liew Willip[(3)]	M	M
Non-Independent Non-Executive Directors		
Dato' Sreesanthan A/L Eliathamby	M	-
Mr Foong Choong Hong	-	-
Mr Lee Chun Fai	-	M
Mr Cyrus Eruch Daruwalla	-	-
CEO/Executive Director		
Encik Shah Hakim @ Shahzanim Bin Zain	-	-
Executive Director		
Mr Sammy Tse Kwok Fai[(5)]	-	-

Notes:
C - Chairman
M – Member

(1) Resigned as an Independent Non-Executive Director and a member of the NRC on 14 April 2018.
(2) Resigned as an Independent Non-Executive Director and members of the ARMC and NRC on 31 January 2018.
(3) Appointed as a member of the NRC on 1 March 2018.
(4) Resigned as an Independent Non-Executive Director and Chairman of the ARMC on 19 July 2018.
(5) Appointed as an Executive Director on 24 July 2018.

The schedule of meetings of the Board and its Committees as well as the Annual General Meeting ("AGM") is prepared and circulated to the Board before the beginning of the year to facilitate the Directors in planning ahead. Special meetings of the Board and its Committees are convened between the scheduled meetings as and when urgent and important direction from and/or decisions of the Board and/or its Committees are required.

During the FY2018, six (6) Board Meetings were held. The Board is satisfied with the level of commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. The attendance record of the Directors at the meetings of the Board and its Committees is as follows:

	MEETING ATTENDANCE (attended/held)		
	BOARD	ARMC	NRC
Chairman/Independent Non-Executive Director			
Dato' Mohammed Azlan Bin Hashim[(1)]	6/6	-	3/3
Independent Non-Executive Directors			
Tan Sri Nik Mohamed Bin Nik Yaacob[(4)]	5/6	7/7	-
Dato' Abdul Hamid bin Sh Mohamed[(2)]	3/4	5/6	2/2
Mr Liew Willip[(3)]	6/6	7/7	1/1

	MEETING ATTENDANCE (attended/held)		
	BOARD	ARMC	NRC
Non-Independent Non-Executive Directors Dato' Sreesanthan A/L Eliathamby	6/6	6/7	-
Mr Foong Choong Hong	6/6	-	-
Mr Lee Chun Fai	6/6	-	3/3
Mr Cyrus Eruch Daruwalla	5/6	-	-
CEO/Executive Director Encik Shah Hakim @ Shahzanim Bin Zain	6/6	-	-
Executive Director Mr Sammy Tse Kwok Fai[5]	-	-	-

Notes:
[1] Resigned as an Independent Non-Executive Director and a member of the NRC on 14 April 2018.
[2] Resigned as an Independent Non-Executive Director and members of the ARMC and NRC on 31 January 2018.
[3] Appointed as a member of the NRC on 1 March 2018.
[4] Resigned as an Independent Non-Executive Director and Chairman of the ARMC on 19 July 2018.
[5] Appointed as an Executive Director on 24 July 2018.

Ethics and Code of Conduct

In discharging its duties and responsibilities, the Board is also guided by the Code of Conduct of the Group which provides the framework to ensure that the Group conduct itself in compliance with laws and ethical values. The Board ensures that compliance is monitored through a Confirmation of Compliance declaration process where all employees of the Group of Grade 15 and above are required to confirm their receipt and understanding of the Code of Conduct and further to certify their continued compliance with the Code of Conduct on an annual basis. This serves to drive organisational culture and continuing awareness amongst the employees of the need to understand, develop and maintain a value-based culture beyond mere compliance.

It is a condition of appointment and/or employment with the Group that the Board and all employees of the Group to comply with the Code of Conduct and all applicable laws, regulations and other policies of the Group and failure to comply may result in the commencement of disciplinary proceedings that may lead to termination of appointment and/or employment.

The appropriateness and effectiveness of the Code of Conduct of the Group are continuously monitored and appropriate agreed improvements and reporting procedures will be adopted where necessary. The Code of Conduct is available on the Company's website at **www.scomigroup.com.my**.

Whistleblowing Policy and Procedures

The Group is also committed to openness, probity and accountability. An important aspect of accountability and transparency is the existence of a mechanism to enable employees of the Group to voice their concerns in a responsible and effective manner. To address this concern, the Group has formalised and established a Whistleblower Framework and Policy, to provide an avenue for employees to raise genuine concerns internally or report any breach or suspected breach of any law or regulation, including the Group's policies and procedures, to the Disclosure Officer in a safe and confidential manner, thereby ensuring that employees may raise concerns without fear of reprisals. The Whistleblower Steering Committee has been tasked by the Board to overseeing the implementation of the Whistleblower Framework and Policy, whilst duties relating to the day-to-day administration of the policy are performed by the Disclosure Officer. The Whistleblower Framework and Policy is subject to periodic assessment and review to ensure that it remains relevant to the Group's changing business circumstances. The Whistleblower Framework and Policy is available on the Company's website at **www.scomigroup.com.my.**

Environmental, Social and Governance

The Board is cognisant of the importance of business sustainability and, in managing the Group's business, take into consideration its impact on the environment and society in general. Balancing the environment, social and governance aspects with the interest of various stakeholders is essential to enhancing investor and public trust. We acknowledge our responsibility to all the lives we touch either directly or indirectly and are committed to making a positive impact in the many communities where we have a presence while further strengthening our corporate reputation via upholding a culture of integrity and transparency. Over the years, our approach towards corporate social responsibility has become progressively more holistic, evolving from individual acts of philanthropy to becoming a mindset that influences business decision and strategy. We further ensure that this mindset is shared among all our employees by reinforcing the principles of integrity and corporate citizenry in our training and internal communication and encouraging a spirit of volunteerism across our operations globally. We also realise that, given the nature of the businesses we are involved in, we can make a positive impact on the environment. Hence, we invest significantly in research and development to develop 'green' products that are efficient, cost-effective and, most importantly, environmentally friendly. The Board also strives to promote conservation and encourages a paperless environment for all Board and Board Committees meetings, where digital access is given to meeting papers to save on the distribution of hard copies.

Access to Information

Every Director has full, free and unrestricted access to information within the Group. Where required, the Board and its Committees are provided with independent professional advice or other advice in furtherance of their duties, the cost of which is borne by the Company. The Board may also seek advice from the Management or request further explanation, information or update on any aspect of the Group's operations or business concerns. The Board is supplied with quality and timely information, which allows it to discharge its responsibilities effectively and efficiently. The agenda for each meeting together with a set of comprehensive Board Papers for each agenda item are delivered to each Director in advance of meetings, to enable the Board sufficient time to review the matters to be deliberated for effective discussion and decision making during the meeting, and where necessary, to obtain supplementary information before the meeting.

In addition, the Directors have full and unrestricted access to the advice and dedicated support services of the Company Secretary appointed by the Board. The Company Secretary, who is qualified, experienced and competent, advises the Board on procedural and regulatory requirements to ensure that the Board adheres to the Company's constitution, board policies, procedures and regulatory requirements in carrying out its roles and responsibilities effectively.

II. BOARD COMPOSITION

The success of the Board in fulfilling its oversight responsibility depends on its size, composition and leadership qualities.

The Articles of Association of the Company provides for a minimum of two (2) directors and a maximum of twelve (12) directors. At any one time, at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, shall be Independent Directors, who are to provide independent judgment, experience and objectivity to the Board deliberations so that the interests of all shareholders are taken into account by the Board. The Directors shall elect a Chairman among themselves who shall be a Non-Executive Director.

The Board currently consisted of seven (7) members, comprising two (2) Executive Directors and five (5) Non-Executive Directors of whom one (1) is independent as defined by the Listing Requirements. To strengthen the Board composition, the NRC and the Board are intending to appoint new Independent Directors to the Board in the near future.

The composition of the Board reflects a diversity of backgrounds, skills and experiences in the areas of business, economics, finance, legal, general management and strategy that contributes effectively in leading and directing the management and affairs of the Group. Given the calibre and integrity of its members and the objectivity and independent judgment brought by the Independent Directors, the Board is of the opinion that its current size and composition contribute to an effective Board.

Tan Sri Nik Mohammad bin Nik Yaacob, an Independent Non-Executive Director of the Company was the Senior Independent Director of the Company up until 19 July 2018. The Board will appoint an Independent Non-Executive Director as the Senior Independent Director of the Company in the near future. The main duties and responsibilities of the Senior Independent Director of the Company are to serve as the point of contact between the Independent Directors and the Chairman on sensitive issues and to act as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders.

A brief description of the background of each Director is as set out in the Profile of Directors section of this Annual Report.

The NRC established by the Board is tasked to:

- ensure an effective process for selection of new Directors and assessment of the effectiveness of the Board and Board Committees and the performance of individual Directors which will result in the required mix of skills, experience and responsibilities being present on the Board;

- establish, review and report to the Board on a formal and transparent policy on Executive Directors' remuneration; and

- review and recommend to the Board the remuneration of the Executive Directors in all its forms with the aim of attracting, retaining and motivating individuals of the highest quality needed to run the Company successfully.

The members of the NRC are appointed by the Board based on recommendations from the NRC and shall comprise at least three (3) members who are all non-executive, a majority of whom are Independent Directors. Members of the NRC elect a Chairman from among themselves who is an Independent Non-Executive Director. All members of the NRC, including the Chairman, shall hold office only so long as they serve as Directors of the Company. Members of the NRC may relinquish their membership in the NRC with prior written notice to the Company Secretary. The NRC reports its recommendations back to the Board for its consideration and approval. In the event of any vacancies arising in the NRC resulting in the number of members of the NRC falling below three (3), the vacancy should be filled within three months of it arising. The NRC meets at least once during a financial year. In the interim period between meetings, if the need arises, issues shall be resolved through circular resolution. A circular resolution in writing, stating the reason(s) to arrive at a recommendation or resolution, signed by a majority of the members, shall be valid and effective as if it had been passed at a meeting duly convened and constituted.

The duties and responsibilities of the NRC are set out in the TOR of the NRC which is available at the Company's website at **www.scomigroup.com.my**.

New Appointment to the Board

The appointment of directors is a vital process as it determines the composition and quality of the Board's mix of skills and competencies. The nomination and appointment of new Directors takes place within the parameters set out in the TOR of the NRC and the Board Composition Policy.

Annual Board Evaluation

The Board, through the NRC undertakes an annual assessment of the Board as a whole and each individual Directors' performance. This includes a review of the desirable mix of competencies, qualification, knowledge, skills, expertise and personal characteristics of Directors and any gaps that exist in the optimum mix of skills required for the Board.

It is tasked with assessing the effectiveness of the Board and Board Committees and the performance of individual directors to ensure that the required mix of skills and experience are present on the Board. In the course of assessing the effectiveness of the Board and the Board Committees and the contributions of each individual Director, the NRC also evaluates and determines the training needs for each of the Directors in order to equip them with the necessary skills and knowledge to keep up with industry developments and trends in meeting the challenges of the Board and aid them in the discharge of their duties as Directors. The Company had provided in-house training for Directors on specific topic relating to cyber risk awareness.

The NRC together with the CEO, representing the Management, collectively conducted the assessments of the effectiveness of the Board and its Committees and the performance of each individual Director, which considered the qualification, contribution and performance of Directors taking into account their competencies, character, commitment, integrity, experience and time expended in meeting the needs of the Group. The effectiveness of the Board was assessed internally and facilitated by the Company Secretary. The Chairman of the NRC discussed the NRC's assessment of the performance of each individual Director with the Directors concerned on a one-to-one basis for their information and further development. During the meeting session, the Chairman of the NRC also compiled all the collective views from the Non-Executive Directors on the Management and provided feedback of the same to the CEO for the Management's improvement. All assessments and evaluations carried out by the NRC in the discharge of its functions are properly documented, summarised and reported to the Board.

Currently, the NRC consisted of two (2) members, one of which is Non-Executive Director and one is an Independent Director. It is the intention of the Board to appoint another Independent Director to the NRC in the near future. In accordance with the approved TOR of the NRC, the NRC carried out the following activities during the FY2018:

- assessed the annual performance of each individual Director;
- assessed the continued independence of each Independent Director;
- reviewed the skills, experience and competencies of each individual Director and based thereupon, assessed the training needs of each individual Director;
- assessed the effectiveness of the Board, the ARMC and other Committees of the Board;
- reviewed the skills, experience and competencies of the non-executive Directors;
- assessed the adequacy of the size and composition of the Board;
- reviewed the proposed remuneration for the Non-Executive Directors of the Company;
- reviewed the retirement and re-election of the Directors pursuant to the Articles of Association of the Company;
- evaluated and recommended to the Board the CEO's BSC for the financial year under review;
- reviewed and recommended to the Board the CEO's BSC for the new financial year;
- reviewed and recommended to the Board the renewal of employment contract and remuneration package for the CEO;
- reviewed and recommended to the Board the mechanism for assessment of the CEO's BSC; and
- reviewed the developments relating to legal proceedings taken by the authorities against one of the Directors.

III. REMUNERATION

The NRC is responsible for the review of the overall remuneration policy for the Directors and the CEO whereupon recommendations are submitted to the Board for approval. The NRC advocates a fair and transparent remuneration policy framework such that the Group may attract, retain and motivate high quality Directors.

The Non-Executive Directors are paid by way of fees for their services, as from time to time determined by the Company in AGM and are not compensated based on the Company's (Group's) performance and results as this may impair the Directors' objectivity and independence, particularly when asked to endorse risky business decisions that may have a vast upside potential. The Non-Executive Directors are reimbursed for all their travelling, hotel and other expense properly and necessarily expended by them in and about the business of the Company and are paid meeting allowances together with travelling and other expenses incurred, in attending the meetings of the Board or any Board Committees of the Company. In addition, the Company also provided Directors' and Officers' Liability Insurance for Directors of the Group. However, the said insurance policy will not indemnify the Director against, any liability which by law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust.

The Executive Director is not entitled to the abovementioned Director's fee or any meeting attendance allowances. The remuneration package for the CEO comprises a fixed direct compensation, principally salary and benefits-in-kind and a variable direct compensation which includes a short-term incentive and long-term incentive, taking into consideration market rates and practices. The variable direct compensation will be determined based on the CEO's achievement based on the KPIs set in his BSC. The CEO, who serves as an Executive Director of the Company received no payment from the Company, save for the remuneration paid to him for his management position arising from his employment contract with the Company.

Section 230(1) of the Companies Act 2016 (the "Act") provides amongst others, that "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In view that the "benefits payable to the directors" under the Act is not defined by the Act itself, the Board approved the NRC's recommendation to seek the approval of the shareholders for the benefits payable to the Directors for the period from 25 August 2018 until the next AGM of the Company ("Relevant Period") at the upcoming AGM of the Company in accordance with the remuneration structure set out below:

Type of Benefit	Chairman (RM/meeting)	Non-Executive Directors (RM/meeting)
Meeting Allowance		
• Board Meeting	• 1,500	• 1,500
• ARMC Meeting	• 1,500	• 1,000
• NRC Meeting	• 1,000	• 1,000

The estimated benefits payable to the Directors for the Relevant Period are expected to come up to approximately RM200,000.00. In determining the estimated total benefits payable to the Directors for the Relevant Period, the size of the Board and Board Committees and the number of scheduled meetings of the Board and Board Committees to be held during the Relevant Period based on the above remuneration structure were taken into consideration.

The Board is of the view that it is just and equitable for the Non-Executive Directors to be paid the Directors' remuneration (excluding Directors' fees) as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

The structure of the remuneration package for the Non-Executive Directors was last revised by the Board in respect of the financial year ended 31 December 2009 and since then the remuneration package for the Non-Executive Directors has remained unchanged. In view of the current challenges faced by the Group, although the Non-Executive Directors are burdened with increasing tasks, responsibilities and liabilities as well as tighter corporate and capital market rules and regulations, the Board concurred with the recommendation of the NRC to maintain the same remuneration structure and Directors' fees for the Non-Executive Directors in respect of the FY2018, which is subject to the approval of the shareholders at the forthcoming AGM of the Company.

The remuneration of individual Directors of the Company, including the remuneration for services rendered to the Group for the financial year ended 31 March 2018, are as follows:-

<u>The Group and the Company</u>

Directors	Fee		Salaries	Other Allowances		Total	
	Company	Group	Group	Company	Group	Company	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Mohammed Azlan bin Hashim[(1)]	100	100	-	12	12	112	112
Tan Sri Nik Mohamed bin Nik Yaacob[(2)]	72	132	-	18	30	90	162
Dato' Sreesanthan A/L Eliathamby	70	70	-	14	14	84	84
Dato' Abdul Hamid bin Sh Mohamed[(3)]	59	59	-	12	12	70	70
Mr Foong Choong Hong	60	60	-	9	9	69	69
Mr Lee Chun Fai	60	118	-	12	23	72	141
Mr Cyrus Eruch Daruwalla	60	108	-	8	12	68	120
Mr Liew Willip	70	128	-	17	27	87	155
Encik Shah Hakim @ Shahzanim bin Zain	-	748	480	-	851	-	2,079
Mr Sammy Tse Kwok Fai[(4)]	-	-	-	-	-	-	-
Grand Total	551	1,523	480	101	988	651	2,991

Notes:
[(1)] *Resigned as an Independent Non-Executive Director and a member of the NRC on 14 April 2018.*
[(2)] *Resigned as an Independent Non-Executive Director and Chairman of the ARMC on 19 July 2018.*
[(3)] *Resigned as an Independent Non-Executive Director and members of the ARMC and NRC on 31 January 2018.*
[(4)] *Appointed as an Executive Director on 24 July 2018.*

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

In discharging its fiduciary responsibility, the Board is assisted by the ARMC to oversee the financial reporting processes and the quality of the Group's financial statements. The ARMC members, all of whom are financially literate, reviewed the Company and the Group's financial statements, prior to recommending them for approval by the Board and issuance to the shareholders and stakeholders.

The ARMC is chaired by an Independent Non-Executive Director who is distinct from the Chairman of the Board.

The ARMC has met seven (7) times during the financial year under review in order to carry out their duties in accordance with the TOR. The CEO and CFO formally presented to the ARMC and the Board the details of financial performance of the Company and the Group, for review of quarter-to-quarter and year-to-date performance against the approved FY2018 budget.

The primary objective of the ARMC is to assist the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems, including the management information system and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board, through the ARMC, maintains an appropriate, formal and transparent relationship with the Group's internal and external auditors. The ARMC is guided by the Group's policies and procedures in accessing the suitability and independence of the external auditors, which also includes the provision of non-audit services by the external auditors to the Group and the Company to ensure their independence is not compromised. Those policies and procedures are to be read in conjunction with the TOR of the ARMC, which outlines the duties and responsibilities of the ARMC relating to the appointment of the external auditors.

The ARMC has explicit authority to communicate directly with the Group's internal and external auditors and vice versa the Group's internal and external auditors also have direct access to the ARMC to highlight any issues of concern at any time. Further, the ARMC meets the external auditors without the presence of Executive Directors or the Management whenever necessary, but no less than twice a year. Meetings with the external auditors are held to further discuss the Group's audit plans, audit findings, financial statements, as well as to seek their professional advice on other related matters.

The ARMC is also tasked by the Board to consider the appointment of the external auditor, the audit fee and any questions relating to the resignation or dismissal as well as all non-audit services to be provided by the external auditors to the Company with a view to auditor independence and to provide its recommendations thereon to the Board. The ARMC has received confirmation from the external auditors that for the audit of the financial statements of the Group and Company for the FY2018, they have maintained their independence in accordance with their firm's requirements and with the terms of relevant professional and regulatory requirements and they have reviewed the non-audit services provided to the Group during the financial year in accordance with the independence requirements and are not aware of any non-audit services that have compromised their independence as external auditors of the Group. The external auditors also reaffirmed their independence at the completion of the audit.

The ARMC had at its meeting held on 11 July 2018 undertook an annual assessment of the suitability and independence of the external auditors, KPMG PLT ("KPMG") in accordance with the Policy on the Selection of External Auditors of the Company which was adopted in 2014. Being satisfied with KPMG's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Policy on the Selection of External Auditors of the Company and Paragraph 15.21 of the Listing Requirements, the ARMC recommended the re-appointment of KPMG, who have consented to act, as external auditors of the Company for financial year ending 31 March 2019. The ARMC was also satisfied that the provision of the non-audit services by KPMG for FY2018 did not in any way impair their objectivity and independence as external auditors of the Company. Subsequently, the Board at its meeting held on 19 July 2018 concurred with the ARMC on its recommendation for the shareholders' approval to be sought at the forthcoming AGM on the re-appointment of KPMG as external auditors of the Company for FY2019.

The membership, TOR, roles and relationship with both the internal and external auditors and activities of the ARMC during the FY2018 are set out on ARMC Report of this Annual Report.

II. Risk Management and Internal Control Framework

The Board firmly believes in maintaining a sound risk management framework and internal controls system with a view to safeguard shareholders' investment and the assets of the Group. The size and geographical spread of the Group involve exposure to a wide variety of risks, where the nature of these risks means that events may occur which could give rise to unanticipated or unavoidable losses.

In establishing and reviewing the risk management and internal controls system, the Board recognises that such systems can provide only reasonable, but not absolute, assurance against the occurrence of any material misstatement or loss.

The ARMC meets on a regular basis to ensure that there is clear accountability for managing significant identified risks and that identified risks are satisfactorily addressed on an ongoing basis. In addition, the adequacy and effectiveness of the risk management and internal controls system is also periodically reviewed by the ARMC.

The Board has received assurance from the CEO and the CFO that the Group's risk management and internal controls system is operating adequately and effectively, in all material aspects.

Regular assessments on the adequacy and integrity of the internal controls and monitoring of compliance with policies and procedures are also carried out through internal audits. The risk-based internal audit plan that covers internal audit coverage and scope of work is presented to the ARMC for its consideration and approval annually. Internal audit reports encompassing the audit findings together with recommendations thereon are presented to the ARMC on a quarterly basis. The GIA, senior and functional line management are tasked to ensure management action plans are carried out effectively and regular follow-up audits are performed to monitor the continued compliance.

The main features of the risk management framework and internal controls system of the Group are as set out on Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the shareholders of the Company are treated equitably and provides them with comprehensive, accurate and quality information on a timely and non-selective basis, in order to keep them abreast of all material business matters affecting the Company and the Group.

Recognising the importance of accurate and timely public disclosures of corporate information in order for the shareholders to exercise their ownership rights on an informed basis, the Board has established a Global Communications Policy with the following intention:

- to provide guidance and structure in disseminating corporate information to, and in dealing with investors, analysts, media representatives, employees and the public;
- to raise management and employees' awareness on the disclosure requirements and practices;
- to ensure compliance with legal and regulatory requirements on disclosure; and
- to protect the brand equity of the Group by managing the risk associated with the brand i.e. exposures to the brand that can undermine its ability to maintain its desired differentiation and competitive advantage.

The Global Communications Policy outlines how the Group identifies and distributes information in a timely manner to all shareholders. It also reinforces the Group's commitment to the continuous disclosure obligations imposed by law, and describes the procedures implemented to ensure compliance.

The Board through the Management oversees the Group's corporate disclosure practices and ensures implementation and adherence to the policy. The Board has authorised the GCEO as the primary spokesperson responsible for communicating information to all stakeholders including the public.

The Group also maintains a corporate website, **www.scomigroup.com.my** to disseminate information and enhance its investor relations. All disclosures, material information and announcements made to Bursa Securities are published on the website shortly after the same is released by the news wire service or the relevant authorities. Supplemental, non-material information will be posted on the website as soon as practicable after it is available.

The Group recognises the need for due diligence in maintaining, updating and clearly identifying the accuracy, veracity and relevance of information on the website. All timely disclosure and material information will be clearly date-identified and retained on the website as part of the public disclosure record for a minimum period of two (2) years. The Group Communications Department has ongoing responsibility for ensuring that information in the website is up-to-date.

In addition, the email address, name and contact number of the Company's designated person is listed in the website to enable the public to forward queries to the Company.

II. CONDUCT OF GENERAL MEETINGS

Shareholders are encouraged to attend the AGM and any general meetings of the shareholders, which is the principal forum for dialogue between the Board and the shareholders and provides shareholders the opportunity to raise questions or concerns with regards to the Group as a whole, as well as to discuss any other important matters with the Management and the Board.

The Company is moving towards achieving and adopting the best practice of providing at least 28 days of notice period for AGM to the shareholders. A notice period of 25 days is to be given to shareholders for the upcoming AGM in 2018, which is more than the minimum 21 days of notice required under Section 316(2) of the Act and Paragraph 7.15 of Listing Requirements of Bursa Securities.

Moving forward, the Group will strive to provide a notice period of at least 28 days to shareholders as best practice. This is to provide sufficient time to shareholders to understand and evaluate the matters involved as well as to make necessary arrangements to attend, participate and vote either in person, by corporate representative, by proxy or by attorney, to exercise their ownership rights on an informed basis during the AGM and any general meetings of the shareholders. Where special business items are to be transacted, a full explanation is provided in the notice of the AGM and any general meetings of the shareholders or the related circular to shareholders in order to assist the shareholders' understanding of matters and the implication of their decision in voting for or against a resolution.

In line with paragraph 8.29A of the Listing Requirements, all the resolutions set out in the notices of the 15th AGM were put to vote by poll. The Company had appointed Symphony Share Registrars Sdn Bhd as Poll Administrator to conduct the polling process, and Symphony Corporatehouse Sdn Bhd as Independent Scrutineers to verify the poll results. Voting at the previous AGMs was conducted through electronic poll voting (e-voting), where personalised wristbands were issued by the Share Registrar upon registration. The electronic poll voting was conducted upon completion of the deliberation of all items to be transacted at the AGMs. The Chairman, upon the verification of the poll results by the Independent Scrutineers, announced the results for each resolution, which include votes in favour and against and declared whether the resolutions were carried. The outcomes of the AGMs were announced to Bursa Securities on the same day the meeting was held. The Minutes of the AGMs were also made available on the Company's website at **www.scomigroup.com.my**.

The Board, the Management Team, both internal and external auditors of the Company and if required, the Advisers, are present at the AGM and any general meetings of the shareholders to answer questions or concerns raised by shareholders.

Before the commencement of the AGM and any general meetings of the shareholders, the Directors and the Management Team will take the opportunity to engage directly with the shareholders which provides the shareholders a better appreciation of the Company's objectives, quality of its management and the challenges faced, while also making the Company aware of the expectations and concerns of its shareholders.

During the AGM and any general meetings of the shareholders, there is always a presentation by the CEO or a representative from the Management Team on the Group's strategy, the operations and financial performance of the Group, the major developments and the prospects of the Group and the subject matters tabled for decision. Besides that, the Chairman of the AGM and any general meetings of the shareholders will invite the shareholders to raise questions pertaining to the Company's financial performance and other items for adoption at the meeting, before putting a resolution to vote. The Chairman of the AGM and any general meetings of the shareholders will also share with the shareholders the Company's responses to questions submitted in advance of the AGM and any general meetings of the shareholders by the Minority Shareholder Watchdog Group, if any.

At the 15th AGM, the Directors were present in person. Following the presentation by the CEO of the Group's strategy, the operations and financial performance of the Group, the major developments and the prospects of the Group to the shareholders, the Chairman of the AGM invited shareholders to raise questions pertaining to the Company's financial performance and other items for adoption at the meeting, before putting a resolution to vote. The Directors, CEO, Management, internal and external auditors were in attendance to respond to the questions or concerns raised by shareholders.

FOCUS AREAS AND PRIORITIES ON CORPORATE GOVERNANCE

I. PROFESSIONAL DEVELOPMENT OF DIRECTORS

All Directors have attended the Mandatory Accreditation Programme as required under the Listing Requirements. To remain relevant in the rapidly changing and complex modern business environment, our Directors are committed to continuing education and lifelong learning to fulfil their responsibilities to the Company and enhance their contributions to board deliberations.

In addition to the NRC's evaluation and determination of the training needs for each of the Directors, the Directors may also request to attend training courses according to their needs as a Director or member of the respective Board Committees on which they serve. Throughout the period under review, the Directors were also invited to attend a series of talks on Corporate Governance organised by Bursa Securities together with various professional associations and regulatory bodies.

An appropriate induction is provided to any newly appointed Directors in order for them to familiarise themselves with the Group's organisational structure, strategic plans, significant financial, accounting and risk issues and other important matters and become effective in their role within the shortest practicable time. The induction programme also allowed them to get acquainted with Senior Management, so as to facilitate board interaction and independent access to the Management.

During the FY2018, all members of the Board attended various training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies on areas relevant to the Group's business, Directors' roles, responsibilities, effectiveness and/or corporate governance issues. Training programmes, conferences, seminars and courses attended by Directors during the year under review are as follows:

Name of Directors	Programmes Attended
Dato' Mohammed Azlan Bin Hashim	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • The 10th Malaysian Software Engineering Conference • The Asian Captive Conference 2017
Dato' Abdul Hamid bin Sh Mohamed	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • Proposed Listing Requirements ("LR") and Companies Act 2016 ("CA 2016") Workshop – Key Amendments to LR Arising from CA 2016 • Khazanah Megatrends Forum 2017 Cerebrum X Algorithm – Building True Value in a Post – Truth World • POS Malaysia Berhad In-House Compliance Training on Money Services Business Act 2011 and Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2011.
Tan Sri Nik Mohamed Bin Nik Yaacob	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • Update on CA 2016 • 4th Industrial Revolution : Impact and Opportunities for Manufacturing • Sustainability Statement – The Way Forward • Fraud Risk Management Workship
Dato' Sreesanthan A/L Eliathamby	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • Symposium on Constitutional Law : Rule of Law in Jeopardy
Mr Foong Choong Hong	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub
Mr Lee Chun Fai	• Credit Suisse Asian Investment Conference, Hong Kong • CLSA Asean Forum, Bangkok • Selangor Synergies Forum – Emerging Technologies in Selangor • World Capital Markets Symposium • Invest Malaysia 2018 • National Framework for Innovation & National Corporate Innovation Index • Invest Malaysia UK 2017 - London & Edinburgh • Corporate Governance Breakfast Series: "Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World" • CLSA Investors' Forum, Hong Kong • Adopt Innovation, Think Entrepreneurship, Revolutionise Business • Invest Malaysia 2017 • Global Institute for Leadership Development Asia (GILD Asia), Singapore • Related Party Transactions - "Implications to Directors and Management" & "Key Changes to the Malaysian Code on Corporate Governance Issued in 2017" • Securities Commission Malaysia - World Bank Conference : Islamic Finance & Public-Private Partnership (PPP) for Infrastructure Development • Malaysia Corporate Day, Singapore • New CA 2016
Mr Cyrus Eruch Daruwalla	• Adopt Innovation, Think Entrepreneurship, Revolutionise Business

Name of Directors	Programmes Attended
Mr Liew Willip	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • Global Business Insights Series : High Performance Leadership in Times of Change and Uncertainty • Bursa CG Breakfast Series : "Board Excellence : How to Engage and Enthuse Beyond Compliance and Sustainability" • Advocacy Sessions on Corporate Disclosure for Directors and Principal Officers of Listed Issuers • CG Breakfast Series for Directors : "Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World"
Encik Shah Hakim @ Shahzanim Bin Zain	• OTC Asia 2018

Apart from attending the training programmes, conferences and seminars organised by the relevant regulatory authorities and professional bodies, the Directors continuously received briefings and updates on regulatory and industry development, including information on the Group's businesses and operations, risk management activities and other initiatives undertaken by the Group.

This Statement is made in accordance with the resolution of the Board dated 31 July 2018.

INTRODUCTION

The Board of Directors is pleased to provide the following statement which has been prepared in accordance with the Statement on Risk Management and Internal Controls-Guidelines for Directors of Listed Issuers endorsed by Bursa Securities. It outlines the main features of the Risk Management Framework and Internal Control System of the Group covering all operations during the financial year under review pursuant to the Paragraph 15.26(b) of the Listing Requirements.

RESPONSIBILITY AND ACCOUNTABILITY

The Board

The Board acknowledges its overall responsibility in the establishment and oversight of the Group's Risk Management Framework and Internal Controls System. These are designed to manage the Group's risks within an acceptable levels, rather than eliminate the risk of failure of achieving the corporate objectives. Therefore, the internal controls implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud.

The Board has overall responsibility for the Group's Risk Management Framework and Internal Controls System and has delegated the implementation of the framework and system to the Management whilst the Audit and Risk Management Committee of the Board (the "ARMC") was tasked by the Board with oversight responsibility to review the adequacy and effectiveness of the Risk Management Framework and Internal Controls System.

The Board also regularly reviews the Risk Management Framework and Internal Controls System with a view towards appraising the adequacy, effectiveness, integrity and efficiency of such system within the Group and also to ensure that these systems are viable and robust.

The Management

The Management acknowledges responsibility for implementing the processes to identify, assess, treat, monitor and report on risks and the effectiveness of the Internal Controls System, taking appropriate and timely corrective actions as required. It assures the Board that the Group's risks are effectively managed based on the Risk Management Framework adopted by the Group and the Internal Controls System are operating adequately and effectively, in all material aspects.

On a quarterly basis, the Management reports to the ARMC on all risk areas faced by the Group and findings identified from the internal audit reviews conducted by the Group Internal Audit (the "GIA") as well as the actions taken by the Management to address those high risks areas and audit findings. Minutes of the meetings of the ARMC which recorded these deliberations were presented to the Board. The Chairman of the ARMC will also report to the Board on the principal risks and internal controls related matters and recommendations deliberated by the ARMC at the immediate subsequent Board meeting.

RISK MANAGEMENT FRAMEWORK

The management of risks is aimed at achieving an appropriate balance between realising opportunities for gains while minimising losses to the Group. With this aim in place, the Group is committed in ensuring that it plans and executes activities to ensure that the risks inherent in its business are identified and effectively managed. Risk management activities are also embedded in the Group's management system for effective implementation.

An end-to-end Enterprise Risk Management Framework encompassing of policy and procedures is in place to guide the Group to adopt and implement appropriate process to identify, assess, treat, monitor and report significant risks.

The risk management process commenced from the establishment of strategic business planning, beginning of any major new project, venture or change in operational environment. This is continuously applied to all levels of activity in the Group, with the objective of establishing accountability and ensuring mitigation at the source of the risk.

The level of risk tolerance of the Group is expressed through the use of a risk impact and likelihood matrix. Once the risk level is determined, the risk owner is required to deal with the relevant risks by adhering to the Group's risk treatment guidance on the actions to be taken to mitigate the risks.

Monitoring of the mitigating actions during the year under review was performed by the Management and update of the progress on high risks was reported to the ARMC on a quarterly basis. The ARMC will then report to the Board on all significant risk related matters deliberated at its meetings.

Every individual in the Group from transactional levels to the Board plays an integral role in the effective management of the risks. The Framework implemented within the Group ensures that the key business and operational risks faced by all business units within the Group are continually defined, highlighted, reported and managed. The Framework will be reviewed periodically by the Management and the Board to ensure its continued application and relevance.

Further information on the Group's risk management and internal audit activities is highlighted in the ARMC Report of this Annual Report.

INTERNAL AUDIT FUNCTION

The internal audit function is carried out by the Group Internal Audit (the "GIA") which reports directly to the ARMC. The GIA provides an independent assurance on the adequacy and effectiveness of the Internal Controls System implemented by the Group and monitors the compliance with policies and procedures.

The internal audit function includes undertaking reviews of the Group's system of internal controls, its operations and selected key activities based on risk assessment and in accordance with the annual internal audit plan which is presented and approved by the ARMC.

ARMC receives and reviews GIA's audit reports including the agreed corrective actions to be undertaken by the auditees. GIA monitors status of the agreed corrective actions submitted by auditees which will be assessed and verified by GIA prior to reporting to the ARMC. This is to ensure that the action plans are carried out effectively. The consolidated status of the audit findings is submitted and presented to the ARMC for deliberations on a quarterly basis.

The GIA functions are in accordance with the Internal Audit Charter and the Internal Audit Policies and Procedures Manual, which have been approved by the ARMC and the Board respectively.

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROLS SYSTEM

The other significant elements of the Group's Internal Controls System are elaborated below.

Board

The Board is supported by two (2) Board Committees which provide focus and counsel in these areas:

1. Audit and Risk Management; and
2. Nomination and Remuneration of Directors and CEO.

Certain Board responsibilities are delegated to the Board Committees through clearly defined Terms of Reference, which is reviewed from time to time.

The Board has a Board Charter and a Board Composition Policy which establish a formal schedule of matters and outlines types of information required for the Board's attention and deliberation at Board meetings.

Comprehensive Board papers, which include financial and non-financial matters such as quarterly results, business strategies, explanation of the performance of the Group and individual business divisions, key operational issues, corporate activities and exercises of the Group, etc. are escalated to the Board for deliberation and approval.

Details of the Board Committees are contained in the Corporate Governance Overview Statement of this Annual Report.

Organisation Structure

The Group has a well-defined organisation structure that is aligned to its business requirements and also to ensure that checks and balances exist throughout the Organisation.

Clear reporting lines and authority limits, driven by Delegated Authority Limits set by the Board, govern the Group's decision making and approval process.

In addition, the Group employs the Balanced Scorecard framework that implements and measures the goals and targets for individual employees in alignment with the business objectives and strategies of the Group.

Strategic Business Plan and Annual Budget

The Board constructively challenges and contributes to the development of the Group's strategic directions and annually reviews the Group's strategic business plan. The Board probes the Management to ensure the Management has taken into consideration the varying opportunities and risks whilst developing the strategic business plan.

The Group's annual strategic business plan and budget is reviewed, deliberated and approved by the Board. The expectations of the Board are clearly discussed with, and understood by, the Management.

The Board is also responsible for monitoring the implementation of the strategic business plan and for assessing the actual performance of the Group against the annual strategic business plan and budget as well as to provide guidance to the Management.

On a quarterly basis, the CEO reviews the Group's key financial performance metrics with the ARMC and the Board and highlights any concerns and issues, if any. The actual performance of the Group is assessed against the approved budget on a quarterly basis where explanations, clarifications and corrective action taken for significant variances are reported by the Management to the ARMC and the Board.

Performance Assessment and Capability Enhancement ("PACE")

The Balanced Scorecard ("BSC") is the integral part of PACE and the annual corporate BSC of the CEO is developed in line with the strategic objectives and the approved annual budget of the Group. The Key Performance Indicators ("KPI") as set out in the employees' scorecard, which are based on the Corporate BSC approach, are used to track and measure staff performance.

The Nomination and Remuneration Committee of the Board (the "NRC") is tasked by the Board to review the proposed initiatives, measures and targets to be included in the BSC of the CEO and evaluate the performance of the CEO against the targeted key result areas or initiatives as set out in the BSC of the CEO at the end of each financial year end. Subsequently, the NRC provides the Board with its recommendations with regards to the proposed BSC for the CEO for each financial year and the results of the evaluation of the performance of the CEO at the end of the financial year.

Following the determination of the measures and targets for the CEO, the same will be cascaded down to his direct reports. The CEO reviews the progress of achievements in targeted key results areas or initiatives as set out in the BSCs of his direct reports periodically, allowing for timely response and corrective action to be taken to catch up to their targeted plan.

Tender Committee ("TC")

The Tender Committee which comprises of cross functional representatives has been established to provide an independent review and assessment of proposed tender submissions, quotations or contracts for the sale of products or goods or the provisions of services or any variation thereto having regard to the long and short term economic, commercial, operational, risk, strategy and other relevant factors considered by the business units ("BUs") in preparing bids and/or submission for tenders.

Main duties and responsibilities of the TC are:

a) To consider any matters referred by business units on tenders and contracts;
b) To review the viability of contracts, partnerships and supplies/services in meeting the business objectives of the Group and evaluate risks associated with it;
c) To review the viability of contracts that the Group is tendering for and review of the long and short term economic, commercial, operational, risks, strategic and overall business perspectives; and
d) To ensure that the submission process is done in a fair manner, in compliance with our Code of Conduct and internal procedures.

The TC is not an approving body but provides an independent assessment to the respective BU on critical decisions drawing upon the expertise of its members and makes recommendations to the CEO prior to approval by the relevant Approving Authorities as set out in the relevant DAL.

Delegated Authority Limits ("DAL")

The Board's approving authority on certain specified activities is delegated to the Management through a clearly and formally defined DAL which is the primary instrument that governs and manages the business decision making process in the Group. Whilst the objective of the DAL is to empower Management, the key principle adhered to in its formulation is to ensure that a system of internal controls, and checks and balances are incorporated therein.

The DAL is implemented in accordance with the Group's policies and procedures and in compliance with the applicable statutory and regulatory requirements. The DAL is continuously reviewed and updated to ensure its relevance to the Group's operations.

Code of Conduct

The Board and employees of the Group are committed to adhering to the best practices in corporate governance and observing the highest standards of integrity and behaviour in all activities conducted by the Group, including the interaction with its customers, suppliers, shareholders, employees and business partners, within the community and environment in which the Group operates.

The Board and employees of the Group play an important role in establishing, maintaining and enhancing the reputation, image and brand of the Group and ensuring the observance to and compliance with the standards of integrity and behaviour that the Group is committed to.

All employees of the Group of managerial level and above are required to confirm their receipt and understanding of the Code of Conduct and further required to certify their continued compliance with the Code of Conduct on an annual basis.

The Group has also established a Suppliers Code of Conduct, pursuant to which its supply chain are required to adhere to the following:

- that it operates within safe working conditions,
- that its workers are treated with dignity and respect, and
- that environmentally responsible manufacturing processes are implemented and adhered to.

In addition to these commitments, the Group requires its suppliers ("Suppliers") to adhere, in all of their activities, to the laws, rules and regulations of the countries in which they operate.

In furtherance of these commitments and towards the advancement of social and environmental responsibility, the Group requires its Suppliers to implement the Suppliers Code of Conduct which shall be read together with the contract/agreement between the Group and the Supplier. The Group expects the Supplier to abide by the Suppliers Code of Conduct when conducting business with or for the Group. It is the responsibility of every Supplier to comply with the principles of the Suppliers Code of Conduct, as amended from time to time.

The breach of the Suppliers Code of Conduct may lead to formal warnings, disclosure of the nature of breach to all employees of the Group, removal from the Group's preferred vendor list and/or immediate termination as the Group's Supplier subject to terms of contract/agreement, depending on the severity of the situation.

Policies, Procedures, Processes and Systems

Processes are documented into clear and formalized internal policies and procedures to ensure compliance with internal controls and relevant rules and regulations. Regular reviews are performed to ensure that the policies and procedures remain current and relevant. These documents are made available on the Scomi intranet for easy access by the employees.

The Group is also utilizing SAP throughout most of its business units as the main Enterprise Resource Planning ("ERP") system.

Information and Communication

Following from a clear organisational reporting structure, information is communicated and disseminated to all employees in all locations within the Group.

To ensure compliance to Chapter 14 of the Listing Requirements, the Board and the Principal Officers of the Company are informed in advance before the commencement of each closed period, during which time they are to comply with the additional disclosure requirements related to their dealings as set out in the Listing Requirements. They are also reminded that they are not allowed to deal in the listed securities of the Company as long as they are in possession of material and price-sensitive information relating to the Company in order to avoid any insider trading.

Whistle-blower Framework and Policy

The Group has in place a Whistle-blower Framework and Policy, to provide an avenue for employees to raise genuine concerns internally or report any breach or suspected breach of any law or regulation, including the Group's policies and procedures, to the Disclosure Officer in a safe and confidential manner, ensuring employees can raise concerns without fear of reprisals. These disclosures are investigated, pursuant to which remedial and/or disciplinary actions may be taken, if warranted. These disclosures and the results of the investigations undertaken are reported to the Board on a timely basis.

The Group has also put in safeguards to protect the identity of the Whistle-blower to encourage employees of the Group, and indeed anyone else, to report any breach or reasonably suspected wrongful malpractices or act without fear of reprisal so that the problem can be identified at an early stage and resolved quickly within the Group.

Independent Assurance Mechanism

The Group received extensive and detailed ARMC reports and a management letter from its External Auditors that primarily focuses on financial controls. The ARMC reports and the management letter were also presented to the ARMC for deliberations. In the event of any non-compliance, appropriate corrective actions have been taken in addition to amendments to the relevant procedures, if required.

Besides that, the ARMC also conducted at least two private meetings with the External Auditors, to give opportunity to the External Auditors to raise any matters without executive board members or the Management present.

Health, Safety and Environment ("HSE")

A clear, formalised and documented Global HSE Manual is in place to outline employees' roles and responsibilities towards the prevention of accidents, the elimination of hazards and in ensuring a safe working environment. The Group adopts strict standards and controls to continuously improve the application and performance of the safety management systems as a safe working environment is fundamental to the Group's success in business operations.

The high standard of work is achieved through the implementation of an Integrated Management System ("IMS") that meets the requirements of industry best practice based on the ISO 9001 for Quality Standards, OHSAS 18001 for Health and Safety Standards and the ISO 14001 for Environmental Standards. At the same time, consideration shall be made to ensure that all regulatory and legal requirement from any relevant stakeholders are being conformed at all time and if not necessary correction and corrective actions are planned and subsequently executed.

BOARD ASSURANCE AND LIMITATION

While the Board reiterates that the Risk Management Framework and Internal Controls System should be continuously improved in line with evolving business developments, it should also be noted that the framework and system can only manage rather than eliminate the risks of the failure to achieve business objectives. Therefore, the Risk Management Framework and Internal Controls System in the Group can only provide reasonable but not absolute assurance against material misstatements, losses and frauds.

This Statement is made in accordance with the resolution of the Board dated 31 July 2018 .

Audit and Risk Management Committee Report

The Board of Directors of Scomi Group Bhd (the "Company") (the "Board") is pleased to present the Report of the Audit and Risk Management Committee (the "ARMC" or "Committee") for the financial year ended 31 March 2018 ("FY2018") to provide insights into the manner in which the ARMC discharged its functions for FY2018.

TERMS OF REFERENCE ("TOR")

The details of the TOR of the ARMC are available for reference on the Company's website at **www.scomigroup.com.my.**

COMPOSITION

As at the date of this Report, the ARMC comprised two (2) members, all of whom are Non-Executive Directors, and one (1) of them being Independent Director.

As disclosed in the profiles of the ARMC members as set out in the Profile of Directors section of this Annual Report, at least one (1) member of the Committee fulfils the financial expertise requirement of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the majority of the members of the Committee are financially literate with sufficient financial experience and ability to assist in discharging the Board's fiduciary duties with respect to its responsibility for overseeing the following:

(i) the financial administration and reporting process and ensuring that the financial results of the Group and the Company are truly and fairly presented in its financial statements;

(ii) the adequacy and effectiveness of the risk management and internal control systems;

(iii) the performance of the external and internal audit functions; and

(iv) the fairness and reasonableness of the related party transactions ("RPTs") entered into by the Company with related parties.

The composition of the ARMC complies with paragraph 15.09(1) of the Listing Requirements.

MEETINGS AND ATTENDANCE

A total of seven (7) ARMC meetings were held during the year under review, which were on 18 May 2017, 30 May 2017, 6 July 2017, 17 July 2017, 11 August 2017, 16 November 2017 and 22 February 2018. A quorum, established by the presence of a majority of members who are Independent Directors, was always met. The Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Head of Legal and Corporate Secretarial, the Head of Group Internal Audit ("GIA") and the Head of Assurance were invited to all ARMC meetings to provide a direct flow of information to the ARMC as well as to provide clarification in the event of any issues arising. The responsible personnel was invited to brief the ARMC on specific issues involving their respective areas of responsibility arising from the risk management and internal audit reports.

The external auditors were also invited to present to the ARMC the audit plan, the audit findings, the independent auditors' report as well as any other matters as they considered were important for the ARMC's attention. During the financial year under review, the ARMC has conducted two (2) private meetings with the external auditors, to give opportunity to the external auditors to raise any matters without the presence of the executive board members and the Management.

The members of the ARMC and their attendance are as follows:

Name	ARMC	Designation	Attendance (attended/held)
Tan Sri Nik Mohamed Bin Nik Yaacob[1]	Chairman	Independent Non-Executive Director	7/7
Dato' Sreesanthan A/L Eliathamby	Member	Non-Independent Non-Executive Director	6/7
Dato' Abdul Hamid Bin Sh Mohamed[2]	Member	Independent Non-Executive Director	5/6
Liew Willip	Member	Independent Non-Executive Director	7/7

Notes:-
(1) *Resigned as an Independent Non-Executive Director and member of the ARMC on 19 July 2018.*
(2) *Resigned as an Independent Non-Executive Director and member of the ARMC on 31 January 2018.*

The minutes of each ARMC meeting were recorded and tabled to the ARMC for adoption at subsequent ARMC meetings and thereafter all minutes of ARMC meetings and circular resolutions passed are presented to the Board for notation. The Chairman of the ARMC reported the Committee's recommendations to the Board for its consideration and implementation as well as highlighted the significant matters and resolutions deliberated by the ARMC to the Board at its immediate subsequent meeting.

The Board, through its Nomination and Remuneration Committee, has reviewed the performance of the ARMC and the skills, experience and competencies possessed by the members of the ARMC through an annual ARMC effectiveness assessment. The Board is satisfied with the performance of the ARMC and its members where they have carried out their duties and responsibilities in accordance with the TOR of the ARMC.

SUMMARY OF ACTIVITIES

In accordance with the approved TOR of the ARMC, the ARMC carried out the following activities during the FY2018:

1. reviewed the quarterly financial performance and annual audited financial statements of the Company prior to submission to the Board for consideration and approval;

2. reviewed the quarterly financial performance of the Company and its substantial subsidiaries against the approved budget where explanations, clarifications and corrective action taken for significant variances are reported by the Management to the ARMC;

3. reviewed the suitability, independence and objectivity of the external auditors in accordance with the Policy on the Selection of External Auditors;

4. recommended the re-appointment of the external auditors to the Board after assessing the performance, technical competency and audit independence of the external auditors as well as ensuring that the external auditors fulfill the criteria set out in the Company's Policy on the Selection of External Auditors and paragraph 15.21 of the Listing Requirements;

5. reviewed and discussed with the external auditor the nature and scope of the audit plan and ensure that the audit plan is comprehensive;

6. reviewed the external auditor's report on the status of the audit for the financial year, management letter and the Management's response thereto;

7. considered the major audit findings arising from the statutory audit activities conducted by the external auditors and the Management's responses thereto;

8. reviewed the performance and effectiveness of the external auditor for the statutory audit services provided;

9. reviewed and recommended to the Board the proposed non-audit services to be provided by the external auditors in accordance with the Policy on the Selection of External Auditors;

10. reviewed the audit fees and non-audit fees paid or payable to the external auditors based on the approved audit plan and non-audit services for the Group and the Company and recommended the same to the Board for approval;

11. conducted private meetings with the external auditors, without the presence of the CEO, Management, Head of GIA and Head of Assurance, to give the external auditors the opportunity to raise any matters of concern and, arising therefrom, directing Management to take further action on such matters;

12. reviewed and approved the annual risk-based internal audit plan and scope of work for the Group and the Company and ensured the adequacy of resources and competencies of the GIA to carry out the internal audit on all significant businesses and support functions based on identification and evaluation of the respective risks and control environment;

13. reviewed the internal audit reports comprising audit findings, recommendations and the Management responses for the Group and the Company prepared by the GIA;

14. reviewed the reports prepared by the GIA relating to the follow-up audits on all major areas of concern and recurring issues and risk areas to assess the extent to which the Management has made progress in implementing the agreed action plans arising from the prior internal audit reviews;

15. reviewed the function of the GIA in accordance with the Internal Audit Charter and the independence of the GIA;

16. reviewed the proposed initiatives, measures and key performance indicators ("KPIs") to be included in the Balanced Scorecard ("BSC") of the Head of GIA and evaluated the performance of the Head of GIA against the KPIs or initiatives as set out in the BSC of the Head of GIA at the end of financial year;

17. reviewed the performance appraisal of the GIA staff conducted by the Head of GIA;

18. reviewed the update report from the GIA on the status of the implementation of the recommendations as stated in the management letter prepared by the external auditors;

19. reviewed the transactions to be entered into by the Company with related parties and provide recommendations on the same to the Board;

20. reviewed the list of related party transactions and conflict of interest entered into by the Company;

21. reviewed the global risk management strategy of the Group;

22. reviewed the Group and the Company's risk profiles and actions plan taken by the Management to control and mitigate the risks on a quarterly basis;

23. reviewed the Group's risk management and internal controls system and practices for the identification and management of risks established by the Management and be reasonably assured that the same is operating adequately and effectively;

24. received assurance from the CEO and the CFO that the Group's risk management and internal controls system is operating adequately and effectively, in all material aspects;

25. reviewed and evaluated risk considerations in relation to major business investment and/or divestment proposals, corporate exercises and adequacy of action plans taken by the Management to mitigate risks identified;

26. reviewed the update reports prepared by the Management relating to material litigation with clients;

27. reviewed the Minutes of the ARMC meetings of substantial subsidiaries;

28. reviewed the annual Corporate Governance Overview Statement and Corporate Governance Report, Risk Management and Internal Control and ARMC Report to be published in the Annual Report;

29. tabled the approved Minutes of the ARMC meetings for the notation of the Board on a quarterly basis; and

30. reported significant matters and resolutions deliberated by the ARMC to the Board.

INTERNAL AUDIT FUNCTION

The Group has an in-house Internal Audit Department led by the Head of GIA who reports directly to the ARMC. The GIA carried out their functions according to the standards set by recognised professional bodies.

The GIA provide independent and objective assessment on the adequacy and effectiveness of the governance, risk management and internal control processes within the Group. Through the GIA, the Company undertakes regular and systematic reviews of the risk management and internal controls system so as to provide reasonable assurance that such internal controls system continues to operate adequately and effectively in the Group.

The GIA report directly to the ARMC to ensure impartiality and independence. The ARMC reviews the risk based internal audit plans and scope of work for the year for the Group and the Company as well as the performance of the GIA in undertaking their internal audit function. The ARMC has direct communication channels with, and full access to, the GIA for all internal audit reports prepared.

During the financial year under review, the GIA conducted various internal audit engagements in accordance with the approved risk-based internal audit plans that are consistent with the corporate goal of the Group. Details of the internal audit activities carried out by the GIA are as follows:

1. prepared and presented the risk-based internal audit plan, audit strategy, scope of work and resource requirements to the ARMC for deliberation and approval;

2. evaluated and appraised the soundness, adequacy and application of financial and other controls and promoting effective controls in the Group and the Company at reasonable cost;

3. ascertained the level of operational compliance with established policies, procedures and statutory requirements;

4. ascertained the extent to which the Group's and the Company's assets are accounted for, verification of their existence and safeguarding assets from losses;

5. appraised the reliability and usefulness of information developed within the Group and the Company for management;

6. identified and recommended opportunities for improvements to the existing system of internal control, operations and processes in the Group and the Company;

7. provided the Board, through the ARMC, reasonable assurance of the effectiveness of the Group's risk management, internal control and governance processes;

8. conducted follow-up audits on all major areas of concern and recurring themes to ensure that the corrective actions were implemented appropriately to enhance the governance, risk management and control processes within the Group and the Company;

9. reviewed the management letter prepared by the external auditors, and reported to the ARMC on any significant recommendations which have not been implemented by the Management;

10. presented the performance appraisal of the GIA staff conducted by the Head of GIA and confirmed the independence of the GIA to the ARMC; and

11. reviewed the annual Statement on Risk Management and Internal Control and the ARMC report to be published in the Annual Report.

The total costs incurred by the GIA for the internal audit function of the Group (including Scomi Energy Services Bhd Group) for the FY2018 amounted to RM1,035,397.00, while the total costs incurred for the internal audit function of the Group (excluding Scomi Energy Services Bhd Group) amounted to RM656,385.00.

This Statement is made in accordance with the resolution of the Board dated 31 July 2018.

Additional Information

1. Material Contracts of the Company and its Subsidiaries, involving the interests of the Directors, Chief Executive Officer or Major Shareholders' Interests

There was no material contract entered into by the Group involving the interest of Directors, Chief Executive Officer or major shareholders, either still subsisting at the end of the financial year ended 31 March 2018 or entered into since the end of the previous financial year.

2. Utilisation of Proceeds Raised from Corporate Proposals

Scomi Group Bhd ("the Company") did not raise and did not have any balance of proceeds from any corporate proposal during the financial year ended 31 March 2018.

3. Audit and Non-Audit Fees

The amount of audit and non-audit fees incurred for the services rendered to the Company and the Group by the external auditor during the financial year under review are as follows:

Types of Fees	The Company (RM)	The Group (RM)
Audit fee	260,000	4,575,000
Non-audit fee	22,000	188,000

4. Director's Conflict of Interest

Save as disclosed below and the disclosures in the Notes to the Financial Statements of the Company for the financial year ended 31 March 2018, the Directors do not have any existing conflicts of interest or any personal interest in any business arrangement involving the Company:

Director	Nature of existing conflict of interest	Transactions
Shah Hakim @ Shahzanim Bin Zain	Shah Hakim @ Shahzanim Bin Zain is the Chief Executive Officer/Non-Independent Executive Director of the Company; and a substantial shareholder of Suria Business Solutions Sdn Bhd ("Suria").	(i) Leasing Agreement with Orix Rentec (Malaysia) Sdn Bhd for the leasing of personal computers, which are supplied to them by a related party, Suria; (ii) Provision of maintenance services by Suria for Scomi's UCIPT (Unified Communications based on IP Telephony); and (iii) Provision of maintenance and support services by Suria for Scomi's VMWare (Virtual Machine) Server for a term of 2 years.

In each of the transactions listed above, the Director concerned had declared the nature of his conflict of interest and had abstained from deliberating and voting on the relevant resolutions.

Statement of Directors' Responsibility

The Directors are required by the Companies Act 2016 (the "Act") to prepare the financial statements of Scomi Group Bhd (the "Company") and its subsidiaries (the "Group") for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards, the International Financial Reporting Standards, the provisions of the Act, and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and to present it before the Company at its annual general meeting.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at 31 March 2018, and of the results and cash flows of the Group and the Company for the financial year ended 31 March 2018.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose with reasonable accuracy the financial position of the Group and the Company which enable them to ensure that the financial statements comply with the Act.

The Directors are also responsible for taking such steps as are reasonably open to them to preserve the interests of stakeholders, to safeguard the assets of the Group, and to detect and prevent fraud and other irregularities.

Financial Statements

Directors' report for the financial year ended 31 March 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

Principal activities

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	(249,974)	(484,255)
Non-controlling interests	(82,108)	-
	(332,082)	(484,255)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

Consolidation of subsidiaries with different financial year end

The following subsidiaries of the Company continue to have or to adopt a financial year which does not coincide with the Company in relation to the financial year ended 31 March 2018, subject to the following conditions:-

(i) approval by the Companies Commission of Malaysia pursuant to Section 247(7) of the Companies Act 2016; and
(ii) the Company is to ensure compliance with Sections 252 and 253 of the Companies Act 2016 and the approved accounting standards pertaining to the preparation of consolidated accounts.

Subsidiaries of the Company affected by the above are as follows:

(a) Scomi Oiltools (Europe) Limited;
(b) Scomi Oiltools Inc;
(c) KMC Oiltools Algeria EURL;
(d) Scomi Oiltools Russia LLC;
(e) PT Inti Jatam Pura;
(f) Scomi Oiltools de Mexico S de RL de CV;
(g) Oilfield Services de Mexico S de RL de CV;
(h) Urban Transit Servicos do Brasil LTDA; and
(i) Quark Fabricacao de Equipamentos Ferroviarios E. Servicos De Engenharia LTDA.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Dato' Sreesanthan A/L Eliathamby
Foong Choong Hong
Lee Chun Fai
Cyrus Eruch Daruwalla
Liew Willip
Shah Hakim @ Shahzanim bin Zain
Sammy Tse Kwok Fai (Appointed with effect from 24 July 2018)
Dato' Abdul Hamid bin Sh Mohamed (Resigned on 31 January 2018)
Dato' Mohammed Azlan bin Hashim (Resigned on 14 April 2018)
Tan Sri Nik Mohamed bin Nik Yaacob (Resigned on 19 July 2018)

List of Directors of Subsidiaries

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries who served during the financial year until the date of this report is disclosed in the Appendix on page 171 of the financial statements.

Directors' interests in shares

The interests and deemed interests in the shares, and/or warrants over ordinary shares, of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
The Company	**At 1.4.2017 '000**	**Bought '000**	**Sold '000**	**At 31.3.2018 '000**
Direct interests				
Shah Hakim @ Shahzanim bin Zain	[1]1,950	-	[6]85	[1]1,865
Foong Choong Hong	410	-	[6]205	205
Indirect interests				
Shah Hakim @ Shahzanim bin Zain	[2]175,917	-	[6]87,190	[2]88,727

Directors' interests in shares (continued)

	Number of warrants			
	At 1.4.2017 '000	Bought '000	Sold '000	At 31.3.2018 '000
The Company				
Direct interests				
Shah Hakim @ Shahzanim bin Zain	-	[7]576	-	[8]576
Foong Choong Hong	-	[7]103	-	103
Indirect interests				
Shah Hakim @ Shahzanim bin Zain	-	[7]44,056	-	[9]44,056

	Number of ordinary shares			
	At 1.4.2017 '000	Bought '000	Sold '000	At 31.3.2018 '000
Subsidiaries				
Scomi Engineering Bhd ("SEB")				
Direct interest				
Shah Hakim @ Shahzanim bin Zain	[3]623	-	[6]623	-
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	[4]537	-	[6]537	-

	Number of ordinary shares			
	At 1.4.2017 '000	Bought '000	Sold '000	At 31.3.2018 '000
Scomi Energy Services Bhd ("SESB")				
Direct interest				
Shah Hakim @ Shahzanim bin Zain	[5]2,108	-	-	[5]2,108
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	[4]57	-	-	[4]57

1 886,214 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain.

2 Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Kaspadu Sdn Bhd and Rentak Rimbun Sdn Bhd.

3 123,000 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin).

Directors' interests in shares (continued)

[4] Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Rentak Rimbun Sdn Bhd.

[5] Held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin).

[6] Adjustments made to the ordinary shares due to the following:-

(i) Consolidation of every 2 existing ordinary shares in the share capital of the Company into 1 ordinary share ("Consolidated Share") which was approved at Extraordinary General Meeting of the Company held on 4 January 2018; and
(ii) Merger of SEB with the Company by way of a members' scheme of arrangement, involving the acquisition by the Company and transfer of all the ordinary shares in the share capital of SEB held by the shareholders of SEB to the Company at an offer price of RM0.30 for each SEB's share, which was satisfied via a share swap where for every 7 shares in SEB held, 10 Consolidated Shares were issued at an issue price of RM0.21 per Consolidated Share; and issuance of 1 warrant for every 10 Consolidated Shares issued.

[7] Bonus issue of warrants in SGB on a provisional basis of 7 warrants for every 10 Consolidated Shares held in SGB in satisfaction of merger between SEB with SGB.

[8] 372,821 warrants held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain.

[9] Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his warrant holding in Kaspadu Sdn Bhd and Rentak Rimbun Sdn Bhd.

Save as disclosed above, none of the other Directors holding office at 31 March 2018 had any interest in the shares and options over shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those disclosed in Note 36 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

During the financial year, the Company has undertaken a Share Consolidation exercise which involved the consolidation of every 2 ordinary shares held by its shareholders into 1 Consolidated Share. Prior to the Share Consolidation exercise, the Company's issued share capital is RM636,581,636 comprising of 1,917,510,141 ordinary shares. Upon the completion of the Share Consolidation exercise, the 1,917,510,141 ordinary shares were consolidated into 958,755,070 Consolidated Share. The issued share capital after the Share Consolidation exercise remain unchanged at RM636,581,636.

In conjunction with the merger of Scomi Engineering Bhd, the Company issued 135,152,390 ordinary shares to Scomi Engineering Scheme Shareholders, whom are shareholders of Scomi Engineering Bhd other than the Company, at RM0.21 per share.

Save as disclosed above, there were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year. Details of the issued and paid-up capital are set out in Note 15 to the financial statements.

Treasury shares

There was no repurchase of the Company's shares during the financial year under review. Details of the treasury shares are set out in Note 17 to the financial statements.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Significant events during the financial year

Details of the significant events during the financial year are disclosed in Note 38 to the financial statements.

Significant events subsequent to the financial year end

Details of the subsequent events after the financial year are disclosed in Note 39 to the financial statements.

Indemnity and insurance costs

During the financial year, the total amount of insurance effected for Directors and Officers of the Company on group basis is RM25 million.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the impairment loss on amount due from joint venture, impairment loss on marine vessels, impairment loss on receivables, impairment loss on investment in joint venture, loss from disposal of property, plant and equipment, net unrealised loss on foreign exchange and the termination costs for CCIRSs as disclosed in the financial statements of the Group, and impairment loss on investment in subsidiaries as disclosed in the financial statements of the Company, the financial performance of the Group and of the Company for the financial year ended 31 March 2018 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

…………………………………………….
Liew Willip
Director

Shah Hakim @ Shahzanim bin Zain
Director

Petaling Jaya

Date: 31 July 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	3	441,585	590,886	113	231
Investment properties	4	2,140	2,499	-	4,315
Intangible assets	5	277,293	282,446	-	-
Investments in subsidiaries	6	-	-	397,364	838,148
Investments in associates	7	7,439	7,439	-	-
Investments in joint ventures and joint operations	8	25,413	53,794	8,657	-
Deferred tax assets	9	41,507	39,032	-	-
Trade and other receivables	10	5,525	226	49,770	79,423
Available-for-sale financial assets	11	108	170	-	-
Total non-current assets		801,010	976,492	455,904	922,117
Inventories	12	126,876	181,434	-	-
Current tax assets		20,921	31,899	-	-
Trade and other receivables	10	994,226	1,082,244	2,424	2,928
Cash and bank balances	13	102,127	163,815	78	32
		1,244,150	1,459,392	2,502	2,960
Asset classified as held for sale	14	-	-	4,264	-
Total current assets		1,244,150	1,459,392	6,766	2,960
Total assets		2,045,160	2,435,884	462,670	925,077

Statements of Financial Position as at 31 March 2018 (continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Equity					
Share capital	15	664,964	636,582	664,964	636,582
Share premium	16	-	-	-	-
Treasury shares	17	(3,239)	(18,696)	(3,239)	(18,696)
Other reserves	18	(97,856)	(68,732)	-	-
(Accumulated loss)/Retained earnings		(202,236)	24,959	(295,985)	230,668
Total equity attributable to owners of the Company		361,633	574,113	365,740	848,554
Non-controlling interests	6(a)	345,725	502,147	-	-
Total equity		707,358	1,076,260	365,740	848,554
Liabilities					
Trade and other payables	19	3,738	7,374	36,343	-
Loans and borrowings	20	150,944	123,661	-	95
Provision for retirement benefits	21	8,932	10,800	-	-
Derivative financial liabilities	22	-	21,118	-	-
Deferred tax liabilities	9	10,004	18,510	-	-
Total non-current liabilities		173,618	181,463	36,343	95
Trade and other payables	19	553,043	467,401	60,492	76,214
Loans and borrowings	20	565,382	647,437	95	214
Derivative financial liabilities	22	10,516	23,145	-	-
Current tax liabilities		35,243	39,909	-	-
Deferred Government grant	23	-	269	-	-
Total current liabilities		**1,164,184**	**1,178,161**	**60,587**	**76,428**
Total liabilities		**1,337,802**	**1,359,624**	**96,930**	**76,523**
Total equity and liabilities		**2,045,160**	**2,435,884**	**462,670**	**925,077**

The notes on pages 66 to 160 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	24	704,018	826,892	-	-
Cost of sales/services		(647,856)	(766,467)	-	-
Gross profit		56,162	60,425	-	-
Other income		12,665	29,033	6,831	(4,507)
Selling and distribution expenses		(55,623)	(54,702)	-	-
Administrative expenses		(131,655)	(128,264)	(16,816)	(19,000)
Other expenses		(113,667)	(7,159)	(492,431)	(383,041)
Results from operating activities		(232,118)	(100,667)	(502,416)	(406,548)
Finance costs	25	(51,870)	(26,754)	(769)	(558)
Finance income	26	2,443	3,226	18,930	9,084
Share of loss of equity - accounted joint ventures, net of tax	8	(36,663)	(24,208)	-	-
Loss before tax	27	(318,208)	(148,403)	(484,255)	(398,022)
Tax expense	28	(13,874)	(17,248)	-	-
Loss for the year		(332,082)	(165,651)	(484,255)	(398,022)

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2018 (continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedges		(16,233)	9,120	-	-
Foreign currency translation differences for foreign operations		(21,545)	43,283	-	-
Retirement benefits		350	(1,022)	-	-
Other comprehensive (loss)/income for the year, net of tax	29	(37,428)	51,381	-	-
Total comprehensive loss for the year		(369,510)	(114,270)	(484,255)	(398,022)
Loss attributable to:					
Owners of the Company		(249,974)	(107,405)	(484,255)	(398,022)
Non-controlling interests	6(a)	(82,108)	(58,246)	-	-
Loss for the year		(332,082)	(165,651)	(484,255)	(398,022)
Total comprehensive loss attributable to:					
Owners of the Company		(278,748)	(79,415)	(484,255)	(398,022)
Non-controlling interests		(90,762)	(34,855)	-	-
Total comprehensive loss for the year		(369,510)	(114,270)	(484,255)	(398,022)
Basic earnings per ordinary share (sen)	30	(22.88)	(5.64)		

The notes on pages 66 to 160 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

Group	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings/ (Accumulated loss) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/---------Attributable to owners of the Company---------/							
		/----------Non-distributable---------/				Distributable			
At 1 April 2016		191,751	444,831	(18,696)	(97,744)	133,386	653,528	537,002	1,190,530
Foreign currency translation differences for foreign operations		-	-	-	23,059	-	23,059	20,224	43,283
Cash flow hedges		-	-	-	5,953	-	5,953	3,167	9,120
Retirement benefits		-	-	-	-	(1,022)	(1,022)	-	(1,022)
Total other comprehensive income for the year		-	-	-	29,012	(1,022)	27,990	23,391	51,381
Loss for the year		-	-	-	-	(107,405)	(107,405)	(58,246)	(165,651)
Total comprehensive income for the year		-	-	-	29,012	(108,427)	(79,415)	(34,855)	(114,270)
Transfer pursuant to S618(2) of Companies Act 2016		444,831	(444,831)	-	-	-	-	-	-
At 31 March 2017		636,582	-	(18,696)	(68,732)	24,959	574,113	502,147	1,076,260
		Note 15	Note 16	Note 17	Note 18			Note 6(a)	
At 1 April 2017		636,582	-	(18,696)	(68,732)	24,959	574,113	502,147	1,076,260
Foreign currency translation differences for foreign operations		-	-	-	(18,467)	-	(18,467)	(3,078)	(21,545)
Cash flow hedges – termination of hedge accounting		-	-	-	(10,657)	-	(10,657)	(5,576)	(16,233)
Retirement benefits		-	-	-	-	350	350	-	350
Total other comprehensive income for the year		-	-	-	(29,124)	350	(28,774)	(8,654)	(37,428)
Loss for the year		-	-	-	-	(249,974)	(249,974)	(82,108)	(332,082)
Total comprehensive income for the year		-	-	-	(29,124)	(249,624)	(278,748)	(90,762)	(369,510)
Contributions by and distributions to owners of the Company									
Issue of ordinary shares		28,382	-	-	-	-	28,382	(28,382)	-
Own shares sold		-	-	15,457	-	(14,016)	1,441	-	1,441
Transaction with non-controlling interest	38(b)	-	-	-	-	36,445	36,445	(37,278)	(833)
Total transactions with owners of the Company		28,382	-	15,457	-	22,429	66,268	(65,660)	608
At 31 March 2018		664,964	-	(3,239)	(97,856)	(202,236)	361,633	345,725	707,358
		Note 15	Note 16	Note 17	Note 18			Note 6(a)	

The notes on pages 66 to 160 are an integral part of these financial statements.

Statement of Changes in Equity for the year ended 31 March 2018

Company		Non-distributable Share capital RM'000	Non-distributable Share premium RM'000	Non-distributable Treasury shares RM'000	Distributable Retained earnings/ (Accumulated loss) RM'000	Total equity RM'000
At 1 April 2016		191,751	444,831	(18,696)	628,690	1,246,576
Loss and total comprehensive expense for the year		-	-	-	(398,022)	(398,022)
Transfer pursuant to S618(2) of Companies Act 2016		444,831	(444,831)	-	-	-
At 31 March 2017/1 April 2017		636,582	-	(18,696)	230,668	848,554
Loss and total comprehensive expense for the year		-	-	-	(484,255)	(484,255)
Contributions by and distributions to owners of the Company						
Own shares sold		-	-	15,457	(14,016)	1,441
Issue of ordinary shares to non-controlling interests	38(b)	28,382	-	-	(28,382)	-
Total transactions with owners of the Company		28,382	-	15,457	(42,398)	1,441
At 31 March 2018		664,964	-	(3,239)	(295,985)	365,740
		Note 15	Note 16	Note 17		

The notes on pages 66 to 160 are an integral part of these financial statements.

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Loss before tax		(318,208)	(148,403)	(484,255)	(398,022)
Adjustments for:					
Amortisation of:					
- intangible assets		430	3,051	-	-
- Government grant		(269)	(360)	-	-
Depreciation					
- property, plant and equipment		88,316	101,771	118	162
- investment properties		205	143	51	51
Disposal loss on property, plant and equipment		6,452	1,489	-	-
Finance costs		75,850	61,107	769	558
Finance income		(2,443)	(3,226)	(18,930)	(9,084)
Impairment losses:					
- property, plant and equipment		4,322	303	-	-
- inventories		-	7,667	-	-
- receivables		26,147	15,829	51,647	1,526
- investment in subsidiaries		-	-	440,784	381,515
- investment in joint ventures		6,688	-	-	-
- intangible assets		3,815	18,219	-	-
Provisions for retirement benefits		749	2,914	-	-
Reversal of impairment losses:					
- inventories		(4,602)	(206)	-	-
- receivables		(4,764)	(1,321)	-	-
Share of results in joint ventures		36,663	24,208	-	-
Reclassification from hedge reserve to profit or loss due to termination of hedge accounting		(29,218)	-	-	-
Unrealised loss/(gain) on foreign exchange		79,878	(61,105)	(5,936)	4,860
Write-off:					
- property, plant and equipment		117	407	-	-
- inventories		2,317	378	-	-
Operating (loss)/profit before changes in working capital		(27,555)	22,865	(15,752)	(18,434)
Changes in working capital:					
Inventories		51,223	24,051	-	-
Trade and other receivables, prepayments and other financial assets		(20,326)	(6,715)	(42,347)	(3,641)
Trade and other payables		72,778	(2,283)	46,553	13,887
Cash generated from/(used in) operations		76,120	37,918	(11,546)	(8,188)
Net tax paid		(12,744)	(22,302)	-	-
Retirement benefits paid		(2,267)	(530)	-	-
Net cash from/(used in) operating activities		61,109	15,086	(11,546)	(8,188)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Acquisition of:					
- joint venture company		(17,724)	(3,560)	(8,657)	-
- property, plant and equipment		(36,451)	(25,405)	-	-
Proceeds from disposal of property, plant and equipment		32,404	2,275	-	140
Development expenditure incurred		-	(6,641)	-	-
Interest received		2,443	3,226	18,930	9,084
Net cash (used in)/from investing activities		(19,328)	(30,105)	10,273	9,224
Cash flows from financing activities					
Proceeds from borrowings		13,050	149,021	-	-
Repayment of borrowings		(43,680)	(170,665)	(214)	(589)
Interest paid on borrowings		(24,141)	(48,640)	-	(461)
Decrease in short-term deposits pledged as security		-	16,849	-	-
Proceeds from sale of treasury shares		1,533	-	1,533	-
Net cash (used in)/from financing activities		(53,238)	(53,435)	1,319	(1,050)
Net (decrease)/increase in cash and cash equivalents		(11,457)	(68,454)	46	(14)
Effect of exchange rate fluctuations on cash held		(52,751)	56,811	-	-
Cash and cash equivalents at 1 April		32,801	44,444	32	46
Cash and cash equivalents at 31 March	(i)	(31,407)	32,801	78	32

Notes to statements of cash flows

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	13	47,551	106,934	78	32
Deposits placed with licensed banks	13	54,576	56,881	-	-
		102,127	163,815	78	32
Less: Pledged deposits	13	(54,214)	(52,384)	-	-
Bank overdrafts	20	(79,320)	(78,630)	-	-
		(31,407)	32,801	78	32

Notes to the Financial Statements

Scomi Group Bhd is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group Entities") and the Group's interests in associates and joint ventures. The financial statements of the Company as at and for the financial year ended 31 March 2018 also include joint operations.

The Company principally engaged in investment holding activities, whilst the principal activities of the significant subsidiaries are stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 31 July 2018.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019
- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020
- Amendments to MFRS 2, *Share-Based Payment*
- Amendment to MFRS 3, *Business Combinations*
- Amendments to MFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Amendment to MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendment to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendment to MFRS 138, *Intangible Assets*
- Amendment to IC Interpretation 12, *Service Concession Arrangements*
- Amendment to IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendment to IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*
- Amendments to IC Interpretation 132, *Intangible Assets – Web Site Costs*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021
- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plans to apply the abovementioned accounting standards, amendments and interpretations:

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

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

- from the annual period beginning on 1 April 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020; and

- from the annual period beginning on 1 April 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and 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*.

Currently, the Group recognises revenue from contracts with customers based on existing policy as disclosed in Note 2(q). Upon adoption of MFRS 15, the Group will recognise the revenue from contracts with customers on the basis when a customer obtains control of the goods or services that reflects the consideration to which the Group expects to be entitled in exchange of those goods and services. The Group will apply MFRS 15 based on cumulative effect transition approach.

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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.

Currently, the Group and the Company classifies and measures financial assets and liabilities as disclosed in Note 2(c). Upon adoption of MFRS 9, the Group and the Company will classify and measure financial assets and liabilities based on the new policy. Based on the assessment, the Group and the Company does not believe that the new classification requirements will have material impact on the classification and the measurement of the Group and the Company's financial assets and liabilities.

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

The Group and the Company is currently assessing the financial impact that may arise from the adoption of MFRS 9 in respect of ECL model.

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.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2 and on the assumption that the Group and the Company will continue as going concerns.

The Group and the Company incurred net losses of approximately RM332.1 million (2017: RM165.7 million) and RM484.3 million (2017: RM398.0 million) respectively for the year ended 31 March 2018 and at that date, the Group has net current asset of RM80.0 million (2017: RM281.2 million) and the Company has net current liabilities of RM53.8 million (2017: RM73.5 million).

These factors including the matters disclosed below under items (i), (ii), (iii) and (iv) indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as going concerns:

(i) On 7 November 2008, Scomi Engineering Bhd ("SEB") had been awarded a monorail design, development and construction contract for Rs 1,097 crores (equivalent to about RM690 million) ("the Project I"). Phase 1 of Project I was completed and commissioned on 1 February 2014. Due to various circumstances, Phase 2 of Project I continued to encounter delays and certain key milestones stated in the contract have not been met as at 31 March 2018. SEB has continuously apprised the customer on the status of the project and sought extensions of time as allowed under the contract.

In the prior years, a subsidiary which undertook the above contract work had secured financing facilities totalling RM205.3 million for working capital and trade financing purposes to fund Project I. On 6 June 2014, the lender, subject to conditions, extended the financing facilities period up to 26 September 2015 with a limit on the use of the financing facilities totalling to RM205.3 million. On 14 August 2014, the lender revised the limit on use of the financing facilities to RM231.9 million with no change to the conditions and expiry date of the facility. In view of the continuing delays, in 2015 and 2016, the lender, subject to conditions, extended the financing facilities period up to 14 July 2016 and 15 August 2017 with a revised limit on the use of the financing facilities totalling to RM228.4 million and RM226.0 million, respectively. On 23 August 2017, the lender, subject to conditions, has further extended the financing facilities period up to 31 December 2018 with a revised limit on the use of the financing facilities totalling to RM222.5 million.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

On 17 June 2016, SEB obtained a further Extension of Time ("EOT") up to 15 August 2017 from its customer, Mumbai Metropolitan Region Development Authority ("MMRDA"). On 20 June 2017, MMRDA issued a letter to inform SEB that it has in-principle approved the change for a new train design. Following this development, both parties are in the midst of finalising the details of the change in designs. On 10 August 2017, MMRDA granted a further EOT up to 31 December 2018. During the current financial year, the Project I activities and work continued in the ordinary course except for the delayed payments on certain contractors' interim claims made in the prior years, where the customer and SEB had agreed for these interim claims to be settled through arbitration.

A panel of three arbitrators have been appointed in December 2015. The arbitration proceedings commenced in February 2017 and as of the date of the current financial statements, the hearing on this arbitration is still in progress.

(ii) On 10 December 2010, Scomi Transit Projects Sdn Bhd ("STP"), a subsidiary of SEB, had been awarded a monorail expansion contract for RM494 million ("the Project II"). Due to various circumstances, Project II had encountered delays in previous years and certain key milestones stated in the contract was considered not met. STP has continuously apprised the customer, Prasarana Malaysia Berhad ("PMB") on the status of the project and sought extensions of time as allowed under the contract.

STP received a letter from PMB on 4 January 2016 and 18 February 2016 respectively, being notification for STP to remedy the delay with a remedial period of 60 days. Upon expiry of the 60 days remedial period, PMB would terminate the principal contract, supplemental agreement and second supplemental contract. On 1 March 2016, STP obtained an ex-parte injunction against PMB for the notices of remedy and restraining PMB from terminating the contract. Subsequently, the ex-parte injunction was extended until 1 April 2016. On 9 March 2016, STP received a letter from PMB dated 8 March 2016, being notification for STP to remedy the delay with a remedial period of 60 days. Upon expiry of the 60 days remedial period, PMB would terminate the contract. On 15 March 2016, STP received a letter dated 11 March 2016 from PMB's solicitors stating that PMB would not be relying on its two earlier purported notices dated 4 January 2016 and 18 February 2016 and further gave an undertaking that it would not rely on these two notices to terminate the contract. Following this development, on 1 April 2016, SEB announced that PMB admitted that the two notices issued on 4 January 2016 and 18 February 2016 were defective and gave an undertaking to Court that PMB would not terminate the contract. As a result, the injunction against PMB was later withdrawn by STP without prejudice to STP's rights to commence other legal actions or to apply for another injunction or other relief against PMB's notice dated 8 March 2016. Since then, there is no development with regard to this notice.

On 10 June 2016, STP served claims on PMB amounting to approximately RM365 million pursuant to Section 5 of the Construction Industry Payment & Adjudication Act 2012 ("CIPAA") in respect of contract price variations and claims for extension of time and related costs or price increases ("CIPAA Payment Claims"). In the event PMB disputes the CIPAA Payment Claims, STP would refer the CIPAA Payment Claims to adjudication under CIPAA. On the same date, SEB announced that STP received a notice from PMB ("the Notice") on 9 June 2016 which gave STP 14 days from the notice date to renew a performance bond connected with Project II, failing which the Project II contract would be terminated. Following receipt of the Notice, STP initiated legal proceedings against PMB by way of Originating Summons dated 20 June 2016.

On 21 June 2016, the High Court in Kuala Lumpur granted an interim order and injunction restraining PMB from terminating the contract based on the Notice or otherwise giving effect to the Notice pending the hearing and disposal of the Originating Summons and further orders of the High Court.

On 21 July 2016, STP issued a Notice of Arbitration against PMB to resolve the disputes through arbitration. On 22 July 2016, the Court made an order dismissing the Originating Summons filed by STP on 20 June 2016. However, the Court granted an injunction preventing termination of the contract by PMB until 26 July 2016. On 25 July 2016, STP filed a Notice of Appeal against the dismissal of the Originating Summons filed on 20 June 2016, which appeal was fixed for hearing on 16 August 2016 ("Appeal Hearing") and subsequently adjourned to various dates in 2016 and 2017 of which the latest date was on 28 August 2017. On 28 August 2017, subsequent to the Appeal Hearing, the Court fixed the appeal for case management on 1 November 2017 and subsequently adjourned to various dates of which the latest date is on 6 September 2018 as further explained in Note 38.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

On 26 July 2016, the Court did not extend the interim injunction granted on 22 July 2016. However, the Court made an order restraining PMB from appointing another contractor for Project II until the Appeal Hearing that was adjourned to 12 July 2017 for which the hearing was postponed to 28 August 2017. This interim injunction lapsed on 12 July 2017.

Notwithstanding the above development, on 3 March 2017, STP and PMB entered into the Third Supplemental Contract ("TSC") to the Principal Contract dated 3 June 2011 as supplemented by the First Supplemental Agreement dated 16 April 2014 and the Second Supplemental Agreement dated 15 April 2015 for the completion of this project (collectively, the "Contracts"). This TSC comes with conditions precedent and will lapse and become null and void should the conditions precedent not be fulfilled before 3 May 2017. On 3 May 2017, PMB served a letter to STP, stating that the last Condition Precedent ("Last CP") under the TSC has not been fulfilled within the Conditions Precedent period and therefore the TSC has automatically lapsed and become null and void. Subsequently, STP officially provided an additional document with regard to the issue on 16 May 2017.

On 14 June 2017, STP issued a Notice of Dispute to PMB to refer the dispute to a Dispute Adjudication Board ("DAB") for resolution in accordance with the Contract provisions. Both STP and PMB agreed to dispense reference of the alleged nullification dispute to the DAB and to refer the dispute directly to arbitration. On 28 June 2017, PMB communicated in writing to STP stating that it was maintaining its' position that the last condition precedent of the TSC had not been fulfilled within the Conditions Precedent Period and that therefore the TSC has automatically lapsed and become null and void.

Following the above developments, on 3 July 2017, STP filed an action in the High Court against PMB with respect to the alleged nullification by PMB of the TSC dated 3 March 2017. In the action, STP is seeking for interim relief pursuant to Section 11 of the Arbitration Act 2005, claiming that PMB by itself or its directors, managers, officers, employees, servants, agents or otherwise restrained and for an injunction to be granted restraining PMB from appointing a third party contractor or any party whatsoever to complete the remaining and/or any works under the TSC pending resolution via arbitration between STP and PMB pursuant to Clause 20 of the Principal Contract in respect of the validity of the TSC, for costs and further or other relief which the Court deems fit and proper ("Action"). This Action was fixed for hearing on 31 July 2017 and subsequently adjourned to 14 August 2017. On 14 August 2017, subsequent to the hearing, the Court fixed the date for decision on 11 September 2017 and subsequently re-fixed it to 19 September 2017. On 19 September 2017, the Court disallowed this Action.

On 17 October 2017, STP filed an appeal against the decision by the Court on the Action and this appeal was fixed for case management on 22 November 2017 and subsequently adjourned to various dates for further case management of which the latest date was on 24 January 2018. On 24 January 2018, STP withdrew this appeal.

On 13 July 2017, STP issued a Notice of Arbitration against PMB to resolve the Dispute between STP and PMB by way of arbitration. On 9 August 2017, the arbitration proceedings commenced and the Court fixed the hearing of the arbitration on 13 November 2017 and continued the arbitration hearing on various dates in 2018, of which, the latest dates were initially fixed for 30 July 2018 and 31 July 2018. Subsequently, this hearing is adjourned by the arbitrator until further notice as further explained in Note 38.

Acting on the basis of advice of external legal counsel, the Directors of SEB are confident that STP has met the conditions of the TSC and therefore the TSC has not lapsed and become null and void. Accordingly, STP has grounds for restraining PMB from terminating the Contracts and recovering the outstanding amounts and claims due from the customer through the aforesaid legal proceedings. As at 31 March 2018, as disclosed in Note 10, the Group's receivables include trade receivables and amounts due from customers on contract of RM47.2 million and RM162.9 million, respectively, in respect of this Project. As of the date of the financial statements, the hearing on this arbitration matter is currently in progress.

In the previous years, the lenders of STP have, subject to conditions, further extended the financing facilities period up to 31 December 2015 with the latest revised cumulative limit on the use of the financing facilities totalling to RM222.5 million. As disclosed in Note 20, the Group has outstanding revolving credits and bank overdrafts amounting to RM214.1 million owing to the project lenders that are classified as current liabilities. The Group is still in the process of fulfilling the conditions set by the lenders who provided the financing for this project and have sought further extensions from the lenders in view of the on-going litigation proceedings with PMB. Based on the past experience, the Group believes that it will continue to be able to obtain the extension of financing facilities from the project lenders.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

As explained above and as of the date of the financial statements, the Arbitration against PMB and the Appeal Hearing on the litigation matter of this project are currently in progress with the hearing dates scheduled for 30 July 2018 and 31 July 2018, respectively. Therefore, the ultimate outcome of these arbitration proceedings and related recoveries of amounts owing on this Project II cannot presently be determined. In relation to this, SEB has yet to secure further extension from the lenders who have provided project financing for the Project II.

(iii) On 30 July 2011, the Metro Company of Sao Paulo awarded a contract for the implementation of a monorail system, including design, civil works, manufacture, supply of systems and rolling stock material, including a fleet of 24 trains (3 cars per train) for the Line 17 - Gold - of Metro Sao Paulo ("the Project III") for a lump sum amount of BRL1,396 million (equivalent to about RM1,691 million) to the Consorcio Monotrilho Integracao ("the Consortium"), for which the SEB's share of the value of the Contract is BRL132 million (equivalent to about RM160 million) based on its scope of works. In the prior years, a subsidiary had secured financing facilities totalling USD10.5 million (equivalent to about RM41 million) for working capital and project financing purposes to fund the Project III. Due to changes in the scope of work from the initial 24 trains (3 cars per train) to 18 trains (5 cars per train) and various circumstances, the Project III had encountered delays. The Consortium has continuously apprised Metro Company of the status of the project and obtained extensions of time as allowed under the contract terms.

In 2015, Metro Company of Sao Paulo had announced delays in the projects to December 2019 due to various circumstances. As such, the lender, on 3 June 2015, had also extended the project financing facilities totalling USD10.5 million (equivalent to about RM41 million) to 30 July 2017. On 16 June 2017, the lender had further extended the loan to 31 December 2019 with no change to the limit on the use of the financing facilities.

On 30 May 2016, SEB and the other Consortium members have executed a Term of Agreement ("TOA") with Metro Company of Sao Paulo to regulate the Consortium Member's altered responsibilities. Under the TOA, the Group's scope of work has been varied to include increased scopes. On 25 July 2016, Metro Company of Sao Paulo issued letter of consent on the additional scope of works to the Group and therefore it has assumed full responsibilities and obligation for Project III. The value of this additional scope of works is BRL371 million (equivalent to about RM449 million). As a result, the Group's share of the total value of the Contract is BRL503 million (equivalent to about RM611 million).

During the financial year, the Project III activities and work performed continued normally.

As at 31 March 2018, SEB has an outstanding term loan amounting to RM39 million (2017: RM45 million) owing to an overseas bank that is classified as current liabilities. As disclosed in Note 20, this term loan was supported by a standby letter of credit ("SBLC") issued by a financial institution, which is one of the lender of Project III. On 22 May 2018, the project lender issued a notification to SEB for payment of interest on another term loan of approximately USD0.6 million (equivalent to about RM2.3 million), which was due on 16 May 2018. On 6 July 2018, the overseas bank had called on the SBLC for the sum of USD10 million. On 13 July 2018, the project lender made a full payment of USD10 million (equivalent to about RM39 million) to the overseas bank.

SEB had received a notice of demand dated 16 July 2018 from this project lender for a sum of USD10.7 million (equivalent to about RM41.3 million), which comprises the monies paid on the called SBLC mentioned above and interest payable with other charges of USD0.7 million (equivalent to about RM2.3 million). SEB is required to repay the demand sum within 14 days of the notice, the last day being on 1 August 2018. On 24 July 2018, SEB had written an appeal to the project lender for an extension of time to repay the sum demanded and concurrently proposed a repayment plan. As at the date of the financial statements, SEB is still in the process of negotiating with the project lender on the time extension and the terms of the repayment plan (which may include securitization of the Company's assets).

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

(iv) During the financial year ended 31 March 2018, the Company and SEB Group had difficulties to meet statutory payments to authorities and delayed payments to its employees and creditors for services rendered.

The Directors have reviewed the operational cash flow projections as part of their going concern assessment. The Directors have a reasonable expectation that the Group and the Company will be able to meet their liabilities when due and will have adequate resources to continue in operational existence for the foreseeable future that is based on the successful implementation of the proposed private placement by the Company as further explained in Note 39(b), a positive outcome of all arbitration and legal proceedings against PMB, the continued financial support from lenders (including obtaining the requisite extension of time) and ability to attain profitable operations to generate sufficient cash flows to fulfil the Group's and the Company's obligations as and when they fall due.

On this basis, the Directors consider that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis.

Accordingly, the financial statements of the Group and of the Company do not include any adjustments relating to the classification and recoverability of recorded assets amounts or to the classification and additional amounts of liabilities that may be necessary if the Group and the Company were unable to continue as going concerns in event of unfavourable outcome of the aforesaid arbitration and legal proceedings or project/bank lenders discontinuing the necessary financial support.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Directors and are based on historical experience, Directors' best knowledge of current events and actions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions involving a higher degree of judgement or complexity, or area where estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Assessment of penalties payable by Scomi Engineering Bhd ("SEB")

Provision for liquidated ascertained damages ("LAD") are possible penalties that may arise from the late delivery of contract deliverables. In assessing the probability that an outcome of resources will be required to settle the obligation, management considers the outcome of the Extension of Time application based on circumstances of the projects, specific past experiences with the employer and expert advice as detailed below:

(a) Contract with Mumbai Metropolitan Region Development Authority

On 7 November 2008, the MMRDA of India awarded a contract for the Design, Development and Construction of a Monorail System ("the Project I" or "the Contract") for a lump sum amount of Rs 2,460 crores (equivalent to about RM1.5 billion) to the unincorporated consortium of Larsen & Toubro Ltd and SEB ("the Consortium"), for which SEB's share of the value of the Contract is Rs 1,097 crores (equivalent to about RM690 million) based on its scope of works. The design, development, construction/manufacture/supply, testing and commissioning of the system including safety certification for commercial operations are to be completed within 30 months from the award of the Contract.

The Consortium had continuously apprised MMRDA of the status of the project and sought extensions of time as allowed under the Contract terms. Following discussions, MMRDA had on 31 May 2011 granted the Consortium with an EOT for each of the Phase 1 and Phase 2 works completion key-dates to 31 December 2011 and 22 November 2012 respectively.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(i) Assessment of penalties payable by Scomi Engineering Bhd ("SEB") (continued)

(a) Contract with Mumbai Metropolitan Region Development Authority (continued)

As the Project I encountered further delays, certain Phase 1 key milestones stated in the Contract were not met as at 31 December 2011. The Consortium had requested for a further EOT for Phase 1 up to 14 July 2012 vide its letter dated 30 December 2011 and the Company engaged specialist advisors to assist in the assessment of delay events, submission of claims for extension of time and assessing the Consortium's contractual obligations.

A specialist advisor via an EOT claim report dated 8 November 2012 had stated that the Consortium had grounds to apply for a further extension of time for both Phase 1 and Phase 2 up to July 2014.

Based on the specialist advisors assessment, the Consortium vide its letter dated 9 November 2012 requested for a further EOT for Phase 1 and Phase 2 until 26 July 2014. Subsequent to the above submissions, MMRDA vide a letter dated 4 December 2012 had granted the Consortium a further EOT of up to 31 March 2013 for Phase 1 and up to 31 December 2013 for Phase 2.

Subsequent to the submissions for a further EOT by the Consortium vide its letter dated 20 November 2013, MMRDA vide a letter dated 13 December 2013 had granted the Consortium a further EOT of up to 30 June 2014 for the project and vide a letter dated 17 April 2014, had further granted the Consortium an EOT of up to 26 September 2015 for the project. On 1 February 2014, Phase 1 has been officially commissioned.

Due to further delays, Phase 2 key milestones stated in the Contract were not met as at 31 March 2015. Based on management's internal assessment, Phase 2 was expected to be completed in 2016. In 2016, based on the specialist advisors assessment, the Consortium vide its letter dated 9 September 2015 requested for a further EOT for until 9 August 2017. Subsequent to the above submissions, MMRDA vide a letter dated 17 June 2016 had granted the Consortium a further EOT of up to 15 August 2017 for the project.

On 20 June 2017, MMRDA issued a letter to inform SEB that it has in-principle approved the change for a new train design. Following this development, both parties are in the midst of finalising the details of the change in designs. Based on the specialist advisors assessment, the Consortium vide its letter dated 24 July 2017 requested for a further EOT up to 31 December 2018. Subsequent to the above submissions, MMRDA vide a letter dated 10 August 2017 had granted the Consortium a further EOT of up to 31 December 2018 for the project.

Notwithstanding that the EOT had been granted by MMRDA, MMRDA reserves its rights to recover liquidated damages, if any, at the end of the project.

In reliance of the past experience with MMRDA in granting EOTs and the advice received from the specialist advisor, the Directors are of the opinion that no provision for potential penalties or liquidated damages is required as at 31 March 2018.

(b) Contract with Prasarana Malaysia Berhad

On 10 December 2010, STP was awarded a monorail expansion contract for RM494 million ("the Project II"). The Project II was to be completed on 31 July 2013. Due to various circumstances, the Project II had encountered delays and certain key milestones stated in the contract was considered not met.

STP has continuously apprised the customer of the status of the project and sought extension of time as allowed under the contract terms. Following discussions, the customer had on 19 December 2012 granted STP with EOT for the first four key milestones to 30 April 2013 but the overall completion date remained at 31 July 2013. This has led to further claim submissions by STP to the customer.

Subsequent to the submissions, the customer vide a letter dated 2 October 2013 had granted STP a further EOT of up to 27 December 2013. As the Project II encountered further delays, the customer vide a letter dated 14 March 2014 had granted STP a further EOT of up to 25 April 2014.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(i) Assessment of penalties payable by Scomi Engineering Bhd ("SEB") (continued)

(b) Contract with Prasarana Malaysia Berhad (continued)

A specialist advisor via an EOT claim report dated 22 May 2014 had stated that STP has grounds to apply for a further extension of time up to 18 September 2015. On 15 April 2015, the customer vide a supplemental letter granted STP a further EOT up to 15 June 2016.

On 10 June 2016, the Group announced that STP has received a notice from PMB ("the Notice") on 9 June 2016 which gave STP 14 days from the notice date to renew a performance bond connected with Project II, failing which the Project II contract would be terminated. Following receipts of the Notice, STP initiated legal proceedings against PMB by way of Originating Summons dated 20 June 2016.

On 21 June 2016, the High Court in Kuala Lumpur granted an interim order and injunction restraining PMB from terminating the contract based on the Notice or otherwise giving effect to the Notice pending the hearing and disposal of the Originating Summons and further orders of the High Court.

On 21 July 2016, STP issued a Notice of Arbitration against PMB to resolve the disputes through arbitration. On 22 July 2016, the Court made an order dismissing the Originating Summons filed by STP on 20 June 2016. However, the Court granted an injunction preventing termination of the contract by PMB until 26 July 2016. On 25 July 2016, STP filed a Notice of Appeal against the dismissal of the Originating Summons filed on 20 June 2016, which appeal was fixed for hearing on 16 August 2016 ("Appeal Hearing") and subsequently adjourned to various dates in 2016 and 2017 of which the latest date was on 28 August 2017.

On 28 August 2017, subsequent to the Appeal Hearing, the Court fixed the appeal for case management on 1 November 2017 and subsequently adjourned to various dates of which the latest date is on 6 September 2018 as further explained in Note 38.

On 26 July 2016, the Court did not extend the interim injunction granted on 22 July 2016. However, the Court made an order restraining PMB from appointing another contractor for Project II until the Appeal Hearing that was adjourned to 12 July 2017 for which the hearing was postponed to 28 August 2017. This interim injunction lapsed on 12 July 2017.

During the financial year, the Project II activities and work continued normally except for the matter as further explained below:

On 13 July 2017, STP issued a Notice of Arbitration against PMB to resolve the Dispute between STP and PMB by way of arbitration. On 9 August 2017, the arbitration proceedings commenced and the Court fixed the hearing of the arbitration on 13 November 2017 and continued arbitration hearing on various dates in 2018 of which the latest dates are fixed on 30 July 2018 and 31 July 2018. Subsequently, this hearing is adjourned by the arbitrator until further notice as further explained in Note 38.

Based on the advice received from both the specialist and legal advisors, the Directors are of the opinion that no provision for potential penalties is required as at 31 March 2018.

(c) Contract with Metro Company of Sao Paulo

On 30 July 2011, the Metro Company of Sao Paulo ("Metro Company") awarded a contract for the implementation of a monorail system, including design, civil works, manufacture, supply of systems and rolling stock material, including a fleet of 24 trains (3 cars per train) for the Line 17 - Gold - of Metro Sao Paulo ("Project III") for a lump sum amount of BRL1,396 million (equivalent to about RM1,691 million) to the Consorcio Monotrilho Integracaom ("the Consortium"), for which the SEB's share of the value of the Contract is BRL132 million (equivalent to about RM160 million) based on its scope of works. The Project III was to be completed by January 2015.

Due to changes in the scope of work from the initial 24 trains (3 cars per train) to 18 trains (5 cars per train) and various circumstances, the Project III had encountered delays. The Consortium had continuously apprised Metro Company of the status of the project and sought extensions of time as allowed under the contract terms. Following discussions, Metro Company had on 30 August 2013 granted the Consortium with an EOT to 28 September 2015.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(i) Assessment of penalties payable by Scomi Engineering Bhd ("SEB") (continued)

(c) Contract with Metro Company of Sao Paulo (continued)

In 2015, Metro Company announced delays in Project III with the expected completion in 2019 due to various circumstances and as such, granted the Consortium an EOT to 27 December 2019 vide a letter dated 24 April 2015.

On 30 May 2016, SEB and the other Consortium members have executed a Term of Agreement ("TOA") with Metro Company of Sao Paulo to regulate the Consortium Member's altered responsibilities. Under the TOA, the Group's scope of work has been varied to include increased scopes. On 25 July 2016, Metro Company of Sao Paulo issued letter of consent on the additional scope of works to the Group and therefore it has assumed full responsibilities and obligation for Project III. The value of this additional scope of works is BRL371 million (equivalent to about RM449 million). As a result, the Group's share of the total value of the Contract is BRL503 million (equivalent to about RM611 million).

During the financial year ended 31 March 2018, the Project III activities and work continued normally. In reliance of the EOT granted by Metro Company vide letter dated 24 April 2015 and the advice received from the specialist advisor, the Directors are of the opinion that no provision for potential penalties is required as at 31 March 2018.

(ii) Assessment of indirect taxes payable in SEB

During the course of execution of the Project I described in Note 1(d)(i)(a) above, SEB and its wholly-owned subsidiary, Scomi Rail Bhd ("SRB"), will supply goods and services which would typically attract various indirect taxes in India. The tax consultants of SEB had assessed the potential indirect taxes payable to the Central Government, State Government and Local Municipality of that country and are of the view that:

(a) There are certain legislations empowering the Central Government, State Government and Local Authority of that country to grant exemptions/concessions in cases where the respective Governments and authorities are satisfied that the project is in the interest of the public;

(b) Past precedents indicated that the respective Governments and Authorities of that country have exercised their discretionary powers to grant exemptions/concessions for specific projects in the interest of the public; and

(c) Given the legal provisions, and past precedents, a reasonable case for tax exemptions/concessions can be made, subject to discretions of the respective Governments and Authorities of that country.

Applications and representations had been made by management to the respective Governments and Authorities and the matter is under consideration at the respective authorities.

Following the Central Government of India budget in March 2012, the custom duty rates had been reduced. As a result, the total imputed value of custom duties based on delivery of 15 trains and applying the revised applicable tax rates had reduced indirect taxes by RM13.1 million (Rs 22 crores). The Central Government of India Budget announced in March 2013 that the custom duty rates had been reduced further from 16% to 13% which had reduced indirect taxes exposure by RM2.8 million (Rs 5 crores). In addition, with effect from 1 January 2014, under the India-Malaysia Comprehensive Economic Cooperation Agreement, the basic custom duties for rolling stocks was reduced to 0%, which further reduced the exposure by RM1 million (Rs 2 crores). Based on the above, there is no residual financial exposure on the indirect taxes payable, as the impact of any remaining indirect taxes payable can be offset against the maximum amount contractually reimbursable by MMRDA.

SEB had also issued a writ of summons against the Local Authority to recover indirect taxes paid to date and is confident of a successful outcome based on past legal precedents. The hearing date fixed on 31 March 2016 had been postponed and there is currently no fixed hearing date as of the date of this report.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(ii) Assessment of indirect taxes payable in SEB (continued)

Based on the above, the Directors are of the opinion that:

(a) There is a reasonable case for claim of tax exemptions/concessions;

(b) A reasonable estimate of the likely outcome of additional indirect taxes payable, if any, cannot be ascertained at this stage; and

(c) The recovery of indirect taxes paid in advance amounting to RM32.1 million (2017: RM38.5million) as disclosed in Note 10 is expected.

(iii) Estimated impairment of goodwill and amortisation of intangible assets

The Group tests goodwill for impairment annually in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary.

Determining whether goodwill is impaired requires an estimation of the value-in-use and fair value less costs of disposals of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Fair value less costs of disposals is determined based on indicative values on a willing buyer willing seller basis, as provided by an independent valuer. The recoverable amounts of goodwill have been determined based on the higher of fair value less costs of disposals and value-in-use calculations, which resulted in no impairment loss during the financial year (2017: Nil).

(i) The Group tests goodwill and capitalised development costs work-in-progress for impairment annually and has also tested capitalised development costs for impairment due to certain impairment indicators. The recoverable amounts of cash-generating units ("CGUs") were determined based on the value-in-use calculations. The calculations require the use of estimates and assumptions as set out in Note 5 to the financial statements, which resulted in an impairment loss of RM3,815,000 recognised in profit or loss for the financial year ended 31 March 2018 (2017: RM18,219,000).

(ii) Capitalised development expenditure is recognised when the criteria for recognition is met and amortised based on an estimated sales unit method. Significant judgement is required in determining the estimated sales units, which is based on technological obsolescence, secured contracts, projects tendered and expectations of market growth, which determine the amount of amortisation recognised. During the current financial year, the Directors reassessed and determined that the estimated sales units for monorail are 750 units (2017: 750 units).

The Directors are of the opinion that any reasonably expected change in the key assumptions used to determine the recoverable amounts of the CGUs, would not result in any impairment.

The carrying amount of goodwill and estimates used in the calculation are disclosed in Note 5 to the financial statements.

(iv) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining recoverability of withholding and income taxes worldwide provision for income taxes, including determination of taxable income, capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The Group has made assumptions and judgements in relation to provision for tax disputes based on, among others, historical experience with local tax authorities in the relevant countries and timing of the potential liabilities. These assumptions and judgements are made in consultation with and according to the advice from local independent tax professionals. Any changes to these assumptions and judgements will impact the carrying amount of the potential liabilities.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(iv) Income taxes (continued)

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such as if the actual future taxable profits, or if the amounts of carry-forward tax losses, unutilised tax incentives and capital allowances that are approved by the tax authorities differ from those currently estimated by the Group, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the temporary differences can be utilised. Significant judgement is required in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income. Based on projections of future taxable income and the underlying assumptions as detailed in Note 1(d) including a positive outcome with PMB, the continued financial support from lenders, the ability of the Group to obtain EOT for the on-going projects and to attain profitable operations to generate sufficient cash flows to fulfil their obligations as and when they fall due, the subsidiaries have recognised deferred tax assets on tax losses and unabsorbed capital allowances incurred amounting to approximately RM35 million (2017: RM35 million).

(v) Construction contracts profits

The Group recognises contract profits based on the percentage of completion method. The percentage of completion of a construction contract is determined based on the proportion that the contract costs incurred for work performed to-date bear to the estimated total costs for the contract. When it is probable that the estimated total contract costs of a contract will exceed the total contract revenue of the contract, the expected loss of the contract is recognised as an expense immediately.

Significant judgement is required in the estimation of total contract costs. Where the actual total contract costs is different from the estimated total contract costs, such differences will impact the contract profits recognised.

(vi) Construction contract revenue

The Group has estimated total contract revenue based on the initial amount of revenue agreed in the contract, variations in the contract work and claims that can be measured reliably based on the latest available information and reliance on work of specialist. In the absence of such information, the Directors' best estimates are derived from reasonable assumptions, experience and judgement. During the financial year, variation orders were recognised based on percentage of completion less related costs in respect of additional work scope instructions by the customers and additional interest costs and overheads incurred due to delays, which have been granted EOTs or based on legal advice and independent assessments by specialist advisors.

The claims for EOT and variation orders ("VO") supporting the recognition of revenue are subject to significant risks and uncertainties in light of the nature of the projects. In estimating the amounts of claims for EOT and VO, estimates and judgements applied included expectation of future events. Negotiations and final actual acceptance of the claims by the customers could be significantly different from the Directors' estimates of the future profitability or outcomes since anticipated events may not occur as expected and the variation could be material.

Where the actual approved variations and claims differ from the estimates, such difference will impact the contract revenue, profit/(losses) recognised and the amounts due from customers on contract.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(vii) Litigations

The Group operates across many countries and is required to comply with all applicable laws and regulations of the countries in which the Group operates. Significant judgement is required to determine the likelihood of the obligation and the estimation of amounts to be recognised in respect of legal matters, subject to uncertain future events. The legal cases may extend over several years and the amount or timing may differ from current assumptions.

(viii) Impairment of receivables

The Group makes allowance for doubtful debts on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Group specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts.

Where the expectations differ from the original estimates, the differences will impact the carrying value of receivables as disclosed in Note 10.

(ix) Impairment of property, plant and equipment – marine vessels

The recoverable amounts of marine vessels have been determined based on the higher of fair value less costs of disposals and value-in-use calculations as disclosed in Note 3. Based on this assessment, there was an impairment charge of RM4,332,000 recognised in profit or loss for the financial year ended 31 March 2018 (2017: Nil).

(x) Impairment of investments in subsidiaries, associates and joint ventures

The Group and Company assess the impairment of investments in subsidiaries, associates and joint ventures when there is an indication of impairment. The carrying amounts are disclosed in Notes 6, 7 and 8. Based on this assessment, there was impairment loss on investment in joint venture recognised in the Group's profit or loss amounting to RM6,688,000 (2017: RM Nil) while impairment loss on investment in subsidiaries amounting to RM440,784,282 (2017: RM381,515,000) was recognised in the profit or loss of the Company. The recoverable amount of investment in subsidiary was determined based on the value-in-use calculation as disclosed in Note 5.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group Entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to the profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investments in joint venture are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(viii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ix) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group Entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the end of the reporting period.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(l)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date; and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(vi) Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Derecognition (continued)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for the current and comparative periods are as follows:

• Freehold buildings	5 - 50 years
• Leasehold land	15 years
• Leasehold buildings	3 - 50 years
• Marine vessels	25 years
• Tools, plant and machinery	3 - 12 years
• Motor vehicles	3 - 7 years
• Renovation, office equipment, fittings and computers	3 - 10 years
• Monorail test tracks	33 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint ventures.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Expenditure on development activities, whereby the application of research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(v) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

	2018	**2017**
• capitalised development costs:		
- Drilling waste equipment and EMS engineering package	9 years	10 years
- Bus	5 years	5 years
• patents rights	1 year	1 year

Development costs work-in-progress are amortised based on the expected production unit of 750 (2017: 750).

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

(g) Investment properties

(i) Investment properties carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of 20 to 50 years for buildings. Freehold land is not depreciated.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Significant accounting policies (continued)

(i) Non-current assets held for sale or distribution to owners

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint ventures ceases once classified as held for sale or distribution.

(j) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Financial assets (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from contract customers, deferred tax assets and assets arising from employee benefits) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. Significant accounting policies (continued)

(m) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(n) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The proceeds are first allocated to the liability component, determined based on the fair value of a similar liability that does not have a conversion feature or similar associated equity component. The residual amount is allocated as the equity component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(o) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. **Significant accounting policies (continued)**

(o) Employee benefits (continued)

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefits obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gain and losses on the settlement of a defined benefit plan when the settlement occurs.

(iv) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

2. Significant accounting policies (continued)

(o) Employee benefits (continued)

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(p) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(q) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

(iii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and contract cost are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion that contract costs incurred for work performed to-date bear to the estimated total contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

2. Significant accounting policies (continued)

(q) Revenue and other income (continued)

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(v) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(vii) Charter hire income

Revenue from charter hire is recognised on an accrual basis but is deferred when the terms of billings have not been agreed by third parties or when certain conditions necessary for realisation have yet to be fulfilled.

(viii) Management and agency fees

Management and agency fees are recognised on an accrual basis by reference to completion of the specific transaction, assessed on the basis of the actual services provided as a proportion of the total services to be provided.

(r) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. Significant accounting policies (continued)

(s) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares (“EPS”).

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(v) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (continued)

(v) Contingencies (continued)

(ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related assets is recognised.

(w) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Tools, plant and machinery RM'000	Renovation, office equipment, fitting and computers RM'000	Motor vehicles RM'000	Monorail test track RM'000	Capital work-in-progress RM'000	Total RM'000
Cost											
At 1 April 2016	9,878	-	38,123	14,528	947,965	610,762	63,170	20,795	14,795	3,139	1,723,155
Additions	-	-	-	114	-	6,220	1,239	278	-	17,554	25,405
Disposals	-	-	-	-	(8,689)	(5,934)	(333)	(410)	-	-	(15,366)
Write-off	-	-	-	-	-	(1,388)	(42)	-	-	(257)	(1,687)
Reclassification	(8,020)	8,020	(33,724)	33,724	11,242	-	99	-	-	(11,341)	-
Effect of movements in exchange rates	-	-	(251)	325	128,000	35,980	4,597	1,070	-	707	170,428
At 31 March 2017/ 1 April 2017	1,858	8,020	4,148	48,691	1,078,518	645,640	68,730	21,733	14,795	9,802	1,901,935
Additions	-	-	-	-	-	24,563	1,285	1,496	-	9,107	36,451
Disposals	-	-	-	-	(78,073)	(38,618)	(1,171)	(1,140)	-	-	(119,002)
Write-off	-	-	-	-	-	(446)	(513)	(146)	-	-	(1,105)
Reclassification	-	-	-	-	16,356	(3,596)	-	3,596	-	(16,356)	-
Effect of movements in exchange rates	-	-	(242)	(238)	(129,815)	(39,111)	(2,763)	(662)	-	(715)	(173,546)
At 31 March 2018	1,858	8,020	3,906	48,453	886,986	588,432	65,568	24,877	14,795	1,838	1,644,733

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Tools, plant and machinery RM'000	Renovation, office equipment, fitting and computers RM'000	Motor vehicles RM'000	Monorail test track RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment											
At 1 April 2016											
Accumulated depreciation	-	-	5,624	12,371	508,735	405,047	56,419	12,305	4,915	-	1,005,416
Accumulated impairment loss	-	-	-	145	99,395	9,381	-	-	-	-	108,921
	-	-	5,624	12,516	608,130	414,428	56,419	12,305	4,915	-	1,114,337
Depreciation for the year	-	254	477	1,325	48,600	44,225	3,955	2,442	493	-	101,771
Impairment loss	-	-	-	135	-	168	-	-	-	-	303
Disposals	-	-	-	-	(7,726)	(3,175)	(429)	(270)	-	-	(11,600)
Write-off	-	-	-	-	-	(1,241)	(39)	-	-	-	(1,280)
Reclassification	-	-	(3,394)	3,394	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	(253)	173	84,355	18,549	4,314	380	-	-	107,518
At 31 March 2017											
Accumulated depreciation	-	254	2,454	17,263	633,964	463,405	64,220	14,857	5,408	-	1,201,825
Accumulated impairment loss	-	-	-	280	99,395	9,549	-	-	-	-	109,224
	-	254	2,454	17,543	733,359	472,954	64,220	14,857	5,408	-	1,311,049

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Tools, plant and machinery RM'000	Renovation, office equipment, fitting and computers RM'000	Motor vehicles RM'000	Monorail test track RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment (continued)											
At 1 April 2017											
Accumulated depreciation	-	254	2,454	17,263	633,964	463,405	64,220	14,857	5,408	-	1,201,825
Accumulated impairment loss	-	-	-	280	99,395	9,549	-	-	-	-	109,224
	-	254	2,454	17,543	733,359	472,954	64,220	14,857	5,408	-	1,311,049
Depreciation for the year	-	503	8	2,894	43,973	36,134	2,228	2,083	493	-	88,316
Impairment loss	-	-	-	-	4,322	-	-	-	-	-	4,322
Disposals	-	-	-	-	(65,523)	(12,547)	(1,050)	(1,026)	-	-	(80,146)
Write-off	-	-	-	-	-	(329)	(513)	(146)	-	-	(988)
Effect of movements in exchange rates	-	-	(241)	(431)	(88,955)	(27,811)	(1,673)	(294)	-	-	(119,405)
At 31 March 2018											
Accumulated depreciation	-	757	2,221	19,726	523,459	458,852	63,212	15,474	5,901	-	1,089,602
Accumulated impairment loss	-	-	-	280	103,717	9,549	-	-	-	-	113,546
	-	757	2,221	20,006	627,176	468,401	63,212	15,474	5,901	-	1,203,148
Carrying amounts											
At 1 April 2016	9,878	-	32,499	2,012	339,835	196,334	6,751	8,490	9,880	3,139	608,818
At 31 March 2017/ 1 April 2017	1,858	7,766	1,694	31,148	345,159	172,686	4,510	6,876	9,387	9,802	590,886
At 31 March 2018	1,858	7,263	1,685	28,447	259,810	120,031	2,356	9,403	8,894	1,838	441,585

3. **Property, plant and equipment (continued)**

	Motor vehicles RM'000	Office equipment and fittings RM'000	Renovation RM'000	Total RM'000
Company				
Cost				
At 1 April 2016	1,135	3,684	750	5,569
Disposals	(297)	-	-	(297)
At 31 March 2017/1 April 2017/ 31 March 2018	838	3,684	750	5,272
Accumulated depreciation				
At 1 April 2016	662	3,631	743	5,036
Depreciation for the year	115	45	2	162
Disposals	(157)	-	-	(157)
At 31 March 2017/1 April 2017	620	3,676	745	5,041
Depreciation for the year	115	1	2	118
At 31 March 2018	735	3,677	747	5,159
Carrying amounts				
At 1 April 2016	473	53	7	533
At 31 March 2017/1 April 2017	218	8	5	231
At 31 March 2018	103	7	3	113

(a) Leased property, plant and equipment

The net carrying amount of motor vehicles, leased property, plant and equipment acquired under finance lease arrangements as at the end of the reporting period are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Land and buildings	35,710	37,406	-	-
Equipment and motor vehicles	3,269	6,247	103	218
	38,979	43,653	103	218

3. Property, plant and equipment (continued)

(b) Leasehold buildings

The entire leasehold buildings of the Group are situated on parcels of land owned by third parties and a State Government.

(c) Impairment loss - Marine vessels

During the year ended 31 March 2018, the prolonged decline in global oil and gas prices has resulted in a decrease in charter contracts for the Group vessels, which indirectly has an impact on the recoverable amount of the vessels. Accordingly, the Group reviewed the recoverable amount of its vessels, which resulted in an impairment loss during the year amounting to RM4,322,000 (2017: RM Nil).

The recoverable amount of the vessels of the Group were determined based on the higher of fair value less costs of disposal and value-in-use calculation. In valuing the vessels using fair value less costs of disposal, the valuer had taken into consideration the prevailing market conditions and made adjustments for differences such as age, size and specification where necessary before arriving at the most appropriate fair value for the vessels. The fair value measurement of the vessels was performed by independent valuer not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the vessels in the relevant sector.

The fair value was based on the following key assumptions:

(i) historical transacted prices remain relevant; and
(ii) the growth of oil and gas industries will not deteriorate further.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The key assumptions used in the value-in-use calculation in the current financial year are as follows:

	2018 %	2017 %
Revenue growth rates in the first 5 years	0.0	0.0
Discount rate	12.0	12.0
Terminal growth rate	0.0	0.0

Based on the calculations, there was impairment loss amounting of RM4,322,000 (2017: RM Nil). However, an increase/(decrease) of a one percentage point in the discount rate used would have (decreased)/ increased the recoverable amount by approximately (RM30.4 million)/RM36.1 million.

(d) Security

The net carrying amount of property, plant and equipment of the Group charged as security for banking facilities granted to the Group (see Note 20) are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Marine vessels	164,756	213,014

(e) Reclassification of land and buildings from freehold to leasehold

In the previous year, the Group completed the sale and leaseback of a parcel of industrial land together with all those industrial buildings and structures to a third party. The Group has concluded that this transaction contains a lease arrangement and is a finance lease. Accordingly, the freehold land and buildings of the Group are reclassified from freehold land and buildings to leasehold land and buildings and the lease of the land and buildings has been accounted for in the Group's financial statements.

4. Investment properties

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cost				
At 1 April	5,075	5,329	4,678	4,678
Transfer to asset held for sale	-	-	(4,678)	-
Effect of movements in exchange rates	(205)	(254)	-	-
At 31 March	4,870	5,075	-	4,678
Depreciation and impairment				
At 1 April				
Accumulated depreciation	2,121	2,434	363	312
Accumulated impairment loss	455	455	-	-
	2,576	2,889	363	312
Depreciation for the year	205	143	51	51
Transfer to asset held for sale	-	-	(414)	-
Effect of movements in exchange rates	(51)	(456)	-	-
At 31 March				
Accumulated depreciation	2,275	2,121	-	363
Accumulated impairment loss	455	455	-	-
	2,730	2,576	-	363
Carrying amount				
At 31 March	2,140	2,499	-	4,315
Fair value at 31 March	9,381	10,445	-	6,500

4. Investment properties (continued)

The following is recognised in profit or loss in respect of investment properties:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Rental income	181	181	408	408

There were no direct operating expenses arising from investment property that generated rental income during the year as all expenses were incurred by the tenant.

(a) Security

Investment properties of the Company are charged as security for banking facilities granted to the Company (see Note 20).

(b) Fair value information

Fair value of investment properties are categorised as follows:

Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
2018				
Freehold land	-	5,431	-	5,431
Freehold land and buildings	-	3,950	-	3,950
	-	9,381	-	9,381
2017				
Freehold land	-	6,495	-	6,495
Freehold land and buildings	-	3,950	-	3,950
	-	10,445	-	10,445
Company				
2018				
Freehold land and buildings	-	-	-	-
2017				
Freehold land and buildings	-	6,500	-	6,500

4. Investment properties (continued)

(b) Fair value information (continued)

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical investment properties that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the investment property, either directly or indirectly.

Level 2 fair values of land and buildings is determined by external, independent property valuers. The fair values of land and buildings have been generally derived using the comparison method. In this approach, sales and listing of comparable properties recorded within the same location are compiled. Sales price of comparable properties in close proximity are adjusted for differences in attributes to arrive at a comparison.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the investment property.

5. Intangible assets

			<-Capitalised development costs->			Development <-costs work-in-progress->		
Group	**Goodwill RM'000**	**Patents RM'000**	**Monorail RM'000**	**Bus RM'000**	**Drilling waste equipment RM'000**	**Mass rapid transit/ Propulsion RM'000**	**EMS engineering package RM'000**	**Total RM'000**
Cost								
At 1 April 2016	238,729	12,661	118,130	4,766	9,794	18,525	9,441	412,046
Additions	-	-	-	-	5,623	-	1,018	6,641
Reclassification of other receivables	-	-	(54)	54	-	-	-	-
Effect of movements in exchange rates	388	138	-	-	1,250	-	1,303	3,079
At 31 March 2017/ 1 April 2017	239,117	12,799	118,076	4,820	16,667	18,525	11,762	421,766
Reclassification	-	-	(2,419)	(268)	-	2,687	-	-
Effect of movements in exchange rates	(373)	(54)	-	-	(481)	-	-	(908)
At 31 March 2018	238,744	12,745	115,657	4,552	16,186	21,212	11,762	420,858

5. Intangible assets (continued)

Group	Goodwill RM'000	Patents RM'000	<-Capitalised development costs-> Monorail RM'000	Bus RM'000	Drilling waste equipment RM'000	Development <-costs work-in-progress-> Mass rapid transit/ Propulsion RM'000	EMS engineering package RM'000	Total RM'000
Amortisation and impairment losses								
At 1 April 2016								
Accumulated amortisation	-	12,238	11,090	1,782	3,893	-	-	29,003
Accumulated impairment losses	87,850	-	-	-	-	-	-	87,850
	87,850	12,238	11,090	1,782	3,893	-	-	116,853
Amortisation for the year	-	62	-	2,770	219	-	-	3,051
Impairment loss	-	-	-	-	7,200	-	11,019	18,219
Effect of movements in exchange rates	-	90	-	-	535	-	572	1,197
At 31 March 2017/ 1 April 2017								
Accumulated amortisation	-	12,390	11,090	4,552	4,271	-	572	32,875
Accumulated impairment losses	87,850	-	-	-	7,576	-	11,019	106,445
	87,850	12,390	11,090	4,552	11,847	-	11,591	139,320
At 1 April 2017								
Accumulated amortisation	-	12,390	11,090	4,552	4,271	-	572	32,875
Accumulated impairment losses	87,850	-	-	-	7,576	-	11,019	106,445
	87,850	12,390	11,090	4,552	11,847	-	11,591	139,320
Amortisation for the year	-	46	-	-	213	-	171	430
Impairment loss	-	-	-	-	-	3,815	-	3,815
At 31 March 2018								
Accumulated amortisation	-	12,436	11,090	4,552	4,484	-	743	33,305
Accumulated impairment losses	87,850	-	-	-	7,576	3,815	11,019	110,260
	87,850	12,436	11,090	4,552	12,060	3,815	11,762	143,565
Carrying amounts								
At 1 April 2016	150,879	423	107,040	2,984	5,901	18,525	9,441	295,193
At 31 March 2017/ 1 April 2017	151,267	409	106,986	268	4,820	18,525	171	282,446
At 31 March 2018	150,894	309	104,567	-	4,126	17,397	-	277,293

5. Intangible assets (continued)

(a) Amortisation

The amortisation of patents and capitalised development costs is allocated to the cost of inventory and is recognised in cost of sales as inventory is sold. There is no amortisation included within construction contract costs during the financial year (2017: RM Nil).

The remaining useful lives of the patents, bus and drilling waste capitalised development costs are 1 year, Nil months and 9 years respectively (2017: 1 year, Nil months and 10 years respectively).

(b) Impairment

(i) Impairment testing for cash-generating units containing goodwill

The carrying amounts of goodwill allocated to the Group's cash-generating units ("CGUs") are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Oilfield services	102,130	102,544
Transport solutions	48,764	48,723
	150,894	151,267

The recoverable amount of the CGUs in the current financial year is determined based on value-in-use calculations for oilfield services and transport solutions.

The value-in-use calculations use pre-tax cash flow projections based on approved financial budgets. The projections were based on an approved business plan and reflect the expectation of usage, revenue growth, operating costs, technological obsolescence and margins based on past experience and current assessment of market share, expectations of market growth and industry growth.

Goodwill allocated to Oilfield Services

During the year, the cash-generating units with the allocated goodwill was reviewed for impairment using the value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections for each country based on financial budgets approved by the Board covering a five-year period.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The key assumptions used in the value-in-use calculations in the current financial year are as follows:

	2018 %	**2017 %**
Revenue growth rates in the first 5 years	0.0 - 56.0	0.0 - 53.0
Discount rates	9.0 - 26.0	9.0 - 27.0
Terminal growth rates	0.0	0.0

The projections over these periods were based on an approved business plan and reflect the expectation of usage, revenue growth, operating costs and margins based on past experience and current assessment of market share, expectations of market growth and industry growth. The discount rates used are pre-tax and reflect specific risk relating to individual countries in which the Group operates. The terminal growth rate is based on long-term growth rates relating to the individual countries.

Based on the calculations, no impairment has been recognised in the current financial year. However, an increase/(decrease) of a one percentage point in the discount rate used would have (decreased)/increased the recoverable amount by approximately (RM13 million)/RM17 million.

5. Intangible assets (continued)

(b) Impairment (continued)

(i) Impairment testing for cash-generating units containing goodwill (continued)

Rail Operations

The recoverable amounts of Rail Operations goodwill are based on value-in-use calculations.

The projections over a five-year period were based on an approved business plan and reflect the expectation of usage, revenue growth, operating costs and margins based on past experience.

The key assumptions used in the value-in-use calculations for the Rail Operations cash-generating unit are as follows:

	Value-in-use basis	Pre-tax discount rate	Profit margin range	Terminal growth rate
2018				
Rail operations	Existing secured projects and anticipated projects over the remaining useful life of the current monorail technology	16% - 20%	3% - 30%	Not applicable
2017				
Rail operations	Existing secured projects and anticipated projects over the remaining useful life of the current monorail technology	16% - 20%	3% - 30%	Not applicable

The discount rates applied to the respective project impairment assessment is based on the internal weighted average cost of capital adjusted for the country risk premium.

(ii) Development costs work-in-progress

Transport Solutions

Development costs work-in-progress have been tested for impairment based on expectations of market growth and industry growth.

	Value-in-use basis	Pre-tax discount rate	Profit margin range	Terminal growth rate
2018				
Mass Rapid Transit (MRT)	Anticipated projects over the expected useful life of the current MRT technology	16%	14%	Not applicable
Propulsion	Existing secured projects and anticipated projects over the remaining useful life of the current propulsion technology	10%	3% - 30%	Not applicable
2017				
Mass Rapid Transit (MRT)	Anticipated projects over the expected useful life of the current MRT technology	16%	14%	Not applicable
Propulsion	Existing secured projects and anticipated projects over the remaining useful life of the current propulsion technology	10%	3% - 30%	Not applicable

A reasonable possible change in the assumptions used will not result in any change to the impairment conclusion.

5. Intangible assets (continued)

(b) Impairment (continued)

(iii) Impairment loss on capitalised development costs

During the year ended 31 March 2018, there was no change in the MRT technology and the Group has yet to secure any MRT project. Accordingly, the Group has reviewed the carrying amount of the capitalised development costs of Transport Solutions and recognised an impairment loss of RM3,815,000 (2017: RM Nil).

Since the previous financial year ended 31 March 2017, the prolonged decline in global gas prices has resulted in several projects being put on hold, which indirectly has impacted the carrying amount of the capitalised development cost of Oilfield Services. Accordingly, the Group has reviewed the carrying amount of the capitalised development cost and no impairment loss has been recognised (2017: RM18,219,000) in the current financial year.

6. Investments in subsidiaries

	Company	
	2018 RM'000	**2017 RM'000**
At cost		
Quoted shares in Malaysia	1,219,026	1,219,026
Unquoted shares	152,598	152,598
	1,371,624	1,371,624
Less: Impairment loss	(974,260)	(533,476)
	397,364	838,148
At market value		
Quoted shares in Malaysia	108,197	439,552

On 22 February 2018, one of the subsidiaries of the Company, Scomi Engineering Bhd ("SEB") was de-listed from Bursa Malaysia Securities Berhad pursuant to the merger of SEB with the Company as disclosed in Note 15(c).

Impairment review of investment in subsidiaries

Due to the presence of impairment indicators during the financial year arising from the operations of the Company's subsidiaries, the Company has undertaken an impairment assessment on investment in subsidiaries.

The recoverable amounts of the impaired subsidiaries of RM496,299,000 was determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The value-in-use was based on the key assumptions as disclosed in Note 5.

Based on the calculations, an impairment loss of RM440,784,000 (2017: RM381,515,000) has been recognised in the current financial year.

6. Investments in subsidiaries (continued)

Details of the significant subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	2017 %
Significant subsidiaries of Scomi Group Bhd				
Scomi Energy Services Bhd ("SESB")	Malaysia	Investment holding	65.6	65.6
Scomi Engineering Bhd ("SEB")	Malaysia	Investment holding, provision of management services to subsidiaries and the design, manufacture and supply of monorail trains and related services.	100.0	72.3
Significant subsidiaries of SESB				
Scomi Marine Services Pte. Ltd. #	Singapore	Investment holding	65.6	65.6
Scomi Oilfield Limited ("SOL") ~	Bermuda	Investment holding	65.6	65.6
Trans Advantage Sdn. Bhd.	Malaysia	Ship chartering and ship management	65.6	65.6
Scomi KMC Sdn. Bhd. (including 4% held by Scomi Oiltools Sdn. Bhd.)	Malaysia	Provision of oilfield equipment, supplies and services	34.1	34.1
Scomi Sosma Sdn. Bhd.	Malaysia	Distribution of chemical products and services	65.6	65.6
Scomi D&P Sdn. Bhd.	Malaysia	Investment holding	65.6	65.6
Significant subsidiary of Scomi Marine Services Pte. Ltd.				
PT Rig Tenders Indonesia, Tbk # +	Indonesia	Ship owning and chartering	52.8	52.8
Significant subsidiaries of PT Rig Tenders Indonesia, Tbk				
Rig Tenders Marine Pte. Ltd. #	Singapore	Ship chartering	52.8	52.8
CH Logistic Pte. Ltd. #	Singapore	Investment holding	52.8	52.8
CH Ship Management Pte. Ltd. #	Singapore	Provision of management services	52.8	52.8
Grundtvig Marine Pte. Ltd. #	Singapore	Investment holding	52.8	52.8
Subsidiary of Grundtvig Marine Pte. Ltd.				
PT Batuah Abadi Lines #	Indonesia	Ship owning and chartering	50.2	50.2
Significant subsidiary of Scomi Sosma Sdn. Bhd.				
Scomi Anticor S.A.S.α	France	Design and field deployment of various oil and gas production chemicals	65.6	65.6

6. Investments in subsidiaries (continued)

Details of the significant subsidiaries are as follows: (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Significant subsidiaries of SOL				
Scomi Oiltools Sdn. Bhd.	Malaysia	Provision of oilfield equipment, supplies and provision of management services	65.6	65.6
Scomi Oiltools (Cayman) Ltd. #	United Arab Emirates/ Cayman Islands	Provision of oilfield equipment, supplies and services in Saudi Arabia and United Arab Emirates	65.6	65.6
Scomi Oiltools Ltd. #	Pakistan, Turkmenistan & Cayman Islands	Provision of oilfield equipment, supplies and services in Pakistan and Turkmenistan	65.6	65.6
Scomi Oiltools (Africa) Limited	Congo & Nigeria/ Cayman Islands	Investment holding and provision of oilfield equipment, supplies and services in Congo and Nigeria	65.6	65.6
Scomi Oiltools (Thailand) Limited #	Thailand	Provision of oilfield equipment, supplies and services	65.6	65.6
Scomi Oiltools Egypt SAE # (1)	Egypt	Provision of oilfield equipment, supplies and services	65.6	65.6
Scomi Oiltools (S) Pte. Ltd. α	Singapore	Investment holding and provision of oilfield equipment, supplies and services	65.6	65.6
Scomi Oiltools Pty. Ltd. #	Australia	Provision of oilfield equipment, supplies and services	65.6	65.6
KMCOB Capital Berhad	Malaysia	Undertake the issuance of private debt securities in such classes, series, form or denomination and to secure the redemption thereof and the utilisation of proceeds from such issuance and to undertake any refinancing exercise in respect of such private debt securities	65.6	65.6
Scomi Oiltools Oman LLC #	Oman	Provision of oilfield equipment, supplies and services	33.5	33.5

6. Investments in subsidiaries (continued)

Details of the significant subsidiaries are as follows: (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	2017 %
Significant subsidiary of Scomi Oiltools (Africa) Limited				
WASCO Oil Services Company Nigeria Limited	Nigeria	Provision of oilfield equipment, supplies and services	39.4	39.4
Significant subsidiaries of Scomi Oiltools (S) Pte. Ltd.				
KMC Oiltools India Pte. Ltd. #	India	Provision of oilfield equipment, supplies and services	65.6	65.6
PT Scomi Oiltools #	Indonesia	Provision of oilfield equipment, supplies and services	65.6	65.6
Scomi Oiltools Russia LLC #	Russia	Provision of oilfield equipment, supplies and services	65.6	65.6
Significant subsidiaries of SEB				
Scomi Transit Projects Sdn. Bhd.	Malaysia	Development, manufacture and supply of monorail transportation infrastructure systems, equipment and services	100.0	72.3
Urban Transit Private Limited #	India	Supply of transportation infrastructure system, equipment and services	100.0	72.3
Urban Transit Servicos Do Brasil LTDA #	Brazil	Supply of transportation infrastructure systems, equipment and services	100.0	72.3
Scomi Special Vehicles Sdn. Bhd.	Malaysia	Manufacture and fabrication of road transport equipment, material handling equipment and in the provision of related engineering support services	100.0	72.3
Scomi Transportation Systems Sdn. Bhd.	Malaysia	Investment holding	100.0	72.3
Scomi Transit Projects Brazil Sdn. Bhd.	Malaysia	Development, manufacture and supply of monorail transportation infrastructure systems, equipment and services	100.0	72.3
Scomi Transit Projects Brazil (Sao Paulo) Sdn. Bhd.	Malaysia	Development, manufacture and supply of monorail transportation infrastructure systems, equipment and services	100.0	72.3

6. Investments in subsidiaries (continued)

Details of the significant subsidiaries are as follows: (continued)

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Significant subsidiary of Scomi Special Vehicles Sdn. Bhd.				
Scomi Trading Sdn. Bhd.	Malaysia	Marketing agent for road transport equipment and related products	100.0	72.3
Significant subsidiaries of Scomi Transportation Systems Sdn. Bhd.				
Scomi Rail Bhd	Malaysia	Design, manufacture and supply of monorail trains and provision of engineering support services and engineering works involving the design construction, installation, testing and commissioning of electrical and mechanical systems	100.0	72.3
Scomi Coach Sdn. Bhd.	Malaysia	Manufacturing, fabrication and assembly of commercial coaches, truck vehicle bodies and other related services	100.0	72.3

[#] Audited by other member firms of KPMG International.
[+] Listed on the Indonesian Stock Exchange.
[α] Not audited by member firms of KPMG International.
[~] Scomi Oilfield Limited ("SOL"), a subsidiary of the Group entered into a Letter of Variation to defer the transfer of shares of Scomi Oiltools Egypt SAE ("SOES") from Scomi Oiltools Bermuda Limited ("SOBL"), a subsidiary of the ultimate holding company, to SOL to a date to be mutually agreed later and until such time, SOBL will continue to hold the SOES shares in its name as trustee for SOL's sole and exclusive benefit as the beneficiary, based on the terms of a trust deed entered into by SOBL and SOL. As a result thereof, SOES has been consolidated as a subsidiary.
[(1)] The shareholdings in Scomi Oiltools Egypt SAE are currently registered in the name of Scomi Oiltools Bermuda Limited and, pursuant to a trust deed dated 8 March 2013, are held in trust for Scomi Oilfield Limited.
[@] Not required to be audited.

6. Investments in subsidiaries (continued)

(a) Non-controlling interest in subsidiaries

The Group's subsidiary that has material non-controlling interests ("NCI") is SESB as follows:

	2018 SESB RM'000
NCI percentage of ownership and voting interest	34.35%
Carrying amount of NCI	345,725
Loss allocated to NCI	(82,108)

Summarised financial information before intra-group elimination

	As at 31 March 2018 SESB RM'000
Non-current assets	564,427
Current assets	463,368
Non-current liabilities	(93,560)
Current liabilities	(397,530)
Net assets	536,705

	Year ended 31 March 2018 SESB RM'000
Revenue	613,957
Loss for the year	(225,918)
Total comprehensive expense	(251,406)
Cash flows from operating activities	(2,988)
Cash flows used in investing activities	(15,935)
Cash flows used in financing activities	(31,859)
Net decrease in cash and cash equivalents	(50,782)
Dividends paid to NCI	-

6. Investments in subsidiaries (continued)

(a) Non-controlling interest in subsidiaries (continued)

The Group's subsidiaries that have material non-controlling interests ("NCI") are SESB and SEB as follows:

	2017 SESB RM'000	2017 SEB RM'000	Total RM'000
NCI percentage of ownership and voting interest	34.35%	27.67%	
Carrying amount of NCI	435,872	66,275	502,147
Loss allocated to NCI	(52,780)	(5,466)	(58,246)

Summarised financial information before intra-group elimination

	As at 31 March 2017	
	SESB RM'000	SEB RM'000
Non-current assets	706,977	248,852
Current assets	667,042	857,200
Non-current liabilities	(96,130)	(163,820)
Current liabilities	(489,778)	(686,215)
Net assets	788,111	256,017

	Year ended 31 March 2017	
	SESB RM'000	SEB RM'000
Revenue	664,012	162,880
Loss for the year	(135,765)	(19,756)
Total comprehensive expense	(77,668)	(9,256)
Cash flows from/(used in) operating activities	56,736	(42,761)
Cash flows used in investing activities	(33,434)	(37)
Cash flows (used in)/from financing activities	(54,071)	12,615
Net decrease in cash and cash equivalents	(30,769)	(30,183)
Dividends paid to NCI	-	-

7. Investments in associates

	Group	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares - outside Malaysia	16,857	16,857
Less: Impairment loss	(9,789)	(9,789)
Add: Share of post-acquisition profit	371	371
	7,439	7,439

Details of the associates are as follows:

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Held by SESB				
Southern Petroleum Transportation Joint Stock Company *	Vietnam	Owner and operator of tankers	9.1	9.1
Emerald Logistics Sdn. Bhd.	Malaysia	Ship chartering and management	32.1	32.1
Held by Scomi Marine Services Pte. Ltd.				
King Bridge Enterprise Ltd.	British Virgin Islands	Investment holding	32.1	32.1

* Company with ownership less than 20% of the equity shareholding but treated as associates as the Group is able to exercise significant influence over the company.

7. Investments in associates (continued)

The following table summarises the information of the Group's material associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

Group	2018 RM'000	2017 RM'000
Summarised financial information before intra-group elimination		
As at 31 March		
Total assets	161,861	176,160
Total liabilities	(100,794)	(116,374)
Net assets	61,067	59,786
Year ended 31 March		
Profit from continuing operations/Total other comprehensive income	424	2,917
Included in the total comprehensive income is:		
Revenue	119,720	135,444
Reconciliation of net assets to carrying amount as at 31 March		
Group's share of net assets	7,439	7,439
Carrying amount in the statement of financial position	7,439	7,439

8. Investments in joint ventures and joint operations

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
At cost					
Unquoted shares - outside Malaysia		4,432	5,210	-	-
Share of post-acquisition loss		(42,368)	(6,241)	-	-
Deemed investment - capital contribution	(a)	61,051	54,496	-	-
Deemed investment - financial guarantee liabilities		329	329	-	-
Add: Additions during the year	(b)	8,657	-	8,657	-
Less: Impairment loss	(c)	(6,688)	-	-	-
Share of net assets		25,413	53,794	8,657	-

(a) Deemed investment – capital contribution

The deemed investment – capital contribution relates to advances provided to certain joint ventures that are contractually not receivable until the external borrowings of the joint ventures have been repaid.

(b) Additions during the year

Additional investments in joint ventures during the year comprised of investments in Scomi SGSB Sdn. Bhd. and Strong Elegance Sdn. Bhd. amounting to RM255,000 and RM8,402,500 respectively.

(c) Impairment loss on investment in joint venture

Due to the presence of impairment indicators during the financial year arising from the operation of a joint venture under SESB Group, the Group has undertaken an impairment assessment on the investment in the joint venture.

Based on the assessment, the Group has recognised an impairment loss of RM6,688,000 (2017: RM Nil) on the cost of the investment in the joint venture in the profit or loss of the Group.

(d) Details of the joint ventures and joint operations are as follows:

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective equity interest 2018 %	Effective equity interest 2017 %
Joint ventures under SGB				
Strong Elegance Sdn. Bhd.	Malaysia	Power and energy generation through renewable energy resources, thermal, gas, diesel, oil, hydro or any other means	30.0	-
Scomi SGSB Sdn. Bhd.	Malaysia	Engineering, procurement and construction services for renewable energy projects	51.0	-
Joint ventures under SESB				
MarineCo Limited*	Malaysia	Leasing of marine vessels and the provision of marine vessels transportation services	33.5	33.5

8. Investments in joint ventures and joint operations (continued)

(d) Details of the joint ventures and joint operations are as follows (continued):

Name of entity	Principal place of business/Country of incorporation	Principal activities	Effective equity interest 2018 %	Effective equity interest 2017 %
***Joint ventures under SESB* (continued)**				
Gemini Sprint Sdn. Bhd.*	Malaysia	Chartering of marine vessels, managing the maintenance of marine vessels and provision of offshore marine services	33.5	33.5
Transenergy Shipping Pte. Ltd.	Malaysia	Ship chartering	32.8	32.8
Transenergy Shipping Management Sdn. Bhd.	Malaysia	Ship chartering and management	32.8	32.8
Rig Tenders Offshore Pte. Ltd.*	Singapore	Dormant	32.8	32.8
Joint ventures under Scomi Oilfield Limited				
Vibratherm Limited[#]	England and Wales	Manufacture and/or assembly of equipment for drilling waste treatment	32.8	32.8
Scomi Platinum Sdn. Bhd.	Malaysia	Dormant	32.8	32.8
Global Oilfield Products Sdn. Bhd.	Malaysia	Manufacture of oilfield supplies	16.4	16.4
Joint venture under Scomi D&P Sdn. Bhd.				
Ophir Production Sdn. Bhd.	Malaysia	Development and production of crude oil	19.7	19.7
Joint operations under SEB				
Larsen & Toubro and SEB (unincorporated consortium)	India	Design, civil construction, manufacture and supply of monorail trains and provision of related engineering support services and engineering works involving the design, construction, installation, testing and commissioning of electrical and mechanical systems in relation to the Mumbai monorail project	36.1	36.1

* Companies with ownership of more than half of the equity shareholding in the companies but treated as joint ventures pursuant to the contractual rights and obligations of the respective joint venture agreement.

[#] As at the date of the financial statements, Vibratherm Limited remained inactive, therefore no share of results was recorded.

8. Investments in joint ventures and joint operations (continued)

Summarised financial information of joint ventures

	2018 RM'000	2017 RM'000
As at 31 March		
Total assets	370,002	267,319
Total liabilities	(275,788)	(152,333)
Net assets	94,214	114,986
Group's share of net assets	16,756	53,794
Capital contribution	-	-
Year ended 31 March		
Revenue	190,407	92,013
Loss for the year	(97,672)	(43,769)
Group's share of results for the year	(36,663)	(24,208)

Summarised financial information of joint operations

	2018 RM'000	2017 RM'000
Revenue	2,919	4,696
Cost of sales	(10,816)	(10,819)
Gross loss	(7,897)	(6,123)
Receivables	17,369	14,450
Payables	(46,283)	(39,226)

As at the date of the financial statements, Vibratherm Limited remained inactive, therefore no share of results was recorded.

9. Deferred tax assets/(liabilities)

9.1 Recognised deferred tax assets/(liabilities)

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Tax losses, capital allowances and tax incentives	76,957	70,668	-	-	76,957	70,668
Property, plant and equipment	-	-	(36,335)	(42,452)	(36,335)	(42,452)
Others	2,183	6,028	(11,302)	(13,722)	(9,119)	(7,694)
Tax assets/(liabilities)	79,140	76,696	(47,637)	(56,174)	31,503	20,522
Set off	(37,633)	(37,664)	37,633	37,664	-	-
Net tax assets/(liabilities)	41,507	39,032	(10,004)	(18,510)	31,503	20,522

9.2 Movement in temporary differences during the year

Group	At 1.4.2016 RM'000	Recognised in profit or loss RM'000	Effect of movements in exchange rates RM'000	At 31.3.2017/ 1.4.2017 RM'000	Recognised in profit or loss RM'000	Effect of movements in exchange rates RM'000	At 31.3.2018 RM'000
Tax losses, capital allowances and tax incentives	70,899	(231)	-	70,668	6,289	-	76,957
Property, plant and equipment	(42,751)	494	(195)	(42,452)	5,885	232	(36,335)
Deductible temporary differences	448	(7,668)	(474)	(7,694)	(4,181)	2,756	(9,119)
	28,596	(7,405)	(669)	20,522	7,993	2,988	31,503
		Note 28			Note 28		

9.3 Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at net):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deductible temporary differences	17,667	52,193	4,958	4,958
Unutilised tax losses and tax incentives	40,076	110,534	12,558	12,558
	57,743	162,727	17,516	17,516

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom.

10. Trade and other receivables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Amount due from a subsidiary	(a)	-	-	99,540	79,423
Less: Allowance for impairment loss		-	-	(49,770)	-
Amount due from subsidiary - net		-	-	49,770	79,423
Other receivables		5,525	226	-	-
		5,525	226	49,770	79,423
Current					
Trade					
Trade receivables	(b)	284,836	330,515	-	-
Less: Allowance for impairment loss		(60,298)	(64,466)	-	-
Trade receivables - net		224,538	266,049	-	-
Amount due from customers on contract	(c)	607,055	627,339	-	-
		831,593	893,388	-	-
Non-trade					
Amount due from subsidiaries	(d)	-	-	105,845	105,491
Amount due from joint ventures	(d)	2,094	7,986	-	-
Deposits		18,560	10,561	1,152	1,153
Prepayments		32,121	39,145	2	6
Indirect tax recoverable	(e)	32,004	38,558	-	-
Other receivables	(f)	77,854	92,606	1,024	-
Less: Allowance for impairment loss		-	-	(105,599)	(103,722)
		162,633	188,856	2,424	2,928
		994,226	1,082,244	2,424	2,928
		999,751	1,082,470	52,194	82,351

(a) The amount is in respect of unsecured advances made to SEB which is subject to interest at 9.19% (2017: 9.19%). The advances are not expected to be repaid within a period of 12 months from the date of the statements of financial position.

(b) Trade receivables are non-interest bearing and credit terms for trade receivables range from 30 to 120 days (2017: 30 to 120 days). These amounts are recognised at their original invoice amounts which represent their fair values on initial recognition.

(c) Amount due from customers on contract.

10. Trade and other receivables (continued)

	Group	
	2018 RM'000	**2017 RM'000**
Construction contract costs incurred to date and attributable profits	1,764,508	1,681,436
Less: Progress billings	(1,157,453)	(1,054,097)
Amount due from customers on contract	607,055	627,339
Retention receivable on contract, included in "trade receivables"	22,858	22,858
Advance received on contract, included in "other payables"	(48,640)	(51,630)

Amount due from customers on contract have been collateralised for borrowings. In the event of defaults under the loan agreements by a subsidiary, the banks have the right to receive the cash flows from these amounts. Without default, a subsidiary will bill and collect these amounts and allocate new amounts as collateral.

During the current financial year, trade receivables and amounts due from customers on contract includes amounts of RM47.2 million (2017: RM47.3 million) and RM162.9 million (2017: RM162.8 million) respectively relating to a subsidiary of the Group, Scomi Transit Projects Sdn Bhd ("STP") for the Kuala Lumpur Monorail Fleet Expansion Project. Following receipt of the Notice of Termination dated 9 June 2017 ("Notice") issued by Prasarana Malaysia Berhad ("PMB"), STP had initiated legal proceedings against PMB. The High Court has on 21 June 2017 granted STP an interim order and injunction restraining PMB from terminating the Kuala Lumpur Monorail Fleet Expansion Project ("the Project") contract with STP based on the Notice or otherwise giving effect to the Notice pending the hearing and disposal of the Originating Summons and further orders of the High Court.

(d) Related party balances receivable of the Group and the Company

- Amount due from subsidiaries is unsecured and non-interest bearing except for certain advances amounting to RM17.3 million (2017: RM15.0 million) which bear interest at 6.00% (2017: 6.00%) per annum and are repayable within the next 12 months.

- Amounts due from joint ventures are unsecured, interest free and repayable upon demand.

(e) Indirect tax recoverable relates to the Mumbai Monorail project as disclosed in Note 1(d)(ii).

(f) Included in other receivables are Value-Added-Tax ("VAT") recoverable of the Group amounting to RM36 million (2017: RM59 million).

11. Available-for-sale financial assets

	Group	
	2018 RM'000	**2017 RM'000**
At fair value		
Shares quoted in Malaysia	108	170

Available-for-sale financial assets are denominated in Ringgit Malaysia.

12. Inventories

	Group	
	2018 RM'000	2017 RM'000
At cost		
Consumables	34,284	36,799
Raw materials	7,040	12,019
Work-in-progress	4,669	2,359
Finished goods	80,883	130,257
	126,876	181,434
Recognised in profit or loss:		
Inventories recognised as cost of sales	296,871	304,691
Inventories written down	2,317	378
Allowance for inventories	113	7,667
Reversal of write-down	(4,602)	(206)

The write-down and reversal are included in cost of sales.

13. Cash and bank balances

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Short-term deposits placed with licensed banks	54,576	56,881	-	-
Cash and bank balances	47,551	106,934	78	32
	102,127	163,815	78	32

The effective interest rates for short-term deposits placed with licensed banks of the Group and of the Company at the end of the reporting period range from 0.18% to 6.50% (2017: 0.18% to 6.50%) per annum. Short-term deposits of the Group and of the Company have maturity periods ranging from 1 day to 365 days (2017: 1 day to 365 days).

Short-term deposits of certain subsidiaries amounting to RM54,214,000 (2017: RM52,384,000) have been pledged to licensed banks for banking facilities granted to the Group as disclosed in Note 20 to the financial statements.

14. Asset held for sale

The Company intends to dispose off the investment property to a subsidiary of the Company. Efforts of the sale has commenced and sale is expected to be completed within the next 12 months.

As at 31 March 2018, the investment property held for sale comprised the following:-

	Company	
	2018 RM'000	**2017 RM'000**
Cost	4,678	-
Accumulated depreciation	(414)	-
	4,264	-

15. Share capital

	Group and Company			
	2018		**2017**	
	Number of shares '000	**Amount RM'000**	**Number of shares '000**	**Amount RM'000**
Issued and fully paid shares:				
Ordinary shares:				
At 1 April	1,917,510	636,582	1,917,510	191,751
Share Consolidation	(958,755)	-	-	-
	958,755	636,582	1,917,510	191,751
Issued during the financial year	135,152	28,382	1,917,510	191,751
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016	-	-	-	444,831
At 31 March	1,093,907	664,964	1,917,510	636,582

a) The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group (see Note 17), all rights are suspended until those shares are reissued.

b) Included in share capital is share premium amounting to RM444,831,000 (2017: RM444,831,000) that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from the commencement of Section 74). The issuance of all shares no longer carries a par value.

15. Share capital (continued)

c) On 21 August 2017, the Company submitted formal proposals ("Proposal Letters") to the Board of Directors of Scomi Energy Services Bhd ("Scomi Energy") and Scomi Engineering Bhd ("Scomi Engineering"), which are 65.6%-owned and 72.3%-owned subsidiaries of the Company respectively, in respect of the proposed mergers of Scomi Energy and Scomi Engineering with the Company to be undertaken by way of a members' scheme of arrangement pursuant to section 366 of the Companies Act 2016 ("Proposed Mergers"). However, the shareholders of Scomi Energy did not approve the Proposed Merger with the Company.

In conjunction with the merger of Scomi Engineering with the Company, the Company undertook the following:-

- Share consolidation (2:1) exercise was carried out on 18 January 2018. 1,917,510,141 existing Shares were consolidated into 958,755,070 shares (including 3,224,350 shares held as treasury shares).
- On 22 February 2018, the issuance and allotment of 135,152,390 new shares and 13,514,050 Warrants (shares were issued at RM0.21 per share while the theoretical value attached to each warrant was determined based on the Trinomial option pricing model at RM0.113 per warrant).

d) Diluted earnings per ordinary share are not presented as the Company has no shares with potential dilutive effects as at 31 March 2018 and the warrants exercise price is more than the average share price for the period.

16. Share premium

	Group and Company	
	2018 RM'000	**2017 RM'000**
At 1 April	-	444,831
Transfer of share premium in accordance with Section 618(2) of the Companies Act 2016	-	(444,831)
At 31 March	-	-

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

17. Treasury shares

There was no repurchase of the Company's shares during the financial year. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. During the financial year, pursuant to the Share Consolidation (Note 15), 3,224,350 share were cancelled. During the financial year, 9,952,850 (2017: Nil) were sold for total value of RM1,533,226 (2017: Nil).

At the date of the reporting period, 1,250,000 (2017: 14,427,200) ordinary shares are held as treasury shares at a carrying amount of RM3,239,670 (2017: RM18,695,746), and the number of outstanding shares in issue after setting off against treasury shares is 1,092,657,460 (2017: 1,903,082,941).

18. Other reserves

	Note	Group 2018 RM'000	Group 2017 RM'000
Translation reserve	(a)	(97,856)	(79,389)
Hedging reserve	(b)	-	10,657
		(97,856)	(68,732)

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Group's net investment in a foreign operation.

(b) Hedge reserve

	Group 2018 RM'000	Group 2017 RM'000
At 1 April	10,657	4,704
Reclassification to other comprehensive income		
- Finance cost	18,561	-
Transfer to profit or loss	(29,218)	5,953
At 31 March	-	10,657

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

In December 2017, the Group has obtained approval from the bond holder for rescheduling of the bond payment. The Group also decided to discontinue cash flow hedge accounting. The related cumulative gain or loss recognised in other comprehensive income (hedge reserve) is reclassified into profit or loss.

19. Trade and other payables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Amount due to subsidiary	(b)	-	-	36,343	-
Other payables and accruals		3,738	7,374	-	-
		3,738	7,374	36,343	-
Current					
Trade payables	(a)	250,921	244,920	-	-
Amount due to:					
- subsidiaries	(b)	-	-	37,536	65,772
- associates	(b)	-	574	-	-
- joint ventures	(b)	-	682	-	-
Provisions	(c)	-	1,118	-	-
Other payables and accruals	(d)	302,122	220,107	22,956	10,442
		553,043	467,401	60,492	76,214
		556,781	474,775	96,835	76,214

(a) Trade payables

Trade payables are non-interest bearing and credit terms for trade payables range from cash term to 120 days (2017: cash term to 120 days).

(b) Amounts due to subsidiaries, associates and joint ventures

Amounts due to subsidiaries, associates and joint ventures are unsecured, non-interest bearing and repayable on demand.

In respect of the carrying amount of amount due to subsidiaries amounting to RM58,505,000 (2017: RM36,688,000) for the Company, this is unsecured, interest free and repayable in six instalments with the final instalment by the end of 2019. The repayment includes set off by transfer of property at market value estimated at RM6.5milion.

(c) Provisions

Included in provisions is an amount of RM0.7 million (2017: RM0.8 million) for certain legal claims brought against a subsidiary of the Group arising from the ordinary course of business. Management is uncertain of the expected utilisation of the balance provided as at 31 March 2018, but is of the view that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 March 2018.

(d) Other payables and accruals

Included in other payables is an amount of RM10.3 million (2017: RM2.6 million) for the amount due to one of the director of the Company and the companies connected to the director.

20. Loans and borrowings

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Guaranteed Serial Bonds - secured	76,822	49,380	-	-
Term loans - secured	37,652	36,259	-	-
Finance lease liabilities	36,470	38,022	-	95
	150,944	123,661	-	95
Current				
Guaranteed Serial Bonds - secured	27,500	52,504	-	-
Term loans - secured	209,562	251,094	-	124
Bank overdrafts - secured	79,320	78,630	-	-
Bankers' acceptances - secured	4,009	579	-	-
Revolving credits - secured	242,369	259,463	-	-
Finance lease liabilities	2,622	5,167	95	90
	565,382	647,437	95	214
	716,326	771,098	95	309

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group

	At 1 April 2017 RM'000	Net changes from financing cash flows RM'000	Interest charge/ Amortization cost RM'000	Foreign exchange movement RM'000	At 31 March 2018 RM'000
Guaranteed Serial Bond - secured	101,884	(4,460)	6,669	229	104,322
Term loans - secured	287,353	(43,182)	-	3,043	247,214
Bank overdrafts - secured	78,630	690	-	-	79,320
Bankers' acceptances - secured	579	3,430	-	-	4,009
Revolving credits - secured	259,463	(7,160)	-	(9,934)	242,369
Finance lease liabilities	43,189	(4,089)	-	(8)	39,092
Total liabilities from financing activities	771,098	(54,771)	6,669	(6,670)	716,326
Company					
Term loans - secured	124	(124)	-	-	-
Finance lease liabilities	185	(90)	-	-	95
Total liabilities from financing activities	309	(214)	-	-	95

20. Loans and borrowings (continued)

Bank overdraft and revolving credits

During the current financial year, the current portion of the Group's revolving credits and bank overdraft includes an outstanding amount of RM214.1 million (2017: RM213.2 million) relates to a subsidiary of the Group which is due for immediate repayment and further extensions of the facilities have yet to be obtained from the lenders that have provided financing for the Kuala Lumpur Monorail Fleet Expansion Project.

Security

(a) RM300.00 million Guaranteed Serial Bonds

The Bonds are secured by an irrevocable and unconditional financial guarantee insurance policy issued by Danajamin Nasional Berhad ("Danajamin") and certain Guarantors pursuant to a financial guarantee insurance facility of an aggregate principal amount of RM300 million and such amount equivalent to 1 coupon payment obligation of the Bonds.

In December 2017, the Group has obtained approval from the bond holder to extend the tenure of the bond by another two years with revised amounts and maturity dates. There was a breach in the bond covenant on EBITDA to gross debt ratio of -0.28 (2017: -0.21), in which the Company has since obtained a waiver letter from Danajamin.

(b) Other loans and borrowings

The term loans, bank overdrafts and bank borrowings of the Group are secured by:

(i) Legal charge over certain landed properties, machinery and equipment of project financed, securities and vessels of certain subsidiaries;

(ii) Negative pledge over the present and future, fixed and floating assets of certain subsidiaries;

(iii) Assignment of contract proceeds, relevant bank accounts, escrow account, rental agreement, debentures over machinery, insurance policies and performance bond;

(iv) Standby Letter of Credit ("SBLC") facility secured by corporate guarantee provided by a subsidiary company;

(v) Pledge over shares and/or acceptable stocks in subsidiaries of the Company including 455,025,400 ordinary shares in SESB for credit facilities made available to certain subsidiaries and joint-venture;

(vi) Top up and cash deficiency agreement in certain subsidiaries;

(vii) A charge over the 3-month interest of the Facility Limit placed upfront ("Upfront Deposit") in a debt service reserve account ("DSRA"); and

(viii) Corporate Guarantees from certain subsidiaries and Syarikat Jaminan Pembiayaan Perniagaan Berhad.

The management continues to appraise and have discussions with the banks on the additional collaterals that were provided for the project's banking facilities.

Loan covenant

In previous year, two loan covenants were breached in respect of compliance with debt to net cash accruals ratio and minimum tangible net worth covenant in one of the subsidiary in the Group. These covenants remain breached as at 31 March 2018. During the year, there was an additional breach in the loan covenants in adjusted tangible net worth covenant apart from the breaches in previous year in the same subsidiary.

The non-current portion of the loan amounted to RM43,108,000 (2017: RM66,500,000) was subsequently reclassed to current liabilities as the subsidiary was unable to obtain an indulgence letter as at the end of financial year.

20. Loans and borrowings (continued)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000	Future minimum lease payments RM'000	Interest RM'000	Present value of minimum lease payments RM'000
Group						
Less than one year	4,982	2,360	2,622	7,806	2,639	5,167
Between one and five years	27,190	12,819	14,371	18,689	10,703	7,986
More than five years	26,840	4,741	22,099	39,247	9,211	30,036
	59,012	19,920	39,092	65,742	22,553	43,189
Company						
Less than one year	106	11	95	101	11	90
Between one and five years	-	-	-	106	11	95
	106	11	95	207	22	185

Term loans

Included in the current portion of term loan is an amount of RM39 million (2017: RM45 million) that is related to Project III, which the project lender has issued a notification of repayment by 1 August 2018. The Group is in the process of negotiating and seeking extension from the project lender in regard to the notification of repayment.

21. Provision for retirement benefits

The Group operates an unfunded defined benefits plan for qualifying employees and vessel crew of its subsidiaries in Indonesia. Under the plan, the employees and vessel crew are entitled to retirement benefits as defined in Indonesian Labour Laws and government regulations regarding maritime.

The amounts recognised in the statement of financial position are determined as follows:

	Group	
	2018 RM'000	2017 RM'000
Non-current		
Present value of unfunded obligations	8,932	10,800
Unrecognised actuarial loss	-	-
At 31 March	8,932	10,800

21. Provision for retirement benefits (continued)

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

	Group	
	2018 RM'000	2017 RM'000
Balance at 1 April	10,800	7,359
Included in profit or loss		
Current service costs	1,621	2,645
Interest cost	258	278
Amortisation of actuarial loss	-	5
Others	(1,130)	(14)
	749	2,914
Included in other comprehensive income		
Remeasurement (gain)/loss		
Actuarial (gain)/loss arising from:		
- Demographic assumption	-	1,909
- Financial assumption	138	303
- Experience adjustment	(488)	(942)
- Foreign exchange effect	-	(213)
	(350)	1,057
Other		
Benefits paid	(2,267)	(530)
Balance at 31 March	8,932	10,800

The principal actuarial assumptions used were as follows:

	Group	
	2018	2017
Discount rates (per annum) (%)	7.0	7.5 - 8.0
Expected rates of salary increases (per annum) (%)	0.0 – 8.0	0.0 - 8.0
Normal retirement age (years)	55	55

The most recent actuarial valuation was carried out as at 24 May 2018 by independent professional actuaries using the projected unit credit method.

22. Derivative financial liabilities

Group	Nominal value 2018 RM'000	Liabilities 2018 RM'000	Nominal value 2017 RM'000	Liabilities 2017 RM'000
Cash flow hedges				
Cross currency interest rate swaps	(10,516)	(10,516)	(44,263)	(44,263)
Included in:				
Non-current liabilities		-		(21,118)
Current liabilities		(10,516)		(23,145)
		(10,516)		(44,263)

Cross currency interest rate swap contracts ("CCIRS")

The notional principal amount of the outstanding CCIRSs at 31 March 2018 were RM105 million (2017: RM105 million).

The Group had entered into CCIRSs during 2012 and 2013, that were designated as cash flow hedges to hedge the Group's exposure to foreign exchange risk on its Guaranteed Serial Bonds. These contracts entitled the Group to receive principal and fixed interest amounts in RM and obliged the Group to pay principal and fixed interest amounts in USD and the CCIRSs reflect the timing of these cash flows. These CCIRSs contracts have maturities of up to 4 years from 31 March 2014. The Group has assessed and continued to apply the same cash flow hedges to hedge the issued Guaranteed Serial Bonds.

The Group had hedged the entire balance of the RM denominated Guaranteed Serial Bonds. The USD interest rates on the CCIRSs contracts designated as hedging instruments in the cash flow hedges ranged from 4.08% to 7.30% per annum (2017: 4.08% to 7.30% per annum) and the interest rates in RM ranged from 4.10% to 7.20% per annum (2017: 4.10% to 7.20% per annum). In December 2017, the Group decided to discontinue its application of hedge accounting on the cash flow hedge. Gains and losses recognised in the CCIRSs as of 31 March 2018 will be continuously released to the profit or loss within finance cost until the expiry of the CCIRS.

23. Deferred Government grant

	Group	
	2018 RM'000	2017 RM'000
At 1 April	269	629
Amortisation for the year	(269)	(360)
At 31 March	-	269

The Group received a Government grant of RM2,155,000 in 2008 to execute and develop new technology for a monorail bogie design and development program with improvement to the design of the current monorail bogie and development of a commercially ready prototype bogie.

Amortisation over the expected life of the related assets mirrors the pattern of consumption of the related intangible assets which is estimated to be 6 years (2017: 6 years).

24. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Continuing operations				
Sales of goods	296,116	293,179	-	-
Rental/charter hire income	199,268	284,559	-	-
Rendering of services	128,185	101,186	-	-
Construction contract income	75,026	142,323	-	-
Leasing	5,423	5,456	-	-
Other	-	189	-	-
	704,018	826,892	-	-

25. Finance costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense on borrowings and finance leases	30,308	17,989	769	558
Interest on CCIRS	2,088	3,045	-	-
	32,396	21,034	769	558
Amortisation of loan arrangement	19,474	5,720	-	-
	51,870	26,754	769	558

Group's finance costs included under cost of sales for the financial year amounted to RM23,980,000 (2017: RM34,353,000).

26. Finance income

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest income of financial asset that are not at fair value through profit or loss	2,443	3,226	-	-
Other finance income	-	-	18,930	9,084
	2,443	3,226	18,930	9,084

27. Loss before tax

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss before tax is stated after charging/ (crediting):				
Amortisation:				
- Government grant	(269)	(360)	-	-
- intangible assets	430	3,051	-	-
Auditor's remuneration:				
- KPMG in Malaysia				
Statutory audit	1,932	1,932	260	260
Non-audit fees	188	323	22	22
- Overseas affiliates of KPMG Malaysian firm				
Statutory audit	2,643	1,624	-	-
- Other external auditors				
Statutory audit	325	395	-	-
Depreciation:				
- property, plant and equipment	88,316	101,771	118	162
- investment property	205	143	51	51
Loss on disposal of property, plant and equipment	6,452	1,489	-	-
Impairment losses:				
- property, plant and equipment	4,322	303	-	-
- inventories	-	7,667	-	-
- trade and other receivables	26,147	15,829	-	-
- subsidiaries	-	-	51,647	1,526
- investment in subsidiaries	-	-	440,784	381,515
- intangible assets	3,815	18,219	-	-
- investment in joint ventures	6,688	-	-	-
Termination cost for CCIRS	29,350	-	-	-
Lease rental expense:				
- land and office premises	16,510	7,631	804	1,120
- plant and machineries	12,886	1,013	-	33
Net (gain)/loss on foreign exchange:				
- realised	(6,252)	2,533	-	55
- unrealised	79,878	(61,105)	(5,936)	4,860
Provision for retirement benefits	749	2,914	-	-
Rental income from a related company	(181)	(181)	(408)	(408)
Reversal of impairment losses:				
- inventories	(4,602)	(206)	-	-
- receivables	(4,764)	(1,321)	-	-
Written off:				
- property, plant and equipment	117	407	-	-
- inventories	2,317	378	-	-

27. Loss before tax (continued)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss before tax is stated after charging/(crediting)				
Employee benefits costs (including Executive Director):				
Wages, salaries and bonuses	183,708	192,433	6,801	4,341
Defined benefit plan (Note 36)	8,998	13,737	806	682
Employment costs	369	481	-	-
Other employee benefits (including allowances)	16,945	21,812	515	1,034
	210,020	228,463	8,122	6,057

Included in the cost of sales of the Group are the cost of inventories and services of RM461,492,000 (2017: RM514,069,000) and construction contract costs of RM68,683,000 (2017: RM123,763,000).

28. Tax expense

Recognised in profit or loss

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense				
- Malaysian income tax	311	(2,721)	-	-
- Foreign income tax	21,556	12,564	-	-
	21,867	9,843	-	-
Deferred tax expense (Note 9)	(7,993)	7,405	-	-
	13,874	17,248	-	-

28. Tax expense (continued)

Recognised in profit or loss (continued)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current tax expense				
Current year	18,744	11,613	-	-
Under/(Over) provision in prior year	3,123	(1,770)	-	-
	21,867	9,843	-	-
Deferred tax expense				
Reversal and origination of temporary differences	(6,820)	8,120	-	-
Over provision in prior year	(1,173)	(715)	-	-
	(7,993)	7,405	-	-
Total income tax expense	13,874	17,248	-	-
Loss before tax	(318,208)	(148,403)	(484,255)	(398,022)
Income tax calculated using Malaysia tax rate 24% (2017: 24%)	(76,370)	(35,617)	(116,221)	(95,525)
Tax effects of:				
- non-deductible expenses	62,740	38,458	116,221	92,971
- effect of tax rates in foreign jurisdictions	3,528	4,060	-	-
- tax exempt income	(2,732)	(547)	-	(4)
- deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	24,758	30,444	-	2,558
- utilisation of previously unrecognised deferred tax assets	-	(17,065)	-	-
- under/(over) provision in prior year	1,950	(2,485)	-	-
	13,874	17,248	-	-

29. Other comprehensive (loss)/income

Group	2018 Before tax RM'000	2018 Tax (expense)/ benefit RM'000	2018 Net of tax RM'000	2017 Before tax RM'000	2017 Tax (expense)/ benefit RM'000	2017 Net of tax RM'000
Items that is or maybe reclassified subsequently to profit or loss						
Cash flow hedges						
- (Losses)/Gains arising during the year	(16,233)	-	(16,233)	9,120	-	9,120
Foreign currency translation differences for foreign operations	(21,545)	-	(21,545)	43,283	-	43,283
Retirement benefits	350	-	350	(1,270)	248	(1,022)
	(37,428)	-	(37,428)	51,133	248	51,381

30. Earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 March 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2018 RM'000	Group 2017 RM'000
Loss attributable to ordinary shareholders	(249,974)	(107,405)

Weighted average number of ordinary shares outstanding

	Group 2018 '000	Group 2017 '000
Issued ordinary shares at 1 April	1,917,510	1,917,510
Share Consolidation	(958,755)	-
Issuance of Ordinary Shares	135,152	-
	1,093,907	1,917,510
Treasury shares at 31 March 2018	(1,250)	(14,427)
Weighted average number of shares (basic)	1,092,657	1,903,083

30. Earnings per ordinary share (continued)

	Group	
	2018 sen	2017 sen
Basic earnings per ordinary share	(22.88)	(5.64)

Diluted earnings per ordinary share are not presented as the Company has no shares with potential dilutive effects as at 31 March 2018 and the warrants exercise price is more than the average share price for the period (2017: None).

31. Operating segment

Management has determined the operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM") which are used for allocating resources and assessing performance of the operating segments.

The Chief Operating Decision Maker considers the business from the industry perspective and the service rendered. The following reportable segments have been identified:

(i) Oilfield Services - supply and manufacturing of equipment, supply of a wide range of specialised chemicals and provision of services.

(ii) Transport Solutions - development, design, manufacture and supply of monorail transportation infrastructure systems equipment and services, and related engineering support services.

- manufacture, fabrication and assembly of commercial coaches, truck vehicle bodies and special purpose vehicles.

(iii) Marine Services - provision of transportation of bulk aggregates for the coal industry and other shipping related services.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Chief Operating Decision Maker ("CODM") (i.e. *the Group's Chief Executive Officer*). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Unallocated costs represent corporate expenses. Segment assets consist of property, plant and equipment, intangible assets, inventories, receivables and cash and cash equivalents, and mainly excludes investments, deferred tax assets and current tax assets. Segment liabilities comprise payables and exclude current tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return of assets of each segment.

31. Operating segment (continued)

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

Segment capital expenditure

Segment capital expenditure is the total costs incurred during the financial year to acquire property, plant and equipment, and intangible assets other than goodwill.

	External RM'000	Inter-segment RM'000	Total RM'000
2018			
Revenue			
Oilfield services	486,429	-	486,429
Transport solutions	90,061	-	90,061
Marine services	127,528	-	127,528
	704,018	-	704,018
2017			
Revenue			
Oilfield services	489,053	-	489,053
Transport solutions	162,880	-	162,880
Marine services	174,959	-	174,959
	826,892	-	826,892

31. Operating segment (continued)

2018	Oilfield services RM'000	Transport solutions RM'000	Marine services RM'000	Total RM'000	Elimination/ Unallocated cost RM'000	Total RM'000
Segment results						
Loss from operations	(87,034)	(81,814)	(56,425)	(225,273)	(6,845)	(232,118)
Finance income	913	1,147	383	2,443	-	2,443
Finance costs	(23,521)	(27,927)	(5,827)	(57,275)	5,405	(51,870)
Share of results in associates	-	-	-	-	-	-
Share of results in joint ventures	(4,029)	-	(32,634)	(36,663)	-	(36,663)
Loss before tax	(113,671)	(108,599)	(94,503)	(316,768)	(1,440)	(318,208)
Tax expense	(16,810)	(815)	(934)	(18,559)	4,685	(13,874)
Loss for the year	(130,481)	(109,409)	(95,437)	(335,327)	3,245	(332,082)
Segment assets						
Assets employed in operations	655,411	1,018,026	325,833	1,999,270	(49,390)	1,949,880
Investments in associates	-	-	7,439	7,439	-	7,439
Investments in joint ventures	16,756	-	-	16,756	8,657	25,413
Total assets employed	672,167	1,018,026	333,272	2,023,465	(40,733)	1,982,732
Other information						
Depreciation and amortisation	36,592	8,122	44,116	88,830	121	88,951
(Reductions)/Additions to non-current assets other than financial instruments and deferred tax assets	(32,223)	(11,633)	(147,879)	(191,735)	5,617	(186,118)

31. Operating segment (continued)

2017	Oilfield services RM'000	Transport solutions RM'000	Marine services RM'000	Total RM'000	Elimination/ Unallocated cost RM'000	Total RM'000
Segment results						
(Loss)/Profit from operations	(57,834)	40,828	(25,772)	(42,778)	(57,889)	(100,667)
Finance income	1,423	1,443	360	3,226	-	3,226
Finance costs	(18,265)	(48,982)	(2,341)	(69,588)	42,834	(26,754)
Share of results in associates	-	-	-	-	-	-
Share of results in joint ventures	(4,742)	-	(19,466)	(24,208)	-	(24,208)
Loss before tax	(79,418)	(6,711)	(47,219)	(133,348)	(15,055)	(148,403)
Tax expense	(8,064)	(8,111)	(1,064)	(17,239)	(9)	(17,248)
Loss for the year	(87,482)	(14,822)	(48,283)	(150,587)	(15,064)	(165,651)
Segment assets						
Assets employed in operations	826,079	1,066,833	450,298	2,343,210	31,441	2,374,651
Investments in associates	-	-	7,439	7,439	-	7,439
Investments in joint ventures	12,268	-	41,526	53,794	-	53,794
Total assets employed	838,347	1,066,833	499,263	2,404,443	31,441	2,435,884
Other information						
Depreciation and amortisation	46,523	9,287	48,934	104,744	218	104,962
Additions/(Reductions) to non-current assets other than financial instruments and deferred tax assets	5,891	(9,286)	(39,085)	(42,480)	(1,143)	(43,623)

Assets employed in segment consist of property, plant and equipment, receivables and cash and cash equivalents, and mainly exclude deferred tax assets and current tax assets. Liabilities in segment comprise payables and exclude current tax liabilities and deferred tax liabilities.

	Total revenue		Total non-current assets	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	131,013	223,461	66,512	302,830
Indonesia	110,967	163,317	260,748	397,905
Turkmenistan	68,507	82,594	4,346	6,815
Russia	90,706	74,574	7,565	8,355
	401,193	543,946	339,171	715,905

With the exception of the countries disclosed above, no other individual country contributed more than 10% of consolidated revenue or assets.

Revenue is disclosed based on the location of the rail project, sales of goods, services or rental/charter hire. Total non-current assets are determined based on where the assets are located.

31. Operating segment (continued)

The following are the major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	2018 RM'000	**2017 RM'000**	
Customer A	*	82,273	Marine
Customer B	73,883	*	Oilfield
	73,883	82,273	

*contributed less than 10% during the current financial year

Revenue for 1 (2017: 1) major customer constitutes 10.5% (2017: 9.9%) of total consolidated revenue.

32. Financial instruments

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(i) Loans and receivables ("L&R");
(ii) Fair value through profit or loss ("FVTPL");
(iii) Available-for-sale financial assets ("AFS"); and
(iv) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets			
2018			
Group			
Available-for-sale financial assets	108	-	108
Trade and other receivables*	967,630	967,630	-
Cash and bank balances	102,127	102,127	-
	1,069,865	1,069,757	108
Company			
Trade and other receivables*	52,192	52,192	-
Cash and bank balances	78	78	-
	52,270	52,270	-

32. Financial instruments (continued)

(a) Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets (continued)			
2017			
Group			
Available-for-sale financial assets	170	-	170
Trade and other receivables*	1,043,325	1,043,325	-
Cash and bank balances	163,815	163,815	-
	1,207,310	1,207,140	170
Company			
Trade and other receivables*	82,345	82,345	-
Cash and bank balances	32	32	-
	82,377	82,377	-

* Excluding prepayments

	Carrying amount RM'000	FL RM'000	FVTPL RM'000
Financial liabilities			
2018			
Group			
Loans and borrowings	716,326	716,326	-
Trade and other payables	556,781	556,781	-
Derivative financial liabilities	10,516	-	10,516
	1,283,623	1,273,107	10,516
Company			
Loans and borrowings	95	95	-
Trade and other payables	96,835	96,835	-
	96,930	96,930	-
2017			
Group			
Loans and borrowings	771,098	771,098	-
Trade and other payables	474,775	474,775	-
Derivative financial liabilities	44,263	-	44,263
	1,290,136	1,245,873	44,263
Company			
Loans and borrowings	309	309	-
Trade and other payables	76,214	76,214	-
	76,523	76,523	-

32. Financial instruments (continued)

(b) Net gains and losses arising from financial instruments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Net (loss)/gain on:				
Fair value through profit or loss	(2,088)	(3,045)	-	-
Loans and receivables	(3,546)	15,124	-	-
Financial liabilities measured at amortised cost*	(51,870)	(26,754)	(769)	(558)
	(57,504)	(14,675)	(769)	(558)

* Being the finance costs incurred by the Group and the Company respectively.

(c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and balances and deposits placed with licensed banks. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties that are regulated and with sound credit rating.

Exposure to credit risk, credit quality and collateral

The Group and the Company do not hold any collateral from their customers.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 365 days, which are deemed to have higher credit risk, are monitored individually.

32. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2018 RM'000	**2017 RM'000**
Malaysia	86,833	88,737
Other Asia	74,573	109,417
Middle East and Africa	39,673	66,247
Other countries	23,459	1,648
	224,538	266,049

Impairment losses

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	**Gross RM'000**	**Individual impairment RM'000**	**Net RM'000**
2018			
Not past due	100,612	-	100,612
Past due 0 - 30 days	41,191	-	41,191
Past due 31 - 120 days	28,860	-	28,860
More than 120 days	114,173	(60,298)	53,875
	284,836	(60,298)	224,538
2017			
Not past due	126,657	-	126,657
Past due 0 - 30 days	44,697	-	44,697
Past due 31 - 120 days	64,564	-	64,564
More than 120 days	94,597	(64,466)	30,131
	330,515	(64,466)	266,049

32. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2018 RM'000	**2017 RM'000**
As at 1 April	64,466	47,276
Impairment loss recognised	13,056	16,551
Impairment loss reversed	(7,399)	(2,043)
Currency translation differences	(9,825)	2,682
As at 31 March	60,298	64,466

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

As at the end of the reporting period, the Company does not provide unsecured financial guarantees to banks in respect of banking facilities granted to its subsidiaries.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in short-term deposits placed with licensed banks and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in short-term deposits placed with licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

Intercompany loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

32. Financial instruments (continued)

(d) Credit risk (continued)

Intercompany loans and advances (continued)

The movements in the allowance for impairment losses of intercompany balances during the financial year was:

	Company	
	2018 RM'000	**2017 RM'000**
As at 1 April	103,722	102,259
Impairment loss recognised	51,647	1,463
As at 31 March	155,369	103,722

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group 2018	**Carrying amount RM'000**	**Contractual interest rate/ coupon %**	**Contractual cash flows RM'000**	**Under 1 Year RM'000**	**1 - 2 years RM'000**	**2 - 5 Years RM'000**	**More than 5 years RM'000**
Non-derivative financial liabilities							
Loans and borrowings	716,326	1.10 to 14.45	794,968	613,661	90,841	55,310	35,156
Trade and other payables	556,781	-	556,781	553,043	3,738	-	-
	1,273,107		1,351,749	1,166,704	94,579	55,310	35,156
Derivative financial liabilities							
Interest rate swaps:							
- Outflow	10,516	4.08 to 7.30	61,835	61,835	-	-	-
- Inflow	-	4.10 to 7.20	(51,370)	(51,370)	-	-	-
	1,283,623		1,362,214	1,177,169	94,579	55,310	35,156

32. Financial instruments (continued)

(e) Liquidity risk (continued)

Maturity analysis (continued)

Group 2017	Carrying amount RM'000	Contractual interest rate/ coupon %	Contractual cash flows RM'000	Under 1 Year RM'000	1 - 2 years RM'000	2 - 5 Years RM'000	More than 5 years RM'000
Non-derivative financial liabilities							
Loans and borrowings	771,098	1.10 to 12.45	856,191	647,238	65,989	103,717	39,247
Trade and other payables	474,775	-	474,775	470,379	4,396	-	-
	1,245,873		1,330,966	1,117,617	70,385	103,717	39,247
Derivative financial liabilities							
Interest rate swaps:							
- Outflow	44,263	4.08 to 7.30	161,154	6,970	154,184	-	-
- Inflow	-	4.10 to 7.20	(115,784)	(5,235)	(110,549)	-	-
	1,290,136		1,376,336	1,119,352	114,020	103,717	39,247
Company							
2018							
Non-derivative financial liabilities							
Other payables	22,956	-	22,956	22,956	-	-	-
Loans and borrowings	95	2.31 to 6.95	95	95	-	-	-
Amount due to subsidiaries*	73,879	-	73,879	73,879	-	-	-
	96,930		96,930	96,930	-	-	-
2017							
Non-derivative financial liabilities							
Other payables	10,442	-	10,442	10,442	-	-	-
Loans and borrowings	309	2.31 to 6.95	309	214	74	21	-
Amount due to subsidiaries*	65,772	-	65,772	65,772	-	-	-
	76,523		76,523	76,428	74	21	-

* Included in the amount due to subsidiaries is amount due to Scomi Oiltools Bermuda Limited ("SOBL") for inter-company balances. The amount is payable on demand and SOBL has the rights to call the loan. However, SOBL is a wholly owned subsidiary of the Company and can offset the payable balance by paying dividend to the Company, capital repayment and capital reduction which is estimated to be completed in near future. The proposed plan was approved by the Board of Directors on 22 May 2015.

32. Financial instruments (continued)

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group Entities. The currencies giving rise to this risk are primarily *U.S. Dollar ("USD"), Indian Rupee ("INR") and Brazilian Real ("BRL").*

Risk management objectives, policies and processes for managing the risk

The Group maintains a natural hedge, whenever possible, by borrowing in currencies or entering into Cross currency interest rate swap contracts ("CCIRS") that match the future revenue stream to be generated from its investments.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group Entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in		
2018	**USD RM'000**	**INR RM'000**	**BRL RM'000**
Balances recognised in the statement of financial position			
Group			
Trade and other receivables	6,891	350,251	167,029
Cash and bank balances	358	156	51
Loans and borrowings	(116,782)	(52,326)	-
Trade and other payables	(82,183)	(15,487)	(58,147)
Net exposure	(191,716)	282,594	108,933
Company			
Cash and bank balances	18	-	-
Intra-group balances	(544)	-	-
Net exposure	(526)	-	-
2017			
Balances recognised in the statement of financial position			
Group			
Trade and other receivables	33,878	358,012	180,839
Cash and bank balances	7,104	277	5,327
Loans and borrowings	(130,964)	(60,142)	-
Trade and other payables	(107,321)	(9,212)	(52,488)
Net exposure	(197,303)	288,935	133,678
Company			
Cash and bank balances	20	-	-
Intra-group balances	2,128	-	-
Net exposure	2,148	-	-

32. Financial instruments (continued)

(f) Market risk (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis

A 10% (2017: 10%) strengthening of the RM against the following currencies at the end of the reporting period would have increased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant.

	Group Profit or loss		Company Profit or loss	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
USD	14,570	14,995	40	(307)
INR	(21,477)	(21,959)	-	-
BRL	(8,279)	(10,160)	-	-

A 10% (2017: 10%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The Group also uses hedging instruments such as cross currency interest rate swaps to minimise its exposure to interest rate volatility.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial assets	54,576	24,940	-	-
Financial liabilities	(143,415)	(145,197)	(95)	(309)
	(88,839)	(120,257)	(95)	(309)
Floating rate instruments				
Financial liabilities	(572,911)	(625,810)	-	-

32. Financial instruments (continued)

(f) Market risk (continued)

(ii) Interest rate risk (continued)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Equity		**Profit or loss**	
Group	**100 bp increase RM'000**	**100 bp decrease RM'000**	**100 bp increase RM'000**	**100 bp decrease RM'000**
2018				
Floating rate instruments	-	-	(3,492)	3,492
2017				
Floating rate instruments	-	-	(4,757)	4,757

(g) Hedging activities

(i) Cash flow hedge

The Group has entered into an interest rate swap to hedge the cash flow risk in relation to the fixed interest rate of Guaranteed Serial Bonds. The interest rate swap has the same nominal value of RM105,000,000 (2017: RM105,000,000) and is settled every six months, consistent with the interest repayment schedule of the bond.

The following table indicates the periods in which the cash flows associated with the interest rate swap are expected to occur and affect profit or loss:

Group	**Carrying amount RM'000**	**Expected cash flows RM'000**	**Under 1 Year RM'000**	**1 - 2 years RM'000**	**2 - 5 Years RM'000**
2018					
Interest rate swap	10,516	10,465	10,465	-	-
2017					
Interest rate swap	44,263	45,370	1,735	43,635	-

In previous year, a gain of RM5,488,000 was recognised in other comprehensive income and loss of RM3,680,000 was reclassified from equity to profit or loss as finance expenses.

32. Financial instruments (continued)

(g) Hedging activities (continued)

(i) Cash flow hedge (continued)

On December 2017, the Group has obtained approval from the bond holder for rescheduling of the bond payment and the cross currency interest rate swap had to be closed. Therefore, cash flow hedge accounting is discontinued prospectively and the hedge is no longer highly effective. The related cumulative gain or loss recognised in other comprehensive income (hedge reserve) is reclassified into profit or loss.

(h) Fair value of information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group 2018	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
Financial assets										
Available-for-sale financial asset	108	-	-	108	-	-	-	-	108	108
Financial liabilities										
Bonds	-	-	-	-	-	-	104,322	104,322	104,322	104,322
Cross currency interest rate swaps	-	10,516	-	10,516	-	-	-	-	10,516	10,516
Term loans	-	-	-	-	-	-	247,214	247,214	247,214	247,214
Bankers' acceptances	-	-	-	-	-	-	4,009	4,009	4,009	4,009
Revolving credits	-	-	-	-	-	-	242,369	242,369	242,369	242,369
Finance lease liabilities	-	-	-	-	-	-	39,092	39,092	39,092	39,092
	-	10,516	-	10,516	-	-	637,006	637,006	647,522	647,522
Company										
Financial assets										
Amount due from subsidiary	-	-	-	-	-	-	49,770	49,770	49,770	49,770
Financial liabilities										
Term loans	-	-	-	-	-	-	-	-	-	-
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

32. Financial instruments (continued)

(h) Fair value of information (continued)

Group 2017	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Fair value of financial instruments not carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets										
Available-for-sale financial asset	170	-	-	170	-	-	-	-	170	170
Financial liabilities										
Bonds	-	-	-	-	-	-	101,884	101,884	101,884	101,884
Cross currency interest rate swaps	-	44,263	-	44,263	-	-	-	-	44,263	44,263
Term loans	-	-	-	-	-	-	287,353	287,353	287,353	287,353
Bankers' acceptances	-	-	-	-	-	-	579	579	579	579
Revolving credits	-	-	-	-	-	-	259,463	259,463	259,463	259,463
Finance lease liabilities	-	-	-	-	-	-	43,189	43,189	43,189	43,189
	-	44,263	-	44,263	-	-	692,468	692,468	736,731	736,731
Company										
Financial assets										
Amount due from subsidiary	-	-	-	-	-	-	73,400	73,400	73,400	79,423
Financial liabilities										
Term loans	-	-	-	-	-	-	124	124	124	124
Finance lease liabilities	-	-	-	-	-	-	185	185	185	185
	-	-	-	-	-	-	309	309	309	309

32. Financial instruments (continued)

(h) Fair value of information (continued)

Level 2 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2017: no transfer in either directions).

Level 3 fair value

Financial instruments not carried at fair value

Type used	Description of valuation technique and inputs
Bank loans, finance leases and Guaranteed Serial Bonds	Discounted cash flows using a rate based on current market rate of borrowing of the respective Group entities at the reporting date.

33. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 March 2018 and at 31 March 2017 were as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Total loans and borrowings (Note 20)	716,326	771,098
Less: Cash and bank balances (Note 13)	(102,127)	(163,815)
Net debt	614,199	607,283
Total equity	361,633	574,113
Net debt-to-equity ratio	1.70	1.06

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Securities Berhad Practice Note No. 17/2005, the Group is required to maintain a consolidated shareholders' equity equal to or not less than 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

The Group is also required to comply with various financial covenants, details of which are set out in Note 20.

34. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Less than one year	4,191	7,524	-	2,021
Between one and five years	5,738	9,997	-	1,515
More than five years	-	584	-	-
	9,929	18,105	-	3,536

The Group and the Company lease office space under operating leases. The leases typically run for a period of 3 years from date of agreement, with an option to renew the leases after that date.

Office space has been sublet by the Company to its subsidiaries. The lease and sublease expire in December 2018.

Leases as lessor

The Group lease out their fleet of coaches under operating leases. The future minimum lease receivables under non-cancellable leases are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Less than one year	5,085	5,520	-	-
Between one and five years	5,884	10,969	-	-
	10,969	16,489	-	-

35. Other commitments and contingent liabilities

	Group	
	2018 RM'000	**2017 RM'000**
Authorised capital expenditure but not recognised in the financial statements		
Not contracted	34,847	37,252
Analysed as:		
Property, plant and equipment	33,055	32,843
Others	1,792	4,409
Contingent liabilities		
Taxation	2,000	2,200

The Directors are of the opinion that provisions are not required in respect of the contingent liabilities, as it is not probable that a future sacrifice of economic benefits will be required.

36. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with subsidiaries, associates and key management personnel.

36. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into, in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the transactions below are shown in Notes 10 and 19.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
A. Subsidiaries				
Interest income on advances	-	-	8,133	7,791
Rental income on investment properties	-	-	408	408
B. Related parties				
Share registration fee paid to Symphony	131	109	28	49
Human resources services fee paid to Symphony	289	344	11	153
Airline ticketing services provided by Lintas	807	947	125	299
Rental income for office - Suria	(181)	-	-	-
Advances to SEB	-	-	7,790	13,296
Advances from SESB	-	-	5,027	(103)

Symphony Share Registers Sdn. Bhd., Symphony Corporatehouse Sdn. Bhd. and Symphony BPO Solutions Sdn. Bhd. (collectively known as "Symphony") and Lintas Travel & Tours Sdn. Bhd. ("Lintas") are companies connected to certain Directors.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
C. Key management personnel				
Salaries and short-term employee benefits	2,774	5,741	511	2,247
Defined contribution plan	228	451	58	237
Termination benefits	-	296	-	-
	3,002	6,488	569	2,484

Other key management personnel comprise persons other than the Directors of Group Entities, having authority and responsibility for planning, directing and controlling the activities of the Group Entities either directly or indirectly.

37. Directors' remuneration

The aggregate amount of emoluments received/receivable by Directors of the Company during the financial year is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-executive directors				
Fees	775*	825	551*	555
Other emoluments	137	136	101	90
	912	961	652	645
Executive director				
Salaries and bonuses	480	-	-	-
Fees	748*	753	-	-
Defined contribution plan	58	-	-	-
Estimated monetary value of benefits-in-kind	31	-	-	-
Other emoluments	14	13	-	-
	1,331	766	-	-
	2,243	1,727	652	645

* The proposed annual Directors' fees are subject to the shareholders' approval at the forthcoming Annual General Meeting of the Company or of the respective subsidiary.

38. Significant event during the financial year

(a) Significant events in relation to the Project II:

During the financial year, the following events have occurred in relation to Project II:

i) Following the signing of TSC, on 3 May 2017, PMB served a letter to STP, stating that the last Condition Precedent ("Last CP") under the TSC has not been fulfilled within the Conditions Precedent period and therefore the TSC has automatically lapsed and become null and void. Subsequent to the letter, STP, PMB and STP's lenders had continued discussions on the status of satisfaction of the Last CP. On 16 May 2017, STP officially provided an additional document with regard to the issue.

ii) On 26 May 2017, the Court further adjourned the Appeal Hearing to 12 July 2017 and fixed the matter for final case management on the same day should the matter not be resolved by then. The order of the Court restraining PMB from appointing another contractor for the Project II is further extended until 12 July 2017. On 12 July 2017, the interim injunction lapsed and the Appeal Hearing was postponed to 28 August 2017. On 28 August 2017, the Court fixed the Appeal for case management on 1 November 2017 and adjourned for further case management on 6 December 2017, 12 March 2018, 31 May 2018 and 31 July 2018. The latest further case management date is fixed on 6 September 2018.

iii) On 14 June 2017, STP issued a Notice of Dispute to PMB to refer the Dispute to a Dispute Adjudication Board ("DAB") for resolution in accordance with the contract provisions. Both STP and PMB agreed to dispense reference of the alleged nullification dispute to the DAB and to refer the Dispute directly to arbitration.

iv) On 28 June 2017, PMB communicated in writing to STP stating that it was maintaining its position that the last condition precedent of the TSC had not been fulfilled within the Conditions Precedent Period and that therefore the TSC has automatically lapsed and become null and void.

v) On 3 July 2017, STP filed an Action in the High Court against PMB with respect to the alleged nullification by PMB of the TSC dated 3 March 2017. In the action, STP is seeking for interim relief pursuant to Section 11 of the Arbitration Act 2005, claiming that PMB by itself or its directors, managers, officers, employees, servants, agents or otherwise restrained and for an injunction to be granted restraining PMB from appointing a third party contractor or any party whatsoever to complete the remaining and/or any works under the TSC pending resolution via arbitration between STP and PMB pursuant to Clause 20 of the Principal Contract in respect of the validity of the TSC, for costs and further or other relief which the Court deems fit and proper ("Action"). This Action was fixed for hearing on 31 July 2017 and subsequently adjourned to 14 August 2017. On 14 August 2017, the Court fixed the matter for clarification and decision on 11 September 2017 and subsequently the decision was re-fixed to 19 September 2017. On 19 September 2017, the High Court disallowed the Action.

vi) On 17 October 2017, STP filed an appeal against the decision by the High Court on the Action and the appeal was fixed for case management on 22 November 2017, 21 December 2017, 15 January 2018 and 24 January 2018. At the case management of the appeal on 24 January 2018, SEB withdrew this appeal.

vii) On 13 July 2017, STP issued a Notice of Arbitration against PMB to resolve the Dispute between STP and PMB by way of arbitration. The arbitration proceedings commenced on 9 August 2017. The hearing of the arbitration was on 13 November 2017 and was continued on various dates in 2018. The latest continued arbitration hearing dates were initially fixed for 30 July 2018 and 31 July 2018. Subsequently, this hearing is adjourned by the arbitrator until further notice.

38. Significant event during the financial year (continued)

(b) Significant events in relation to the merger of SEB with SGB:

On 21 August 2017, the Company submitted formal proposals ("Proposal Letters") to the Board of Directors of Scomi Energy Services Bhd ("Scomi Energy") and Scomi Engineering Bhd ("Scomi Engineering"), which are 65.6%-owned and 72.3%-owned subsidiaries of the Company respectively, in respect of the proposed mergers of Scomi Energy and Scomi Engineering with the Company to be undertaken by way of a members' scheme of arrangement pursuant to section 366 of the Companies Act 2016 ("Proposed Mergers"). However, the shareholders of Scomi Energy did not approve the Proposed Merger with the Company.

In conjunction with the merger of SEB with the Company, the Company undertook the following:-

- Share consolidation (2:1) exercise was carried out on 18 January 2018. 1,917,510,141 existing Shares were consolidated into 958,755,070 shares (including 3,224,350 shares held as treasury shares).

- On 22 February 2018, the issuance and allotment of 135,152,390 new shares and 13,514,050 Warrants (shares were issued at RM0.21 per share while the theoretical value attached to each warrant was determined based on the Trinomial option pricing model at RM0.113 per warrant).

The Corporate Exercise was completed on 22 February 2018 and SEB became a wholly-owned subsidiary of the Company. On 28 February 2018, the shares of SEB were delisted from the Official List of Bursa Securities.

39. Significant events subsequent to the financial year end

Subsequent to the financial year, the following events have occurred in relation to Project III:

a) On 22 May 2018, a project lender issued a notification of repayment to the Group for a repayment of approximately USD0.6 million (equivalent to about RM2.3 million), which was due on 16 May 2018.

b) On 5 June 2018, the Company announced the undertaking of a private placement of new ordinary shares of up to ten percent (10.0%) of its issued share capital to independent third-party investor(s). The proceeds from this private placement are proposed to be utilised for the Company's and its subsidiaries' working capital requirements such as operating expenses, payment for staff salaries and trade creditors.

c) On 10 July 2018, a project lender informed SEB that they were in the midst of honouring a claim from a bank who had called for the performance of the standby letter of credit for the sum of USD10 million (equivalent to about RM39 million) on 6 July 2018 issued by the project lender. On 13 July 2018, the project lender made a full payment of USD10 million (equivalent to about RM39 million) to the bank.

d) SEB had received a notice of demand dated 16 July 2018 from this project lender for a sum of USD10.7 million (equivalent to about RM41.3 million), which comprises the monies paid on the called SBLC mentioned above and interest payable with other charges of USD0.7 million (equivalent to about RM2.3 million). SEB is required to repay the demand sum within 14 days of the notice, the last day being on 1 August 2018. On 24 July 2018, SEB had written an appeal to the project lender for an extension of time to repay the sum demanded and concurrently proposed a repayment plan.

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 50 to 160 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2018 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Liew Willip
Director

Shah Hakim @ Shahzanim bin Zain
Director

Petaling Jaya

Date: 31 July 2018

Statutory Declaration pursuant to Section 251(1) b of the Companies Act 2016

I, **Chacko Kunjuvaru**, the officer primarily responsible for the financial management of Scomi Group Bhd, do solemnly and sincerely declare that the financial statements set out on pages 50 to 160 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Chacko Kunjuvaru, I/C No: 770103-01-7229, MIA CA 23373, at Petaling Jaya in the State of Selangor Darul Ehsan on 31 July 2018.

Chacko Kunjuvaru

Before me:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scomi Group Bhd, which comprise the statements of financial position as at 31 March 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 160.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material Uncertainty Related to Going Concern

We draw your attention to Note 1(b) to the financial statements which indicate that the Group and the Company have incurred net losses of approximately RM332.1 million and RM484.3 million respectively for the year ended 31 March 2018 and at that date, the Group has net current asset of RM80.0 million and the Company has net current liabilities of RM53.8 million. As stated in Note 1(b), these events and conditions, along with the other matters set forth in Note 1(b)(i), (ii), (iii) and (iv) indicate that a material uncertainty exists that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

i) Recognition of contract revenue, related receivables and liabilities

Refer to Note 2(q)(iii) – Significant accounting policy: Construction contracts and Note 24 - Revenue.

The key audit matter

The construction industry is characterised by contract risk with significant judgements involved in the assessment of both current and future contract financial performance. Profit on construction and long-term services contracts are recognised in accordance with MFRS 111 based on the stage of completion of contract activity. This is assessed by reference to the proportion of contract costs incurred for the work performed at the reporting date relative to the estimated total costs of the contract at completion.

The key risk for our audit is the appropriateness of recognition of profit on contracts because of the significant judgement involved in preparing appropriate estimates and forecast of costs and revenue on contracts. An estimation or forecasting error could result in a material variance in the amount of profit or loss recognised to date and the current year.

Key Audit Matters (continued)

i) Recognition of contract revenue, related receivables and liabilities (continued)

The key audit matter (continued)

As the status of contracts are updated on a regular basis, the Directors are required to exercise significant judgement in the assessment of contract variations which would impact the forecast profits on contracts. These judgements include the expected recovery of costs arising from variations to the contracts requested by the customers, claims made against the customers for delays or other additional costs for which the customers are liable, liquidated damages, the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within the forecasted timelines.

The contracts finalisation may result in a wide range of outcome. The final outcome on each contract can be individually material as it is dependent on the level of judgement exercised by the Directors. In addition, changes in these judgements, and the related estimates, as the contracts progresses, could result in material adjustments to revenues and margins, and related receivables and liabilities which can be both positive or negative.

We selected all the contracts secured by the Group within its rail segment for detailed testing.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We evaluated the Group's contract revenue accounting process. We tested a sample of the controls in this process including the yearly preparation of project cost re-estimation and progress claim certifications and approvals;

- For these selected contracts customers:
    - We read the contracts terms and conditions to assess whether the critical and unique characteristics of each contract were reflected in the Directors' estimate;
    - We assessed the cost to complete estimates by (1) understanding the activities required to complete the project, (2) analysing the costs of those activities compared to the independent expert's report, and (3) using our knowledge of the contract characteristics to challenge the completeness of costs and activities;
    - We challenged the financial assessment of the contract progress and percentage of completion adopted through independent discussion with finance, commercial and operational management. We compared the outcome of our discussions with the underlying records;
    - We tested contract variations, claims and liquidated damages by comparing their value to underlying records and using our knowledge of the expected level of issues arising. The underlying records included legal or expert's reports commissioned by the Group in regard to contentious matters/cases;
    - We assessed the legal and independent experts' reports received on contentious matters such as claims on liquidated damages and extensions of time. Where we sought to rely on the work of that expert, we evaluated the professional competence and objectivity of that expert;
    - We assessed the ability to deliver contracts within the budgeted timelines and any exposure to liquidated damages for late delivery of contracts works; and
    - We assessed post-balance sheet performance to support year end judgements.

- We assessed whether the amounts recognised in the financial statements of the Group were in line with the Group's accounting policy and relevant accounting standards, and whether they represented a balanced view of the risks and opportunities in respect of the forecast profit to completion;

- We performed site visits to physically inspect the stage of completion of certain projects and identify areas of complexity through observation and discussion with site personnel;

- We inspected the signed contracts for key clauses to identify relevant contractual mechanisms such as the sharing of cost overruns with the customer, contractual damages and success fees and assess whether these key clauses have been appropriately reflected in the amounts included in the forecasts;

- We assessed the recoverability of related receivables, including testing of post year end cash receipts, and adequacy of any provisions through completion of the above procedures;

- We inspected correspondences with customers or other information which may indicate the non-recoverability of the related receivables; and

Key Audit Matters (continued)

i) Recognition of contract revenue, related receivables and liabilities (continued)

How the matter was addressed in our audit (continued)

- o We assessed the adequacy of the disclosures in the financial statements of the Group in respect of the judgements taken with respect to profit recognition and the key risks relating to these amounts and to any significant contracts.

ii) Valuation of goodwill and other intangible assets

Refer to Note 2(f)(i) and 2(f)(iii) – Significant accounting policy: Goodwill and other intangible assets and Note 5 – Intangible assets.

The key audit matter

As disclosed in Note 5, as at 31 March 2018, the Group has intangible assets consisting of:

a. Goodwill allocated to Oilfield Services of RM102.1 million and Transport Solutions of RM48.8 million; and

b. Other intangibles assets in relation to:

- Capitalised development costs of Monorail of RM104.6 million and drilling waste equipment of RM4.1 million; and

- Capitalised development costs work-in-progress of Mass rapid transit/Propulsion of RM17.4 million.

In relation to goodwill, the Group is required to perform an annual impairment assessment.

In relation to other intangible assets, the Group is required to assess for indicators of impairments in respect of other intangible assets. Where indicators of impairment are identified, a full impairment assessment is performed.

These assessments involve significant judgement in the application of valuation models and assumptions. As a consequence, there is a risk that goodwill and other intangible assets may be overstated. An impairment loss of RM3,815,000 has been recognised to profit or loss by the Group during the year.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We assessed the Group's impairment model and the discounted cash flow projections prepared by management and approved by Directors which support their goodwill impairment review;

- o We challenged the reasonableness of the discounted cash flow projections and the evidence supporting the underlying assumptions used by the Group, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;

- o We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;

- o We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value;

- o We reassessed management's assessment on the existence of impairment indicators for other intangible assets and assessed the appropriateness of the amortisation period to understand whether the amortisation period remains appropriate; and

- o We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

Key Audit Matters (continued)

iii) Valuation of marine vessels

Refer to Note 2(d) – Significant accounting policy: Property, plant and equipment and Note 3 – Property, plant and equipment.

The key audit matter

As disclosed in Note 3, the Group held a significant carrying amount of marine vessels of RM259.8 million included in the Group's property, plant and equipment as at 31 March 2018. As the Marine Services sector continues to be affected by the weakening of the oil and gas, and coal markets in the recent years, this is an indication that these marine vessels might be impaired. An impairment loss of RM4,322,000 has been recognised to profit or loss by the Group during the year.

The Group estimated the recoverable amount of the marine vessels by preparing a discounted cash flow projections or relying on external valuation report. These assessments involved significant judgement in the application of expert valuations or valuation models and assumptions.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

Discounted cash flow projections:

- o We assessed the Group's impairment model and the discounted cash flow projections prepared by management and approved by Directors which support their marine vessels impairment review;
- o We challenged the reasonableness of the discounted cash flow projections and the evidence supporting the underlying assumptions used by the Group, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- o We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;
- o We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value; and
- o We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

External valuation report:

- o We assessed the valuations report obtained from the external valuation expert engaged by the Group against the externally available market data. We also assessed the competency, capabilities and objectivity of the expert through available data research.

iv) Recoverability of trade receivables

Refer to Note 2(c) – Significant accounting policy: Financial instruments and Note 10 – Trade and other receivables.

The key audit matter

As disclosed in Note 10, the Group held a significant balance of trade receivables that amounted to RM831.6 million as at 31 March 2018. There is a risk over the recoverability of these balances as the decline in oil and gas, and coal markets has affected the offshore drilling activities and coal transportation business over the past two years.

There is significant judgement involved in assessing the adequacy of impairment loss in respect of trade receivables balances. Therefore, there is a risk that impairment loss of trade receivables has not been adequately accounted for.

Key Audit Matters (continued)

iv) Recoverability of trade receivables (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We tested the Group's controls over the receivables collection processes;
- o We assessed the accuracy of trade receivables ageing report used to assess the adequacy of impairment loss of trade receivables. We also assessed the historical trading experience and collection trend of these customers;
- o We assessed the post year-end cash collections against year-end trade receivables and investigated the significant individual overdue balances by reference to recent history of recoveries on these balances and checked review the correspondences with the customers;
- o We assessed the historical accuracy of impairment loss of trade receivables and the level of bad debt write-offs during the year; and
- o We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the degree of estimation involved in arriving at the impairment loss of trade receivables.

v) Valuation of inventories

Refer to Note 2(h) – Significant accounting policy: Inventories and Note 12 – Inventories.

The key audit matter

As disclosed in Note 12, the Group has significant inventory balances of RM126.9 million as at 31 March 2018 which mainly arise from its oilfield services, such as chemicals and consumables as at 31 March 2018. As the oilfield services sector continues to be affected by the weakening of the oil and gas market in the recent years, this is an indication that these inventories might be slow moving or obsolete.

There is significant judgement involved in assessing the level of inventory provision required in respect of write-down of inventories. Therefore, there is a risk that write-down of inventories have not been adequately provided for.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We assessed the design and effectiveness of controls over identifying write-downs of inventories and obtaining an understanding of the Group's process for measuring the amount of write-down required. These controls are also designed to identify inventories that are sold below its cost;
- o We assessed the Group's provision for those inventories identified as slow moving, or potentially slow moving, by assessing the ageing of inventory maintained by the Group. We also tested the accuracy of the ageing of inventory used for this purpose; and
- o We tested a sample of inventories to sales subsequent to the year end and ascertained that these were sold at prices higher than their net book values.

vi) Recognition of deferred tax assets

Refer to Note 2(s) – Significant accounting policy: Income tax and Note 9 – Deferred tax assets/(liabilities).

The key audit matter

As disclosed in Note 9, the Group has recognised deferred tax assets which arise from unabsorbed tax losses, unabsorbed capital allowance, and other temporary differences of RM31.5 million. The Group also has unrecognised deferred tax assets in respect of unabsorbed tax losses, unabsorbed capital allowance, reinvestment allowance and other timing differences. The recognition or non-recognition of deferred tax assets in respect of unabsorbed tax losses, unabsorbed capital allowance, reinvestment allowance and other timing differences is based on judgement in respect of the timing and quantum of expected future taxable income and the ability of the Group to offset any of their accumulated losses against these expected taxable income.

Key Audit Matters (continued)

vi) Recognition of deferred tax assets (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We considered, amongst other things, historical levels of the taxable income, the historical accuracy of forecasts, the growth forecasts used by the Group, and the period over which those forecasts are applied. This included critically assessing the assumptions and judgements made by the Directors in those forecasts, by using our knowledge of the Group and the industry in which they operate, and by comparing growth assumptions to externally derived data; and
- o We assessed the adequacy of the disclosures in the financial statements of the Group in respect of the basis of the deferred tax balance and the level of estimation involved.

vii) Valuation of investment in subsidiaries (Company level)

Refer to Note 2(a)(i) – Significant accounting policy: Subsidiaries and Note 6 – Investments in subsidiaries.

The key audit matter

As at 31 March 2018, the Company have investment in subsidiaries with an aggregated carrying amount of RM397.4 million (86% of the total assets of the Company) mainly in respect of investment in Scomi Energy Services Berhad and Scomi Engineering Berhad as disclosed in Note 6. These entities had incurred operating losses for the financial year ended 31 March 2018. This increased the risk that the carrying amount of the Company's investment in subsidiaries might exceed their recoverable amount. Based on the impairment assessment performed by management, an impairment loss of RM440.8 million was recorded for the current year.

We identified the carrying value of the Company's investment in subsidiaries as a key audit matter because of its significance to total assets in the Company's financial statements and it required us to exercise judgement in evaluating the appropriateness of the assumptions used in deriving the recoverable amount to assess the adequacy of management impairment loss provision.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We reassessed the Company's assessment on indicators of impairment in investment in subsidiaries;
- o We challenged the reasonableness of the discounted cash flow projections and the evidence supporting the underlying assumptions used by the Company, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- o We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;
- o We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value; and
- o We assessed the adequacy of the disclosures in the financial statements of the Company in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Annual Report and, in doing so, consider whether the Annual Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Muhammad Azman bin Che Ani
Approval Number: 02922/04/2020 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 31 July 2018

Directors of subsidiary companies of the Company

The list of directors who served on the boards of the subsidiary companies of the Company during the financial year until the date of the Directors' Report is set out below.

Name of Subsidiary Company	Name of Director
Scomi Precision Engineering Sdn Bhd	Mukhnizam bin Mahmud Abu Zaharoff bin Abu Bakar
Global Learning and Development Sdn Bhd	Rohaida binti Ali Badaruddin Azah binti Othman Dinest Jayaratnam Chelvathurai (resigned on 10 October 2017)
Scomi OBM Terminal Sdn Bhd	Shah Hakim @ Shahzanim bin Zain Kanesan a/l Veluppillai (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi Enviro Sdn Bhd	Mukhnizam bin Mahmud Abu Zaharoff bin Abu Bakar
Scomi Energy Sdn Bhd	Mukhnizam bin Mahmud Rohaida binti Ali Badaruddin
Scomi Chemicals Sdn Bhd	Zubaidi bin Harun Rohaida binti Ali Badaruddin (appointed on 26 May 2018) Mazlina binti Zain (resigned on 25 May 2018)
Scomi International Private Limited (Singapore)	Shah Hakim @ Shahzanim bin Zain Dato' Sreesanthan a/l Eliathamby Lee Chun Fai Mukhnizam bin Mahmud Manoj Mohanka Tatang Tabrani
Scomi Ecosolve Limited (BVI)	Shah Hakim @ Shahzanim bin Zain Abu Zaharoff bin Abu Bakar
Scomi Solutions Sdn Bhd	Abu Zaharoff bin Abu Bakar Rohaida binti Badaruddin
Scomi Engineering Berhad	Shah Hakim @ Shahzanim bin Zain Kanesan a/l Veluppillai Datuk Zainun Aishah binti Ahmad (resigned on 31 March 2018) Dato' Ikmal bin Hashim (resigned on 31 March 2018) Cyrus Eruch Daruwalla (resigned on 31 March 2018) Liew Willip (resigned on 31 March 2018)
Scomi Trading Sdn Bhd	Rohaida binti Ali Badaruddin Zubaidi bin Harun
Scomi Transportation Systems Sdn Bhd	Rohaida binti Ali Badaruddin Zubaidi bin Harun Dato' Siddiq Firdause bin Mohd Ali (resigned on 25 April 2018)
Scomi Coach Marketing Sdn Bhd	Rohaida binti Ali Badaruddin Zubaidi bin Harun Mohammed Suhaimi bin Yaacob (resigned on 1 March 2018)
Scomi Coach Sdn Bhd	Rohaida binti Ali Badaruddin Zubaidi bin Harun Mohammed Suhaimi bin Yaacob (resigned on 1 March 2018)
Scomi Rail Bhd	Rohaida binti Ali Badaruddin Zubaidi bin Harun Mohammed Suhaimi bin Yaacob (resigned on 1 March 2018)

Appendix

Directors of subsidiary companies of the Company (continued)

Name of Subsidiary Company	Name of Director
Scomi Special Vehicles Sdn Bhd	Rohaida binti Ali Badaruddin Zubaidi bin Harun Mohammed Suhaimi bin Yaacob (resigned on 1 March 2018)
Scomi Transit Projects Brazil Sdn Bhd	Rohaidi binti Ali Badaruddin L. Joseph Nixon a/l S. Lourdesamy
Scomi Transit Projects Brazil (Sao Paulo) Sdn Bhd	Rohaida binti Ali Badaruddin L. Joseph Nixon a/l S. Lourdesamy
Scomi Transit Projects Sdn Bhd	Rohaida binti Ali Badaruddin L. Joseph Nixon a/l S. Lourdesamy
Urban Transit Servicos Do (Brazil)	Karalyn Rachel Kenton Moreira
Urban Transit Private Limited	Kanesan Veluppillai Stanislaus Roshan Anthonysamy Mohammed Suhaimi bin Yaacob (resigned on 1 March 2018)
Quark Fabricacao De Equipamentos Ferroviarios E Servicos De Engenharia LTDA (Brazil)	Hilmy Zaini bin Zainal Karalyn Rachel Kenton Moreira Halan Lemos Moreira
Scomi Oiltools Bermuda Limited (Bermuda)	Mukhnizam bin Mahmud Abu Zaharoff bin Abu Bakar
Scomi Oiltools Overseas (M) Limited (Mauritius)	Mukhnizam bin Mahmud Abu Zaharoff bin Abu Bakar
Scomi Oiltools (Europe) Ltd (Scotland)	Stephen Fredrick Bracker
Scomi Oiltools Inc (Texas, USA)	Abu Zaharoff bin Abu Bakar Michael Kent Walker
Scomi Oiltools de Mexico RL de CV (Mexico)	Stephen Fredrick Michael Kent Walker
KMC Oiltools Algerie EURL (Algeria)	John McDonald
Oilfield Services de Mexico S de RL de CV (Mexico)	Stephen Fredrick Bracker Michael Kent Walker
Scomi Energy Services Bhd	Dato' Sri Meer Sadik bin Habib Mohamed Dato' Jamelah Binti Jamaluddin Lee Chun Fai Shah Hakim @ Shahzanim bin Zain Stephen Fredrick Bracker Ravinder Singh Grewal Sarbjit S Tan Sri Nik Mohamed bin Nik Yaacob (resigned on 19 July 2018)
Scomi Oilfield Limited	Tatang Tabrani Aminuddin Yusof Lana Shah Hakim @ Shahzanim bin Zain Dato' Kamaluddin bin Abdullah (resigned on 24 January 2018) Tan Sri Nik Mohamed bin Nik Yaacob (resigned on 19 July 2018)
Scomi Oiltools Sdn Bhd	Hilmy Zaini bin Zainal (appointed on 30 April 2018) Zubaidi bin Harun (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018) Shah Hakim @ Shahzanim bin Zain (resigned on 30 April 2018)

Directors of subsidiary companies of the Company (continued)

Name of Subsidiary Company	Name of Director
Scomi Oiltools Pty Ltd	Hilmy Zaini bin Zainal Ian Duncan Crabb Nicholas Harold Doust (appointed on 31 October 2017) Dinesh Jayaratnam Chelvathurai (resigned on 31 October 2017)
KMCOB Capital Berhad	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud
Scomi Oiltools Ltd	Hilmy Zaini bin Zainal (appointed on 30 April 2018) Ramesh Veetikat Ramachandran (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi KMC Sdn Bhd	Aminuddin bin Omar Azaddin Hilmy Zaini bin Zainal (appointed on 17 July 2018) Shah Hakim @ Shahzanim bin Zain (resigned on 17 July 2018)
Scomi Equipment Inc (Texas, USA)	Stephen Fredrick Bracker Nicholas Harold Doust (appointed on 6 May 2018) Joseph Daniel Farrar (resigned on 6 May 2018)
Scomi Oiltools (Thailand) Ltd	Nicholas Harold Doust Hilmy Zaini bin Zainal (appointed on 1 May 2018 Mukhnizam bin Mahmud Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi Oiltools Oman LLC	<u>Authorised Managers</u> Michael George Fielding Ramesh Veetikat Ramachandran Norasazly bin Mohd Taha Muhammad Farook Khalid Muhammad Alizubair Alzubair Rashad Muhammad Alzubair Alzubair
Scomi Oiltools (Cayman) Ltd	Shah Hakim @ Shahzanim bin Zain Ramesh Veetikat Ramachandran
PT Inti Jatam Pura	Dick Sadikin Sapi'ie Mastura binti Mansor
PT Multi Jaya Persada	Dick Sadikin Sapi'ie Mastura binti Mansor
PT Scomi Oiltools	Erwin Ariyanto Mastura Binti Mansor Mukhnizam Bin Mahmud Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi Oiltools (S) Pte Ltd (Singapore)	Mukhnizam bin Mahmud Tan Hoon Gee
Scomi Oiltools (Africa) Limited	Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
KMC Oiltools India Private Limited	Pradip Kumar Sinha Mukhnizam bin Mahmud Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Wasco Oil Service Company Nigeria Limited	Chief Samuel Odu Ezediaro Michael George Fielding Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)

Directors of subsidiary companies of the Company (continued)

Name of Subsidiary Company	Name of Director
Scomi Oiltools (RUS) Limited Liability Company	Hilmy Zaini bin Zainal Mukhnizam bin Mahmud
Trans Advantage Sdn Bhd	Mukhnizam bin Mahmud Abu Zaharoff bin Abu Bakar
Scomi Anticor S.A.S	Ramesh Veetikat Ramachandran Jessie Chan Daniel Bertrand
Scomi Sosma Sdn Bhd	Hilmy Zaini bin Zainal (appointed on 30 April 2018) Zubaidi bin Harun (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi Marine Services Pte Ltd	Mukhnizam bin Mahmud Tan Hoon Gee Shah Hakim @ Shahzanim bin Zain Rohaida binti Ali Badaruddin Mohd Rashid bin Jamil (resigned on 23 July 2018)
PT Rig Tenders Indonesia Tbk	<u>Commissioners</u> Tatang Tabrani Mohammad Faisal Ibrahim Syed Abdullah bin Syed Abd Kadir <u>Directors</u> Abdul Rahman Abbas Mukhnizam Bin Mahmud Mastura Binti Mansor Chacko Kunjuvaru
Rig Tenders Marine Pte Ltd	Mukhnizam Bin Mahmud Tan Hoon Gee
Rig Tenders Offshore Pte Ltd	Shah Hakim @ Shahzanim bin Zain Sean Lee Yun Feng Koh Eng Pew
CH Ship Management Pte Ltd	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud Tan Hoon Gee Koh Eng Pew
CH Logistics Pte Ltd	Shah Hakim @ Shahzanim bin Zain Mukhnizam Bin Mahmud Tan Hoon Gee
Grundtvig Marine Pte Ltd	Kanesan A/L Veluppillai Mukhnizam Bin Mahmud Tan Hoon Gee Koh Eng Pew
PT Batuah Abadi Lines	Mukhnizam Bin Mahmud Abdul Hadi
Scomi D&P Sdn Bhd	Shah Hakim @ Shahzanim bin Zain Mukhnizam Bin Mahmud

Directors of subsidiary companies of the Company (continued)

Name of Subsidiary Company	Name of Director
Scomi Oiltools Egypt S.A.E	Amira Saad Zaghloul Muhammad Asri Bin Omar Nor Azly Taha
Scomi Argentina Sociedad Anonima (Argentina)	Osmar Ely Julio Cesar Pulisich
KMC Oiltools BV (Netherlands)	Stephen Fredrick Bracker Orangefield (Netherlands) B.V.

Analysis of Shareholdings as at 30 June 2018

Total number of issued shares	: 1,093,907,460 ordinary shares
Class of shares	: Ordinary shares
Voting rights	: One vote per ordinary share
No. of shareholders	: 20,308

Distribution of Shareholdings as at 30 June 2018

Size of shareholding	Shareholder		Shareholding	
	No. of Shareholders	%	No. of Shares Held	%*
Less than 100	533	2.62	17,226	Negligible
100 to 1,000	3,314	16.32	2,209,986	0.20
1,001 to 10,000	9,897	48.73	47,275,582	4.32
10,001 to 100,000	5,613	27.64	183,531,133	16.78
100,001 to less than 5% of issued shares	950	4.68	626,881,668	57.31
5% and above of issued shares	1	Negligible	233,991,865	21.39
Total:	**20,308**	**100.00**	**1,093,907,460**	**100.00**

List of Top Thirty (30) Largest Shareholders as at 30 June 2018

No	Name of Shareholder	No. of Shares Held	%*
1.	IJM Corporation Berhad	233,991,865	21.39
2.	UOBM Nominees (Asing) Sdn Bhd TAEL One Partners Ltd for Amadia Investments Ltd	54,318,700	4.97
3.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Multi-Purpose Credit Sdn Bhd for Kaspadu Sdn Bhd	41,526,527	3.80
4.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	23,631,740	2.16
5.	Kaspadu Sdn Bhd	17,698,315	1.62
6.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kaspadu Sdn Bhd (SBSSB 1311005)	13,500,000	1.23
7.	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Kaspadu Sdn Bhd (SFC)	12,850,000	1.17
8.	Bara Aktif Sdn Bhd	12,784,285	1.17
9.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Abu Sahid Bin Mohamed	8,005,000	0.73
10.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Vun Kon @ Chung Vun Kon (E-TWU)	8,000,000	0.73
11.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Nik Awang @ Wan Azmi bin Wan Hamzah	7,857,142	0.72

List of Top Thirty (30) Largest Shareholders as at 30 June 2018

No	Name of Shareholder	No. of Shares Held	%*
12.	Lim Fong Peng @ Lim Fung Feng	7,246,120	0.66
13.	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Gajahrimau Capital Sdn Bhd	6,875,000	0.63
14.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Bank Julius Baer & Co Ltd (Singapore Bch)	6,082,500	0.56
15.	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account – AmBank (M) Berhad for Tan Kian Hong (SMART)	5,763,000	0.53
16.	UOBM Nominees (Tempatan) Sdn Bhd TOIC Investments Ltd for Zubaidi bin Harun	4,985,000	0.46
17.	Sng Beng Hong Michael	4,250,000	0.39
18.	CIMB Group Nominees (Asing) Sdn Bhd Exempt An for DBS Bank Ltd (SFS)	4,150,000	0.38
19.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C – NR)	4,015,928	0.37
20.	RHB Capital Nominees (Tempatan) Sdn Bhd Chong Vun Kon @ Chung Vun Kon (T-471122)	4,000,000	0.37
21.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Seow Lun Hoo @ Seow Wah Chong (PB)	3,981,150	0.36
22.	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	3,800,750	0.35
23.	Maybank Securities Nominees (Asing) Sdn Bhd Exempt An for Maybank Kim Eng Securities Pte Ltd (A/C 648849)	3,800,000	0.35
24.	Low Chu Mooi	3,573,571	0.33
25.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tung Ah Kiong (E-KLG)	3,514,050	0.32
26.	Au Yong Mun Yue	3,500,000	0.32
27.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Beng Hock	3,300,000	0.30
28.	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lau Yau Yan (SMT)	3,000,000	0.27
29.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kho Chong Yau (E-TSA)	2,685,000	0.25
30.	UOBM Nominees (Tempatan) Sdn Bhd TOIC Investments Ltd for Helmy Had bin Sabtu	2,515,000	0.23

Shareholding of Substantial Shareholders as at 30 June 2018

Name of Shareholder	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%*
IJM Corporation Berhad	233,991,865	21.39	-	-
Kaspadu Sdn Bhd	85,574,842[1]	7.82	562,670[2]	0.05
Shah Hakim @ Shahzanim Bin Zain	1,865,049[3]	0.17	88,726,369[4]	8.11
Dato' Kamaluddin Bin Abdullah	-	-	86,137,512[5]	7.87
Amadia Investments Ltd	75,818,700[6]	6.93	-	-
TAEL One Partners Ltd (acting in its capacity as the general partner of The Asian Entrepreneur Legacy One, L.P.) (the "**Fund**")	-	-	75,818,700[7]	6.93
United Overseas Bank Limited	-	-	75,818,700[8]	6.93

Notes:

(1) 67,876,527 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominees (Tempatan) Sdn Bhd and UOB Kay Hian Nominees (Tempatan) Sdn Bhd.
(2) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through its shareholding in Onstream Marine Sdn Bhd.
(3) 886,214 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim Bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim Bin Zain.
(4) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Kaspadu Sdn Bhd and Rentak Rimbun Sdn Bhd.
(5) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Kaspadu Sdn Bhd.
(6) Held through UOBM Nominees (Asing) Sdn Bhd for TAEL One Partners Ltd for Amadia Investments Ltd and HLG Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients).
(7) Deemed interested by virtue of Section 8(4) of the Companies Act 2016. Amadia Investments Ltd is an investment vehicle of the Fund.
(8) Deemed interested by virtue of its investment in the Fund.

Shareholding of Directors as at 30 June 2018

Name of Shareholder	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%*
Scomi Group Bhd				
Dato' Mohammed Azlan Bin Hashim	-	-	-	-
Tan Sri Nik Mohamed Bin Nik Yaacob	-	-	-	-
Dato' Sreesanthan A/L Eliathamby	-	-	-	-
Dato' Abdul Hamid Bin Sh Mohamed	-	-	-	-
Foong Choong Hong	205,000	0.02	-	-
Lee Chun Fai	-	-	-	-
Cyrus Eruch Daruwalla	-	-	-	-
Liew Willip	-	-	-	-
Shah Hakim @ Shahzanim Bin Zain	1,865,049[(1)]	0.17	88,726,369[(2)]	8.11

Related Companies
- Scomi Energy Services Bhd

Name of Shareholder	Direct		Indirect	
	No. of Shares Held	%	No. of Shares Held	%*
Shah Hakim @ Shahzanim Bin Zain	2,108,000[(4)]	0.09	56,900[(3)]	#

Notes:
- # Negligible.
- (1) 886,214 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim Bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim Bin Zain.
- (2) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Kaspadu Sdn Bhd and Rentak Rimbun Sdn Bhd.
- (3) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Rentak Rimbun Sdn Bhd.
- (4) Held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim Bin Zain (Margin).

Analysis of Shareholdings as at 30 June 2018

Total number of warrants issued : 1,093,907,403 ordinary shares

No. of warrants outstanding : One vote per ordinary share

Exercise price of warrants : RM0.21

Expiry date of warrants : 18 February 2023

Distribution of warrant holdings as at 30 June 2018

Size of Warrant Holdings	No. of Holders		No. of Holdings		% of Holdings	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
Less than 100	888	35	25,173	567	0.01	0.00
100 to 1,000	5,509	48	2,737,037	25,983	0.56	0.01
1,001 to 10,000	9,471	151	34,714,280	618,174	7.07	0.13
10,001 to 100,000	2,713	71	74,677,299	2,193,519	15.20	0.45
100,001 to less than 5% of issued shares	340	33	198,267,455	33,863,805	40.36	6.89
5% and above of issued shares	1	1	116,996,768	27,159,350	23.81	5.53
Total:	**18,924**	**339**	**427,418,012**	**63,861,398**	**87.00**	**13.00**

List of Top Thirty (30) Largest Warrant Holders as at 30 June 2018

No	Name of Warrantholders	No. of Warrantholdings	%
1	IJM Corporation Berhad	116,996,768	23.81
2	UOBM Nominees (Asing) Sdn Bhd TAEL One Partners Ltd for Amadia Investments Ltd	27,159,350	5.53
3	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Multi-Purpose Credit Sdn Bhd for Kaspadu Sdn Bhd	20,763,263	4.23
4	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	11,255,298	2.29
5	Kaspadu Sdn Bhd	8,849,157	1.80
6	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Lian Hong (8092237)	7,222,600	1.47
7	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Cheng Kuan (8058893)	7,000,000	1.42
8	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kaspadu Sdn Bhd (Sbssb1311005)	6,750,000	1.37
9	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account For Kaspadu Sdn. Bhd. (SFC)	6,425,000	1.31
10	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chong Vun Kon @ Chung Vun Kon (E-TWU)	4,900,000	1.00

List of Top Thirty (30) Largest Warrant Holders as at 30 June 2018

No	Name of Shareholder	No. of Shares Held	%*
11	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Piang Kok	4,213,600	0.86
12	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Abu Sahid Bin Mohamed	4,002,500	0.81
13	RHB Capital Nominees (Tempatan) Sdn Bhd Lee Leong Lai (T-471274)	4,000,000	0.81
14	Lim Fong Peng @ Lim Fung Feng	3,623,060	0.74
15	ABB Nominee (Tempatan) Sdn Bhd Pledged Securities Account For Gajahrimau Capital Sdn Bhd	3,437,500	0.70
16	HSBC Nominees (Asing) Sdn Bhd Exempt An for Julius Baer & Co. Ltd (Singapore Bch)	3,041,250	0.62
17	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lai Cheng Kuan (8070081)	2,990,000	0.61
18	RHB Capital Nominees (Tempatan) Sdn Bhd Chong Vun Kon @ Chung Vun Kon (T-471122)	2,900,000	0.59
19	Lee Mee Kuen	2,500,000	0.51
20	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yiew Peng Cheng	2,500,000	0.51
21	UOBM Nominees (Tempatan) Sdn Bhd TOIC Investments Ltd for Zubaidi Bin Harun	2,492,500	0.51
22	Sng Beng Hock Michael	2,125,000	0.43
23	Citigroup Nominees (Asing) Sdn Bhd CBNY For DFA Emerging Markets Small Cap Siries	2,054,750	0.42
24	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB For Seow Lun Hoo @ Seow Wah Chong (PB)	1,990,575	0.41
25	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	1,984,575	0.40
26	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,957,325	0.40
27	Maybank Securities Nominees (Asing) Sdn Bhd Exempt An for Maybank Kim Eng Securities Pte Ltd (A/C 648849)	1,900,000	0.39
28	Yeoh Sooi Bar	1,837,000	0.37
29	Mohammed Abdulaziz S Alajaji	1,602,157	0.33
30	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for United Flagship Sdn Bhd (PB)	1,597,900	0.33

List of Properties

No	Registered Owner	Description/ Location address	Existing use	Tenure of land: Freehold or leasehold (years)/date of acquisition	Land/ Built Up area	Audited NBV as at 31.03.18 (RM '000)	Approximate age of building (FY2018)
1	P.T. Rig Tenders Indonesia, Tbk	Office building Wisma Rig Tenders Jl. Dr Saharjo No.129 Jakarta12860	Office building	Freehold 29.07.1993	Land area: n/a Built- up area: 512 sq metres	-	18 years
2	P.T. Rig Tenders Indonesia, Tbk	Land Jl. Dr Saharjo No.129 Jakarta 12860	Land for the building as mentioned in item 1	Freehold 01.01.1997	Land area: 490 sq metres Built up area: n/a	1,479.93	n/a
3	P.T. Rig Tenders Indonesia, Tbk	Land Jl Belitung Darat No.88 Banjarmasin 70116	Land for the building as mentioned in item 4	Freehold 09.01.2003	Land area: 190 sq metres Built-up area: n/a	10.80	n/a
4	P.T. Rig Tenders Indonesia, Tbk	Office building Jl Belitung Darat No.88 Banjarmasin 70116	Office building	Freehold 06.05.1997	Land area: n/a Built-up area: 972 sq metres	-	23 years
5	Scomi Oiltools Sdn Bhd	Master: Land held under Geran 46494, Lot 42410 Pekan Cempaka, Daerah Petaling, Negeri Selangor, Malaysia (formerly known as PT 42410 H.S.(D) 135924 part of Geran 35997 Lot 102 Geran 40176 Lot 15386 and Geran 43061 Lot 15386, Mukim of Sungai Buloh Daerah Petaling, Negeri Selangor, Malaysia)	Five storey shop office	Freehold 31.10.1999	Built up area: 11,755 sq ft	Land & building: 170	21 years

List of Properties

No	Registered Owner	Description/ Location address	Existing use	Tenure of land: Freehold or leasehold (years)/date of acquisition	Land/ Built Up area	Audited NBV as at 31.03.18 (RM '000)	Approximate age of building (FY2018)
6	Scomi Sosma Sdn Bhd	Land held under Geran 250133, Lot 7627, Mukim of Sepang, Selangor Darul Ehsan	Land	Freehold 7.4.2011	Land area: 0.7412 hectares	176.00	n/a
		Land held under Geran 250134, Lot 7628, Mukim of Sepang, Selangor Darul Ehsan	Land	Freehold 7.4.2011	Land area: 0.6229 hectares	148.00	n/a
		Land held under Geran 250135, Lot 7629, Mukim of Sepang, Selangor Darul Ehsan	Land	Freehold 7.4.2011	Land area: 0.6993 hectares	166.00	n/a
7	Scomi Engineering Bhd	Land and Buliding EMR 2751 Lot 795 and EMR 2616 Lot 796 Mukim Serendah Daerah Hulu Selangor Malaysia	Factory and Office	Leasehold 02.11.2016 (15 years)	Land area: 61,714m^2 Building area: 26,556m^2	Land: 7,263 Buildings: 27,397	Building 1: 8.75 years Building 2: 21.25 years
8	Scomi Group Bhd	Land and buliding: Geran 58840 Lot 64254 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Office and warehouse	Freehold 23.12.2009	Land area: 1,575m^2 Building area: 1,795m^2	Land and building: 4,265	13 years

Corporate Directory

CORPORATE

Malaysia

Scomi Group Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Engineering Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Rail Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Energy Services Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Oiltools Sdn Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Sosma Sdn Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

OPERATING LOCATIONS

Australia
Scomi Oiltools Pty Ltd
15 Boulder Road, Malaga
Perth, Western Australia 6090
Australia

Argentina
Scomi Argentina SA
Avenida San Martin 924
30 Piso, Ciudad Capital
5500 Mendoza
Argentina

Brazil
Urban Transit Servicos do Brasil Ltda
Av Eng Luis Carlos Berrini
1700, 110 Andar
Cidade Monções 04571-000
Sao Paulo, Brasil

Congo
Oiltools Africa Ltd
Zone Industrielle de la Foire
Avenue Jean Marie Mavoungou
BP 685 Pointe Noire
Republique du Congo

China
Scomi Oiltools Ltd
Beijing Representative Office
Room A0910, Tower A
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No.8 Beichendonglu Road
Chao Yang District, Beijing
China

Egypt
Oiltools Egypt SAE
56 Farida Queen St from Ahmed
Badawy
Merage - Maadi
Cairo, Egypt

France
Scomi Anticor SAS
6 Avenue des Amandiers
Z.A. du Mardaric
04310 Peyruis, France

Gabon
Scomi Oiltools (Africa) Ltd
Boulevard Ondimba
BP: 1591, Port Gentil
Gabon Republic

India
Urban Transit Pvt Ltd
C/o Mumbai Monorail
Administration Building
Nr Anik Bus Depot
Wadala Truck Terminal II
Wadala East 400 031, Mumbai
India

KMC Oiltools India Pvt. Ltd
Unit No.305, Western Edge II
3rd Floor, Near Western Express
Highway
Borivali (E), Mumbai 400066
Maharashtra
India

Indonesia
PT Rigtenders Indonesia TBK
Tetrapack Bld. 1st floor,
Jl. Buncit Raya Kav. 100
South of Jakarta
Indonesia

PT Scomi Oiltools
Jl.Mulawarman No.155
Rt 05, Kelurahan Manggar
Balikpapan76116
East Kalimantan
Indonesia

PT Rig Tenders Indonesia
PT Batuah Abadi Lines
Jl.Belitung Darat No.88
Rt 19, Banjarmasin
South Kalimantan
Indonesia

PT Scomi Oiltools
Jl. Raya Duri Dumai KM 131
Duri, Pekanbaru
Sumatra 28884
Indonesia

Malaysia
Scomi Coach Sdn Bhd
Scomi Coach Marketing Sdn Bhd
Scomi Special Vehicles Sdn Bhd
Scomi Rail Bhd
Lot 795, Jalan Monorel,
Sungai Choh, 48000 Rawang
Selangor Darul Ehsan
Malaysia

Global Research & Technology
Centre
No. 9 Jalan Astaka U8/83
Seksyen U8, 40150 Shah Alam
Selangor Darul Ehsan
Malaysia

Scomi Oiltools Sdn Bhd
(Kemaman)
Warehouse 24, Letterbox No.72
Kemaman Supply base
24007 Kemaman
Terengganu Darul Iman
Malaysia

Scomi Oiltools Sdn Bhd (Labuan)
Labuan Integrated Base
Lot 205331935, Jalan Kinabenua
Letter Box 82023
87030 Labuan Federal Territory
Labuan, Malaysia

Marine Co Limited
Level 6-D, Main Office Tower
Financial Park, Jalan Merdeka
PO Box 80887
87018 Labuan Federal Territory
Labuan, Malaysia

Scomi Oiltools Sdn Bhd (Miri)
Lot 2164, 1st Floor Saberkas
Commercial Centre
Jalan Pujut-Lutong
98000 Miri, Sarawak
Malaysia

Scomi Sosma
Lot 32, Tangjung Kidurong
97000 Bintulu, Sarawak
Malaysia

Myanmar
Scomi Oiltools (Thailand) Ltd
C/o: Business Suite #4-11
Level 4, Sedona Hotel Yangon
No.1 Kaba Aye Pagoda Road
Yankin Township, Yangon
Myanmar

Nigeria
Wasco Oil Service Company Nigeria LTD
No.9 Wharf Road,
Before Onne Police Station
Onne, Rivers State,
Nigeria

Wasco Oil Service Company Nigeria LTD
Onne Oil & Gas Free Zone Complex
Onne, Rivers State,
Nigeria

Oman
Scomi Oiltools Oman LLC
Building 272, Way No 44803,
Office No 1104 (2nd Floor)
P.O. Box 302, Postal Code 130, Azaiba
Oman

Pakistan
Scomi Oiltools LTD
Plot No. 212, East Service Road,
Industrial Area I-10/3
Islamabad
Pakistan

Scomi Oiltools Ltd
Plot No. A-146
SITE, Superhighway
Karachi
Pakistan

Russia
Scomi Oiltools (Rus)
Bld.1, 24/2 Sretenka Str.
107045 Moscow
Russia

Western Siberia Office
Bld.8, 5 Kuzovatkina Str.
628600 Nizhnevartovsk
Tyumen Region
Russia

Western Siberia Office
Quarter 04 Block 01
Yugozapadnaya Industrial District
628305 Nefteyugansk Town
Tyumen Region
Russia

Saudi Arabia
Scomi Oiltools (Cayman) Ltd
803, 8th Floor, Al Jarbou Tower
Custodian of the Two Holy Mosque Rd
Aqrabia P.O.Box 31151
Al Khobar 31952
Saudi Arabia

Thailand
Scomi Oiltools (Thailand) Ltd
21 Floor CTI Tower, 191/45,
Ratchadapisek Road, Khet Klongtoey
Bangkok 10110
Thailand

Scomi Oiltools (Thailand) Ltd
163, Moo 6 Tumbol Lankrabue
Amphur Lankrabue
Kamphaengphet
62170 Thailand

Scomi Oiltools (Thailand) Ltd
424/9, Moo 6 Songkhla-Koh Yor Road
Amphur Muang, Songkhla
Kamphaengphet
90100 Thailand

Turkmenistan
Scomi Oiltools Ltd
Office L7, 12th Floor,
Berkarar Business Center
82, Ataturk (1972) Street
744028 Ashgabat
Turkmenistan

Scomi Oiltools Ltd
(Turkmenistan Branch)
High Road 9 Kilometer
745030 Hazar
Turkmenistan

Scomi Oiltools Ltd
(Turkmenistan Branch)
Petronas Base, Turkmenbashy City
Balkan Region

UAE
Scomi Oiltools (Cayman) Ltd
Mezzanine Floor M02, Liwa Tower
P.O Box 45333, Liwa Street,
Abu Dhabi
United Arab Emirates

Scomi Oiltools (Cayman) Ltd
Oilfield Supply Centre, Building B-40,
Jebel Ali Free Zone
P.O. Box 1779
Dubai
United Arab Emirates

USA
Scomi Equipment Inc
6607 Theall Road,
Houston/ TX 77066,
Texas
USA

Vietnam
Scomi Oiltools Ltd
C/o: 9A, Pham Van Nghi
Thang Nhat ward
Vung Tau City
Vietnam

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of **SCOMI GROUP BHD** (the "**Company**") will be held at Persatuan Alumni Universiti Malaya, Lot 10476, Jalan Susur Damansara (Jalan Damansara Lama), Off Jalan Gegambir, 50480 Kuala Lumpur on Friday, 24 August 2018 at 2.30 p.m. to transact the following business:

AS ORDINARY BUSINESS:

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 and the Reports of the Directors and Auditors thereon. (Please refer to note 8)

2. To re-elect the following Directors who retire by rotation in accordance with Article 82 of the Articles of Association of the Company and who being eligible, offer themselves for re-election:
   (i) Shah Hakim @ Shahzanim bin Zain (Resolution 1)
   (ii) Lee Chun Fai (Resolution 2)

3. To re-elect Mr Sammy Tse Kwok Fai who retires by rotation in accordance with Article 89 of the Articles of Association of the Company and who being eligible, has offered himself for re-election. (Resolution 3)

4. To approve the payment of Directors' fees amounting to RM550,684.90 for Non-Executive Directors in respect of the financial year ended 31 March 2018. (Resolution 4)

5. To approve the payment of Directors' remuneration (excluding Directors' fees) to Non-Executive Directors up to an amount of RM200,000.00, from 25 August 2018 until the next Annual General Meeting of the Company. (Resolution 5)

6. To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 March 2019 and to authorise the Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

7. **Authority for Dato' Sreesanthan a/l Eliathamby to continue to act in office as Independent Non-Executive Director** (Resolution 7)

   "**THAT** authority be and is hereby given to Dato' Sreesanthan a/l Eliathamby who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2017."

8. **Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** (Resolution 8)

   "**THAT**, subject to the Companies Act 2016, the Articles of Association of the Company and the approvals of the relevant governmental and/or regulatory authorities, where necessary, the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot shares in the Company, at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares to be issued and allotted pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company for the time being **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

9. To transact any other business of the Company for which due notice shall have been given in accordance with the Companies Act 2016 and the Articles of Association of the Company.

By Order of the Board

SIM BEE SIN (MAICSA 7056323)
Company Secretary
Petaling Jaya
Date: 31 July 2018

Notes:

(1) Other than an exempt authorised nominee, a member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies (but not more than two) to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.

(2) Where a member or an exempt authorised nominee appoints two proxies, the appointments shall be invalid unless he or it specifies the proportion of his or its holding to be represented by each proxy.

(3) Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds with ordinary shares standing to the credit of the said Omnibus Account.

(4) The instrument for the appointment of a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the meeting will act as your proxy.

(5) The instrument for the appointment of a proxy must be completed and deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the 16th Annual General Meeting ("AGM") or any adjournment thereof, and in case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid.

(6) The lodging of a completed Form of Proxy to the Share Registrar of the Company will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so. Should you subsequently decide to attend and vote in person at the meeting, you are requested to rescind your earlier appointment of proxy(ies), and notify the Share Registrar of the Company as soon as practicable.

(7) For the purpose of determining a member who shall be entitled to attend this 16th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57 and 58 of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 17 August 2018. Only a depositor whose name appears on the General Meeting Record of Depositors as at 17 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his or its behalf.

Audited Financial Statements for the financial year ended 31 March 2018 and the Reports of the Directors and Auditors thereon

(8) The Audited Financial Statements under Agenda 1 are laid before the shareholders for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016 (the "Act"), the Audited Financial Statements do not require a formal approval of the shareholders and hence, the matter is not put forward for voting.

Explanatory notes on Special Businesses

(9) Ordinary Resolution 7 - Authority for Dato' Sreesanthan a/l Eliathamby ("Dato Sreesanthan") to continue to act in office as an Independent Non-Executive Director

Dato' Sreesanthan was appointed as an Independent Non-Executive Director of the Company for a cumulative period of nine (9) years, since 18 April 2006 until 26 April 2015. On 27 April 2015, Dato' Sreesanthan was re-designated from Independent Non-Executive Director to Non-Independent Non-Executive Director of the Company in view that his tenure of service has exceeded a cumulative term of nine (9) years, upon the recommendation of the Nomination and Remuneration Committee ("NRC").

On 24 July 2018, the Board has via the NRC conducted an evaluation on the re-appointment of Dato' Sreesanthan as an Independent Non-Executive Director, and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the justifications set out in the Corporate Governance Overview Statement in the Annual Report 2018.

(10) Ordinary Resolution 8 - Proposed renewal of the authority for Directors to issue and allot shares

The ordinary resolution 8 above is proposed for the purpose of granting a renewed general mandate for issuance and allotment of shares by the Company under Sections 75 and 76 of the Act, and if passed, will give the Directors the authority, from the date of the 16th AGM, to issue and allot shares in the Company at any time up to an aggregate amount not exceeding ten percent (10%) of the issued and paid-up share capital of the Company for such purposes as the Directors may deem fit and in the interest of the Company ("Share Mandate").

This Share Mandate, unless revoked or varied at a General Meeting, will expire at the conclusion of the next AGM of the Company. With this Share Mandate, the Company will have the flexibility to undertake any possible fund raising activities, including but not limited to further placing of shares, for any purpose, including funding future investment project(s), working capital and/or acquisition(s) without convening a General Meeting, which may delay the capital raising initiatives and incur relevant costs in organising the required General Meeting.

The Company had, during its 15th AGM held on 25 August 2017, obtained shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. As at the date of this Notice, the Company has not issued any new shares under the Share Mandate which was approved at the 15th AGM held on 25 August 2017 and which lapse at the conclusion of the 16th AGM.

Abstention from voting

(11) The interested Directors of the Company who are shareholders of the Company will abstain from voting on the relevant resolutions in respect of their re-election as the Directors of the Company at the 16th AGM.

(12) All the Non-Executive Directors ("NEDs") of the Company who are shareholders of the Company will abstain from voting on Ordinary Resolutions 4 and 5 concerning remuneration to the NEDs at the 16th AGM.

Personal data privacy

(13) By lodging of a completed Form of Proxy to the Share Registrar of the Company for appointing a proxy(ies) and/or representative(s) to attend and vote in person at the 16th AGM and any adjournment thereof, a member of the Company is hereby:

(i) consenting to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 16th AGM (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 16th AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");

(ii) warranting that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes ("**Warranty**"); and

(iii) agreeing that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the Warranty.

For the purposes of this paragraph, "personal data" shall have the same meaning given in section 4 of the Personal Data Protection Act 2010.

Form of Proxy

SCOMI GROUP BHD
(Company No: 571212-A)
Registered Office: Level 17, 1 First Avenue,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

CDS Account No.	
No. of Ordinary Shares Held	

I/We ____ NRIC No / Company No ______________
(Full name as per NRIC/Certificate of Incorporation in capital letters)

of ____
(Full address)

being a member of Scomi Group Bhd, hereby appoint ____
(Full name as per NRIC/Passport and NRIC/Passport No)

of ____
(Full address)

or failing him/her ____
(Full name as per NRIC/Passport and NRIC/Passport No)

of ____
(Full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the 16th Annual General Meeting of Scomi Group Bhd (the "Company") to be held at Persatuan Alumni Universiti Malaya, Lot 10476, Jalan Susur Damansara (Jalan Damansara Lama), Off Jalan Gegambir, 50480 Kuala Lumpur on Friday, 24 August 2018 at 2.30 p.m., or any adjournment thereof.

Ordinary Business		**For**	**Against**
   Resolution 1 Resolution 2	To re-elect the following Directors who retire by rotation in accordance with Article 82 of the Articles of Association of the Company and who being eligible, have offered themselves for re-election: (i) Shah Hakim @ Shahzanim bin Zain (ii) Lee Chun Fai		
Resolution 3	To re-elect Mr Sammy Tse Kwok Fai who retires by rotation in accordance with Article 89 of the Articles of Association of the Company and who being eligible, has offered himself for re-election.		
Resolution 4	To approve the payment of Directors' fees amounting to RM550,684.90 for Non-Executive Directors in respect of the financial year ended 31 March 2018.		
Resolution 5	To approve the payment of Directors' remuneration (excluding Directors' fees) to Non-Executive Directors up to an amount of RM200,000.00, from 25 August 2018 until the next Annual General Meeting of the Company.		
Resolution 6	To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 March 2019 and to authorise the Directors to fix their remuneration.		
Special Business		**For**	**Against**
Resolution 7	Authority for Dato' Sreesanthan a/l Eliathamby to continue to act in office as Independent Non-Executive Director.		
Resolution 8	Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016.		

Please indicate with a check mark ("✓") in the space provided to show how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this ________________ day of __________ 2018 Signature/Seal______________________

Fold this flap for sealing

Notes:
(1) Other than an exempt authorised nominee, a member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies (but not more than two) to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.
(2) Where a member or an exempt authorised nominee appoints two proxies, the appointments shall be invalid unless he or it specifies the proportion of his or its holding to be represented by each proxy.
(3) Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds with ordinary shares standing to the credit of the said Omnibus Account.
(4) The instrument for the appointment of a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the meeting will act as your proxy.
(5) The instrument for the appointment of a proxy must be completed and deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than twenty-four (24) hours before the time appointed for holding the 16th Annual General Meeting ("AGM") or any adjournment thereof.
(6) The lodging of a completed Form of Proxy to the Share Registrar of the Company will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so. Should you subsequently decide to attend and vote in person at the meeting, you are requested to rescind your earlier appointment of proxy(ies), and notify the Share Registrar of the Company as soon as practicable.
(7) For the purpose of determining a member who shall be entitled to attend this 16th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57 and 58 of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 17 August 2018. Only a depositor whose name appears on the General Meeting Record of Depositors as at 17 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his or its behalf.

Personal Data Privacy:
By lodging of a completed Form of Proxy to the Share Registrar of the Company for appointing a proxy(ies) and/or representative(s) to attend and vote in person at the 16th AGM and any adjournment thereof, the member accepts and agrees to the personal data privacy terms as set out in the Notice of 16th AGM dated 31 July 2018.

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Affix
Stamp

The Registrar of Scomi Group Bhd
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia
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