

**THIS EXPLANATORY STATEMENT AND THE INDEPENDENT ADVICE LETTER (COLLECTIVELY, THIS “DOCUMENT”) ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the Proposed Merger of Scomi Engineering (as defined herein), you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in Scomi Engineering Bhd (“Scomi Engineering”), you should hand over this Document together with the accompanying Form of Proxy immediately to the person through whom you have effected the sale or transfer for transmission to the purchaser or transferee.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Document, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Document.

Pursuant to Paragraph 11.02(3) of the Rules On Take-Overs, Mergers And Compulsory Acquisitions, the Securities Commission Malaysia (“SC”) has notified that it has no further comments to this Document. However, such notification shall not be taken to suggest that the SC recommends the offer or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Document. The SC takes no responsibility for the contents of this Documents, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Document.

**Scomi**  
**SCOMI ENGINEERING BHD**  
*(Company No. 111633-M)*  
*(Incorporated in Malaysia)*

**PART A**

**EXPLANATORY STATEMENT TO SHAREHOLDERS IN RELATION TO:**

**PROPOSED MERGER OF SCOMI ENGINEERING BHD WITH SCOMI GROUP BHD BY WAY OF A MEMBERS’ SCHEME OF ARRANGEMENT PURSUANT TO SECTION 366 OF THE COMPANIES ACT 2016 (“PROPOSED MERGER OF SCOMI ENGINEERING”)**

**PART B**

**INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED MERGER OF SCOMI ENGINEERING**

**AND**

**NOTICE OF COURT CONVENED MEETING**

*Principal Adviser*



MIDF AMANAH INVESTMENT BANK BERHAD (23878-X)

*Financial Adviser*



**Astramina Advisory Sdn Bhd**  
(Company No. 810705-K)

*Independent Adviser*



**Mercury Securities Sdn Bhd**  
(Company No. 113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Court convened meeting (“CCM”) to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia on Friday, 5 January 2018 at 2.30 p.m. or at any adjournment thereof together with the Form of Proxy are enclosed in this Document.

The Form of Proxy should be deposited with the share registrar of our Company at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia before 2.30 p.m. on Thursday, 4 January 2018. The lodgement of the Form of Proxy in respect of the CCM will not preclude you from attending or voting in person at the CCM should you subsequently decide to do so.

## DEFINITIONS

---

In this Document, except where the context otherwise requires, the following definitions shall have the following meaning:

Act	:	Companies Act 2016
Announcement	:	The announcement by our Board dated 21 August 2017 that it had received the Proposal Letter
Astramina or Financial Adviser	:	Astramina Advisory Sdn Bhd (Company No. 810705-K)
BDO	:	BDO Capital Consultants Sdn Bhd (Company No. 405309-T), the independent adviser to Scomi Energy for the Proposed Merger of Scomi Energy
Board	:	The board of directors of Scomi Engineering
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
CCM	:	Meeting of the non-interested Scheme Shareholders which is convened pursuant to an order of the High Court under Section 366 of the Act
CDS	:	Central Depository System
CMSA	:	Capital Markets and Services Act 2007
Common Directors	:	Collectively, Cyrus Eruch Daruwalla, Liew Willip and Shah Hakim
Consideration Share(s)	:	10 Consolidated Shares for every 7 Scomi Engineering Scheme Shares held by the Scheme Shareholders, to be issued by Scomi at the Issue Price pursuant to the Proposed Merger of Scomi Engineering
Consideration Warrant(s)	:	1 Warrant for every 10 Consideration Shares issued to the Scheme Shareholders
Consolidated Share(s)	:	Ordinary share(s) in Scomi after the Proposed Share Consolidation
D&P	:	Development and production segment
DCF	:	Discounted cash flow
Deed Poll	:	Deed poll constituting the Warrants to be executed by Scomi
Document	:	Collectively, this Explanatory Statement and the IAL
EGM	:	Extraordinary general meeting
Enterprise Value	:	Enterprise value of the firm, being the aggregate of present value of FCFF
EPS	:	Earnings per share or per Consolidated Share, as the case may be

[The rest of this page is intentionally left blank]

## **DEFINITIONS (CONT'D)**

---

Equity Value	:	Fair value of the business attributable to the shareholders which is calculated based on Enterprise Value less non-controlling interests plus surplus cash (if any) and less market value of existing debts
Explanatory Statement	:	This Explanatory Statement to holders of Scomi Engineering Shares dated 12 December 2017 pursuant to Section 369 of the Act in relation to the Scheme under the Proposed Merger of Scomi Engineering
FCFF	:	Free cash flows to firm
FPE	:	Financial period ended
FYE	:	Financial year ended
High Court	:	High Court of Malaya
HLIB	:	Hong Leong Investment Bank Berhad (Company No. 10209-W), the Principal Adviser to Scomi for the Proposed Share Consolidation, Proposed Issue of Warrants and Proposed Mergers
IAL	:	Independent advice letter dated 12 December 2017 set out in Part B of this Document, issued by the Independent Adviser in relation to the Proposed Merger of Scomi Engineering
Issue Price	:	An issue price of RM0.210 per Consolidated Share for the Proposed Merger of Scomi Engineering
KAAP	:	Kadir Andri & Partners
Kaspadu	:	Kaspadu Sdn Bhd (Company No. 259131-V)
LAT	:	Loss after tax
LBT	:	Loss before tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	6 December 2017, being the latest practicable date prior to the printing of this Document
LTD	:	16 August 2017, being the last full trading day prior to the receipt of the Proposal Letter by the Company
Mercury Securities or Independent Adviser	:	Mercury Securities Sdn Bhd (Company No. 113193-W)
MIDF	:	Malaysian Industrial Development Finance Berhad (Company No. 3755-M)
MIDF Investment or Principal Adviser	:	MIDF Amanah Investment Bank Berhad (Company No. 23878-X)
NA	:	Net assets
NTA	:	Net tangible assets
Official List	:	A list specifying all securities listed on the Main Market of Bursa Securities

## **DEFINITIONS (CONT'D)**

---

Onstream Marine	:	Onstream Marine Sdn Bhd (Company No. 246310-T)
PACs	:	Persons acting in concert with Scomi in relation to the Proposed Merger of Scomi Engineering in accordance with Section 216(3) of the CMSA, as detailed in Section 1, Part A of this Document
PAT	:	Profit after tax
PBT	:	Profit before tax
PMB	:	Prasarana Malaysia Berhad (Company No. 467220-U)
Proposals	:	Proposed Share Consolidation, Proposed Issue of Warrants and Proposed Mergers, collectively
Proposal Letter	:	Formal offer from Scomi to Scomi Engineering in respect of the Proposed Merger of Scomi Engineering dated 21 August 2017
Proposed Bonus Issue of Warrants	:	Proposed bonus issue of up to 671,128,549 Warrants to the existing shareholders of Scomi, on a provisional basis of 7 Warrants for every 10 Consolidated Shares held on an entitlement date to be determined and announced at a later date
Proposed Issue of Consideration Warrants	:	Proposed issue of Warrants to the Scheme Shareholders and Scomi Energy Scheme Shareholders
Proposed Issue of Warrants	:	Proposed Bonus Issue of Warrants and the Proposed Issue of Consideration Warrants amounting up to 738,313,507 Warrants, collectively
Proposed Merger of Scomi Energy	:	Proposed merger of Scomi Energy with Scomi by way of a scheme of arrangement pursuant to Section 366 of the Act
Proposed Merger of Scomi Engineering	:	Proposed merger of Scomi Engineering with Scomi by way of the Scheme, whereby Scomi will acquire all the Scomi Engineering Scheme Shares held by the Scheme Shareholders at the Scomi Engineering Offer Price
Proposed Mergers	:	Proposed Merger of Scomi Engineering and Proposed Merger of Scomi Energy, collectively
Proposed Share Consolidation	:	Proposed share consolidation of every 2 existing Scomi Shares into 1 Scomi Share on an entitlement date to be determined and announced later
Record of Depositors	:	Record of securities holders established by Bursa Depository under the Rules of Bursa Depository issued under the Securities Industry (Central Depositories) Act 1991
Rentak Rimbum	:	Rentak Rimbum Sdn Bhd (Company No. 625630-M)
RM and sen	:	Ringgit Malaysia and sen
Rules	:	Rules On Take-overs, Mergers And Compulsory Acquisitions
SC	:	Securities Commission Malaysia
Scheme	:	The members' scheme of arrangement under Section 366 of the Act to implement the Proposed Merger of Scomi Engineering as enclosed in this Document

## DEFINITIONS (CONT'D)

---

Scheme Shareholders	:	All the shareholders of Scomi Engineering other than Scomi whose ordinary shares are to be acquired by and transferred to Scomi pursuant to the Scheme
Scomi	:	Scomi Group Bhd (Company No. 571212-A)
Scomi Energy	:	Scomi Energy Services Bhd (Company No. 397979-A)
Scomi Energy Group	:	Scomi Energy and its subsidiaries, collectively
Scomi Energy Scheme Shareholders	:	All the shareholders of Scomi Energy other than Scomi whose ordinary shares are to be acquired by and transferred to Scomi pursuant to the Proposed Merger of Scomi Energy
Scomi Engineering or our Company	:	Scomi Engineering Bhd (Company No. 111633-M)
Scomi Engineering Group	:	Scomi Engineering and its subsidiaries, collectively
Scomi Engineering Offer Price	:	An offer price of RM0.300 for each Scomi Engineering Scheme Share
Scomi Engineering Share(s)	:	Ordinary share(s) in Scomi Engineering
Scomi Engineering Scheme Share(s)	:	All the ordinary share(s) in Scomi Engineering not already owned by Scomi which are to be acquired by Scomi and transferred from the Scheme Shareholders pursuant to the Scheme
Scomi Group	:	Scomi and its subsidiaries
Scomi Share(s)	:	Ordinary share(s) in Scomi
Shah Hakim	:	Shah Hakim @ Shahzanim Bin Zain
SOPV	:	Sum-of-parts valuation
VWAMP	:	Volume weighted average market price
WACC	:	Weighted average cost of capital
Warrant(s)	:	The warrant(s) to be issued by Scomi pursuant to the Proposed Mergers and Proposed Issue of Warrants, collectively

All references to “**our Company**” in this Explanatory Statement mean Scomi Engineering and references to “**our Group**” mean our Company and our subsidiaries collectively. References to “**we**”, “**us**”, “**our**”, “**ourselves**” mean our Company, or where the context otherwise requires, our Company and our subsidiaries collectively. All references to “**you**” and “**your**” in this Document mean the shareholders of our Company, unless the context otherwise requires.

Words denoting the singular shall include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations.

Any reference to any enactment, statute, guideline, rule, requirement or regulation in this Explanatory Statement is a reference to that enactment, statute, guideline, rule, requirement or regulation as for the time being amended or re-enacted.

## **DEFINITIONS (CONT'D)**

---

Any discrepancy in any table included in this Explanatory Statement between the amounts listed, actual figures and the totals thereof in this Explanatory Statement is due to rounding adjustments.

Any reference to a time of day in this Explanatory Statement is a reference to Malaysian time, unless otherwise stated.

All statements other than statements of historical facts included in this Explanatory Statement are or may be forward looking statements. Forward-looking statements include but are not limited to those using words such as "**seek**", "**expect**", "**anticipate**", "**estimate**", "**believe**", "**intend**", "**project**", "**plan**", "**strategy**", "**forecast**" and similar expressions or future or conditional verbs such as "**will**", "**would**", "**should**", "**could**", "**may**" and "**might**". These statements reflect our current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and we do not undertake any obligation to update publicly or revise any forward-looking statements.

[The rest of this page is intentionally left blank]

## **TABLE OF CONTENTS**

---

### **PART A**

#### **EXPLANATORY STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED MERGER OF SCOMI ENGINEERING:**

	<b>PAGE</b>
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED MERGER OF SCOMI ENGINEERING	3
3. RATIONALE FOR THE PROPOSED MERGER OF SCOMI ENGINEERING	9
4. FUTURE PLANS FOR SCOMI ENGINEERING GROUP AND ITS EMPLOYEES	10
5. INFORMATION ON SCOMI, SCOMI ENGINEERING AND PACS (WHICH ARE A CORPORATION)	10
6. PROSPECTS OF SCOMI GROUP	13
7. RISK FACTORS	21
8. HISTORICAL SHARE PRICES OF SCOMI AND SCOMI ENGINEERING	26
9. EFFECTS OF THE PROPOSED MERGER OF SCOMI ENGINEERING	27
10. CORPORATE STRUCTURE BEFORE AND AFTER THE PROPOSED MERGER OF SCOMI ENGINEERING	40
11. APPROVALS REQUIRED	41
12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	42
13. DIRECTORS' RECOMMENDATIONS	43
14. TENTATIVE TIMETABLE	44
15. CCM	44
16. FURTHER INFORMATION	44

### **PART B**

<b>INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED MERGER OF SCOMI ENGINEERING</b>	<b>45</b>
--	-----------

**TABLE OF CONTENTS (CONT'D)**

---

**APPENDICES**

I	INFORMATION ON SCOMI	90
II	INFORMATION ON SCOMI ENGINEERING	106
III	DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES	116
IV	FURTHER INFORMATION	120

**SCHEME OF ARRANGEMENT** **ENCLOSED**

**NOTICE OF CCM** **ENCLOSED**

**FORM OF PROXY FOR CCM** **ENCLOSED**

[The rest of this page is intentionally left blank]



**PART A**  
**EXPLANATORY STATEMENT TO SHAREHOLDERS IN RELATION TO THE**  
**PROPOSED MERGER OF SCOMI ENGINEERING**



**SCOMI ENGINEERING BHD**  
*(Company No. 111633-M)*  
*(Incorporated in Malaysia)*

**Registered Office**  
Level 17, 1 First Avenue  
Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

12 December 2017

**Board of Directors:**

Datuk Zainun Aishah Binti Ahmad *(Chairman, Independent Non-Executive Director)*  
Dato' Ikmal Hijaz Bin Hashim *(Independent Non-Executive Director)*  
Liew Willip *(Independent Non-Executive Director)*  
Kanesan A/L Velupillai *(Non-Independent Non-Executive Director)*  
Cyrus Eruch Daruwalla *(Non-Independent Non-Executive Director)*  
Shah Hakim @ Shahzanim Bin Zain *(Non-Independent Executive Director)*

**To: Shareholders of Scomi Engineering**

Dear Sir/Madam,

**PROPOSED MERGER OF SCOMI ENGINEERING WITH SCOMI BY WAY OF A MEMBERS' SCHEME OF ARRANGEMENT PURSUANT TO SECTION 366 OF THE ACT**

---

**1. INTRODUCTION**

On 21 August 2017, our Board had announced the receipt of the Proposal Letter from Scomi in respect of the Proposed Merger of Scomi Engineering.

On the same day, on behalf of the board of directors of Scomi, HLIB and Astramina jointly announced the following:

- (a) In addition to having submitted the Proposal Letter to our Board in respect of the Proposed Merger of Scomi Engineering, Scomi had also submitted a formal proposal to the board of directors of Scomi Energy in respect of the Proposed Merger of Scomi Energy; and
- (b) In conjunction with the Proposed Mergers, Scomi proposes to undertake the following corporate exercises prior to the implementation of the Proposed Mergers:
  - (i) The Proposed Share Consolidation; and
  - (ii) The Proposed Bonus Issue of Warrants.

On 15 September 2017, on behalf of our Board, MIDF Investment and Astramina jointly announced the appointment of Mercury Securities as its Independent Adviser to advise our Board (save for the Common Directors) and the non-interested Scheme Shareholders in relation to the Proposed Merger of Scomi Engineering.

On 5 October 2017, on behalf of our Board, MIDF Investment and Astramina jointly announced that the SC had via its letter dated 3 October 2017 approved an extension of time application for Scomi Engineering to despatch this Explanatory Statement and the IAL no later than 7 market days after obtaining:

- (a) all regulatory approvals required by Scomi and Scomi Engineering;
- (b) the SC's clearance for the Explanatory Statement and the IAL; and
- (c) the grant of an order from the High Court to convene a CCM for the Proposed Merger of Scomi Engineering,

On 10 October 2017, on behalf of our Board, MIDF Investment and Astramina jointly announced that our Board (save for the Common Directors), after having considered all aspects of the Proposed Merger of Scomi Engineering including the rationale, effects as well as the terms and conditions of the Proposed Merger of Scomi Engineering and the advice of the Independent Adviser, had decided to present the Scheme to the Scheme Shareholders for approval at the CCM.

On 7 November 2017, on behalf of our Board, MIDF Investment and Astramina jointly announced that the Company had received a letter from Scomi on a variation by Scomi to the terms of the Proposed Merger of Scomi Engineering. Following the variation, the Scheme Shareholders holding less than 100 Scheme Shares per CDS account will be receiving Consideration Shares and Consideration Warrants in accordance with the share swap ratio of the Proposed Merger of Scomi Engineering, instead of receiving the entire offer price in cash, and the entitlement of the Scheme Shareholders to the Consideration Shares or Consideration Warrants will also be rounded down to the nearest whole new Consideration Share and new Consideration Warrant.

On 16 October 2017, an originating summons was filed in the High Court seeking an order to convene the CCM to consider the Scheme. On 14 November 2017, the High Court granted an order for the CCM for the purpose of considering, and if thought fit, approving the Scheme.

Pursuant to paragraph 11.02(3) of the Rules, the SC had via its letter dated 23 November 2017 notified that it has no further comments to this Explanatory Statement. Such notification shall not be taken to suggest that the SC recommends the Proposed Merger of Scomi Engineering or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Explanatory Statement.

The following parties are the PACs in accordance with Section 216(3) of the CMSA:

- (a) Kaspadu;
- (b) Shah Hakim;
- (c) Rentak Rimbun; and
- (d) Onstream Marine.

[The rest of this page is intentionally left blank]

The relationship of the PACs with Scomi and Scomi Engineering are as follows:

<b>Name</b>	<b>Relationship</b>
Kaspadu	Substantial shareholder of Scomi
Shah Hakim	Non-Independent Executive Director of Scomi Engineering, Chief Executive Officer, Non-Independent Executive Director and substantial shareholder of Scomi
Rentak Rimbum	A 99.99995% owned company by Shah Hakim, who in turn is a substantial shareholder of Scomi
Onstream Marine	A wholly-owned subsidiary of Kaspadu, which in turn is a substantial shareholder of Scomi

As at the LPD, Scomi holds 247,350,058 Scomi Engineering Shares, representing approximately 72.3% of the total number of issued Scomi Engineering Shares (excluding treasury shares) of 341,957,703. As at the LPD, the PACs collectively hold 1,160,500 Scomi Engineering Shares representing 0.3% of the total number of issued Scomi Engineering Shares (excluding treasury shares).

Scomi and the PACs collective shareholdings in our Company are 248,510,558 Scomi Engineering Shares, representing approximately 72.7% of the total number of Scomi Engineering Shares (excluding treasury shares).

Please refer to **Appendix III** for information on the shareholdings of Scomi and the PACs in our Company.

**THE PURPOSE OF THIS EXPLANATORY STATEMENT IS TO PROVIDE YOU WITH, AMONGST OTHERS, THE DETAILS OF THE PROPOSED MERGER OF SCOMI ENGINEERING AND TO SEEK YOUR APPROVAL FOR THE SCHEME WHICH IS TO BE TABLED AT THE FORTHCOMING CCM. THE NOTICE OF THE FORTHCOMING CCM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS DOCUMENT.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS EXPLANATORY STATEMENT AND THE IAL BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED MERGER OF SCOMI ENGINEERING TO BE TABLED AT THE FORTHCOMING CCM.**

## **2. DETAILS OF THE PROPOSED MERGER OF SCOMI ENGINEERING**

The Proposed Merger of Scomi Engineering, shall involve the acquisition by Scomi and the transfer of Scomi Engineering Scheme Shares from the Scheme Shareholders to Scomi at the Scomi Engineering Offer Price which shall be wholly satisfied via:

- (a) a share swap where for every 7 Scomi Engineering Scheme Shares held by Scheme Shareholders, 10 new Consolidated Shares shall be issued at the Issue Price, and
- (b) the issuance of 1 Warrant for every 10 Consideration Shares issued.

[The rest of this page is intentionally left blank]

Scomi will acquire the Scomi Engineering Scheme Shares:

- (a) free from all moratoriums, claims, changes, liens, pledges, encumbrances, options, rights of pre-emption, third party rights and equities from the date of approval of the Proposed Merger of Scomi Engineering; and
- (b) with all the rights, benefits and entitlements attached thereto, including the right to all distributions declared, made or paid on or after the date of the Proposal Letter, subject to the adjustments to be made.

Based on 94,607,645 Scomi Engineering Shares held by the Scheme Shareholders as at the LPD, representing approximately 27.7% of the total number of issued Scomi Engineering Shares (excluding treasury shares), and assuming that all the 121,800 Scomi Engineering Shares held as treasury shares as at the LPD are resold, the Proposed Merger of Scomi Engineering will entail the issuance of up to 135,327,778 Consideration Shares and up to 13,532,777 Consideration Warrants. The total consideration for the Scomi Engineering Scheme Shares based on the Scomi Engineering Offer Price is up to approximately RM28.4 million.

For the avoidance of doubt, the Scheme is extended to all Scheme Shareholders including the PACs.

Further, the theoretical fair value of RM0.113 is attached to each Consideration Warrant, which is determined based on the Trinomial option pricing model, with data sourced from Bloomberg. The theoretical fair value of the Consideration Warrants is arrived at after taking into consideration:

- (a) the historical volatility of the Scomi Shares for the past 5 years and up to LTD of 60.57%;
- (b) the expected risk-free interest rate up to the LTD of 3.62%, based on the yield of 5-year Malaysian Government Securities as at the LTD;
- (c) the exercise price of the Consideration Warrants of RM0.210;
- (d) the time to maturity of the Consideration Warrants of 5 years; and
- (e) the 5-day VWAMP of the Scomi Shares up to and including the LTD, and after adjusting for the Proposed Share Consolidation, of RM0.210 per Consolidated Share.

The implied Scomi Engineering Offer Price, after taking into consideration the theoretical fair value of the Consideration Warrants, is RM0.316 per Scheme Share ("**Scomi Engineering Implied Offer Price**").

The Consideration Warrants are the same class as the Warrants to be issued under the Proposed Bonus Issue of Warrants. Please refer to Section 2.6, Part A of this Document for the indicative salient terms of the Warrants.

If Scomi Engineering declares, makes or pays any dividends or other distributions on or after the date of the Proposal Letter but prior to the completion of the Proposed Merger Of Scomi Engineering, and a Scheme Shareholder is entitled to such dividends or other distributions, Scomi will accordingly adjust the Scomi Engineering Offer Price by the quantum of net dividends or distributions per Scomi Engineering Share which such Scheme Shareholder is entitled to.

If Scomi declares, makes or pays any dividends or other distributions before the Consideration Shares are issued, and a Scheme Shareholder is not entitled to such dividends or distributions, Scomi will accordingly adjust the Scomi Engineering Offer Price and the Consideration Shares and Consideration Warrants to be issued by the quantum of the net dividends or distributions per Scomi Share with such Scheme Shareholder is not entitled to.

Scomi will not allot and issue fractions of a Consideration Share or Consideration Warrant to any Scheme Shareholder. Scheme Shareholders holding less than 100 Scomi Engineering Scheme Shares per CDS account will be receiving Consideration Shares and Consideration Warrants in accordance with the share swap ratio of the Proposed Merger of Scomi Engineering. In addition, the entitlement of the Scheme Shareholders to the Consideration Shares or Consideration Warrants will also be rounded down to the nearest whole new Consideration Share and new Consideration Warrant.

Scomi Engineering will announce the entitlement date after the Scheme has been approved by the non-interested Scheme Shareholders at the CCM. In the event a majority in number of the non-interested Scheme Shareholders and 75% in value of the total disinterested Scomi Engineering Scheme Shares present and voting either in person or by proxy votes in favour at the CCM, provided that the value of votes cast against the resolution to approve the Proposed Merger Of Scomi Engineering at the CCM is not more than 10% of the votes attaching to all disinterested Scomi Engineering Scheme Shares of the total voting shares of Scomi Engineering. For the avoidance of doubt, the PACs will abstain from voting at the CCM. Scomi Engineering shall then apply for an order of the High Court in accordance with Section 366 of the Act to sanction the Scheme ("**Vesting Order**"). Upon the lodgement of an office copy of the Vesting Order at the Companies Commission of Malaysia, the Scheme will become effective and shall be binding on Scomi Engineering and the Scheme Shareholders.

Subsequent to the entitlement date and upon the Scheme becoming effective, the share registrar of the Company will submit the list of entitled Scheme Shareholders for the crediting and listing of the Consideration Shares and Consideration Warrants to Bursa Depository. In addition, a quotation application will be submitted by Scomi together with relevant supporting documents to Bursa Securities and the Consideration Shares and Consideration Warrants will be listed on the Main Market of Bursa Securities 2 market days after receipt of the quotation application. The Consideration Shares and Consideration Warrants will be issued and allotted to all entitled Scheme Shareholders within 10 days from the date of the Proposed Merger of Scomi Engineering becoming effective. Thereafter, the Company shall be delisted upon receiving the necessary approvals from Bursa Securities.

Except, with the consent of the SC, settlement of the Offer Price will be implemented in full in accordance with the terms of the Proposed Merger of Scomi Engineering without regard to any lien, right of set off, counter claim or other analogous rights to which Scomi may otherwise be, or claim to be, entitled against the Scheme Shareholders.

All costs and stamp duties relating to the bulk transfer of the Scomi Engineering Scheme Shares to Scomi will be borne by Scomi. Scomi will not be responsible for any other cost, expenses or outlay incurred by the Scheme Shareholders.

## **2.1 Basis and justification for the Scomi Engineering Offer Price and Issue Price**

### **2.1.1 The Scomi Engineering Offer Price**

The Scomi Engineering Offer Price was arrived at after taking into consideration the following:

- (a) the historical market prices of Scomi Engineering Shares prior to the date of the Proposal Letter;
- (b) audited consolidated NA of RM0.75 per Scomi Engineering Share as at 31 March 2017;
- (c) Scomi Engineering's earnings before interest, taxation, depreciation and amortisation of RM46.6 million for the FYE 31 March 2017; and
- (d) the discount of the issue price of the Consideration Shares to the historical market prices of Scomi Shares as set out in Section 2.1.2 of Part A of this Document.

The Scomi Engineering Offer Price was determined based on a premium of 20.0% over the closing price of Scomi Engineering Shares on the LTD and rounded down to facilitate the share swap ratio of 10 new Consolidated Shares for every 7 Scomi Engineering Schemes Shares held.

The Scomi Engineering Offer Price and Scomi Engineering Implied Offer Price represent a premium or discount based on the following historical market prices of Scomi Engineering Shares respectively:

Based on the LTD	*Scomi Engineering Share price	Scomi Engineering Offer Price		Scomi Engineering Implied Offer Price	
		Premium / (Discount)		Premium / (Discount)	
	RM	RM	%	RM	%
Closing price	0.255	0.045	17.6	0.061	23.9
5-day VWAMP	0.267	0.033	12.4	0.049	18.4
1-month VWAMP	0.258	0.042	16.3	0.058	22.5
3-month VWAMP	0.275	0.025	9.1	0.041	14.9
6-month VWAMP	0.386	(0.086)	(22.3)	(0.070)	(18.1)
1-year VWAMP	0.382	(0.082)	(21.5)	(0.066)	(17.3)

Note:

\* Source: Bloomberg.

During the 6 months prior to the Announcement and up to the latest calendar month prior to the LPD:

- (a) the highest price of the Scomi Engineering Shares was RM0.510, which was transacted on 10 February 2017; and
- (b) the lowest price of the Scomi Engineering Shares was RM0.230, which were transacted on 5 June 2017 and 6 June 2017.

(Source: Bloomberg)

### 2.1.2 The Issue Price

The Issue Price of the Consideration Shares was arrived after taking into consideration the 5-day VWAMP of Scomi Shares up to the LTD, after adjusting for the Proposed Share Consolidation of RM0.210 per Consolidated Share.

The issue price of the Consideration Shares represents a discount based on the following historical market prices of Scomi Shares:

[The rest of this page is intentionally left blank]

<u>Based on the LTD</u>	<u>*Scomi Share Price</u>	<u>^ Theoretical Share price of the Consolidated Share</u>	<u>Discount</u>	
	RM	RM	RM	%
Closing price	0.110	0.220	(0.010)	(4.5)
5-day VWAMP	0.105	0.210	-	-
1-month VWAMP	0.117	0.234	(0.024)	(10.3)
3-month VWAMP	0.136	0.272	(0.062)	(22.8)
6-month VWAMP	0.177	0.354	(0.144)	(40.7)
1-year VWAMP	0.166	0.332	(0.122)	(36.7)

Notes:

\* Source: Bloomberg.

^ After adjusting for the Proposed Share Consolidation.

During the 6 months prior to the Announcement and up to the latest calendar month prior to the LPD:

- (a) the highest price of the Scomi Shares was RM0.205, which was transacted on 28 March 2017; and
- (b) the lowest price of the Scomi Shares was RM0.105, which were transacted on 10 August 2017, 11 August 2017 and 14 August 2017.

(Source: Bloomberg)

## 2.2 Conditions to the Proposed Merger of Scomi Engineering

The Scheme shall become effective and binding on Scomi Engineering, Scomi and/or its nominee(s) and all the Scheme Shareholders, subject to the fulfilment or relief/waiver (as applicable and lawfully permitted) of the approvals required set out in Section 11, Part A of this Document.

The Proposed Share Consolidation is not conditional upon the Proposed Bonus Issue of Warrants and the Proposed Mergers. The Proposed Bonus Issue of Warrants is conditional upon the Proposed Share Consolidation, but not the Proposed Mergers. The Proposed Merger of Scomi Engineering is conditional upon the Proposed Share Consolidation and Proposed Bonus Issue of Warrants. The Proposed Merger of Scomi Engineering and the Proposed Merger of Scomi Energy are not inter-conditional with each other.

## 2.3 Listing status of our Company

Upon completion of the Proposed Merger of Scomi Engineering, Scomi Engineering will become a wholly-owned subsidiary of Scomi. It is the intention of Scomi not to maintain the listing status of Scomi Engineering and accordingly, Scomi Engineering Shares will be delisted from the Main Market of Bursa Securities upon completion of the Proposed Merger of Scomi Engineering, subject to Bursa Securities' approval.



## **2.4 Ranking of the Consideration Shares and the Consideration Warrants**

The Consideration Shares shall, upon allotment and issue, rank equally in all respects with the Consolidated Shares in issue, save and except that the Consideration Shares shall not be entitled to any dividends, other distributions or the Proposed Bonus Issue of Warrants where the entitlement date of which is prior to the date of allotment and issuance of such Consideration Shares.

Holders of the Consideration Warrants will not be entitled to any voting rights or to participate in any form of distribution other than on winding up, compromise or arrangement of Scomi as set out in the Deed Poll, and/or offer of further securities in Scomi until and unless such holders exercise their Consideration Warrants into new Consolidated Shares.

## **2.5 Listing of and quotation for the Consideration Shares and Consideration Warrants**

The approval of Bursa Securities has been obtained by Scomi vide its letter dated 30 November 2017 for the listing of and quotation for up to 135,327,778 Consideration Shares, up to 13,532,777 Consideration Warrants and up to 13,532,777 new Consolidated Shares to be issued arising from the full exercise of the Consideration Warrants on the Main Market of Bursa Securities, subject to the conditions set out in Section 11, Part A of this Document.

## **2.6 Indicative salient terms of the Warrants**

The Warrants to be issued pursuant to the Proposed Issue of Warrants will be issued in registered form and constituted by the Deed Poll. The indicative salient terms of the Warrants are set out below:

- Issue size : Up to 738,313,507 Warrants (comprising up to 671,128,549 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants and up to 67,184,958 Consideration Warrants to be issued pursuant to the Proposed Mergers).
- Exercise period : The Warrants may be exercised at any time within a period of 5 years commencing from and including the date of issuance of the Warrants. Any Warrants not exercised during the exercise period will thereafter lapse and cease to be valid.
- Exercise price : RM0.21 per Warrant.
- Exercise rights : Each Warrant entitles the holder to subscribe for 1 new Consolidated Share at the exercise price at any time during the exercise period, subject to adjustments in accordance with the provisions of the Deed Poll.
- Mode of exercise : The Warrant holder is required to lodge an exercise form with Scomi's share registrar, duly completed and signed together with payment of the exercise price via banker's draft or cashier's order or money order or postal order drawn on a bank or post office operating in Malaysia.
- Board lot : For the purpose of trading on Bursa Securities, 1 board lot of Warrants shall comprise 100 Warrants, or such other denomination as determined by Bursa Securities.
- Adjustment in the exercise price and/or number of Warrants : The exercise price and number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of Scomi, capital distribution or issue of shares in accordance with the provisions of the Deed Poll.

- Rights of Warrant holders : The Warrant holders shall not be entitled to any voting rights or to participate in any form of distribution other than on winding-up, compromise or arrangement of Scomi as set out in the Deed Poll, and/or offer of further securities in Scomi until and unless such holders exercise their Warrants into new Consolidated Shares.
- Rights of Warrant holders in the events of winding-up, compromise or arrangement of Scomi : Where a resolution has been passed for a members' voluntary winding-up of Scomi, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of Scomi or the amalgamation of Scomi with 1 or more companies, then every holder of the Warrants shall be entitled upon and subject to the provisions of the Deed Poll at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of Scomi or 6 weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his/her Warrants to Scomi, elect to be treated as if he/she had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by his/her Warrants to the extent specified in the relevant subscription forms and be entitled to receive out of the assets of Scomi which would be available in liquidation as if he/she had on such date been the holder of the new Consolidated Shares to which he/she would have been entitled to pursuant to such exercise.
- Modifications : Subject to the approval of Bursa Securities (if required), any modifications to the Deed Poll may be effected only by the Deed Poll, executed by Scomi and expressed to be supplemental hereto and comply with the requirements of the Deed Poll.
- Transferability : The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act 1991 and the rules of Bursa Depository.
- Governing law : The Warrants and the Deed Poll shall be governed by the laws and regulations of Malaysia.

### **3. RATIONALE FOR THE PROPOSED MERGER OF SCOMI ENGINEERING**

Based on the perspective of Scomi, the Proposed Merger of Scomi Engineering will present an opportunity for the Scheme Shareholders to unlock their investment in Scomi Engineering at a premium to the current market price, in exchange for a direct equity exposure in Scomi, offering them exposure to a more diversified range of operations and earnings profile of the larger group.

Scomi is principally involved in investment holding and provision of management services to its subsidiaries and associated companies, including Scomi Engineering and Scomi Energy, both companies of which are listed on the Main Market of Bursa Securities. Scomi intends to obtain full control of Scomi Engineering and Scomi Energy to enable greater flexibility for Scomi to plan and decide on the business strategic planning across existing geographical locations of the merged group. The Proposed Merger of Scomi Engineering which forms part of the Proposed Mergers, paves the way for integration of business activities of Scomi Engineering and Scomi Energy. This will enable the merged group to leverage on the combined financial resources and strengths to compete in and undertake future business contracts, and pursue growth opportunities in both the energy and transport industries that it is familiar with.

In addition, the delisting of Scomi Engineering and Scomi Energy after the Proposed Mergers is expected to eliminate any overlapping of administrative efforts and costs associated with maintaining the listing status of the said companies, and allow Scomi to re-divert resources towards its business operations.

#### **4. FUTURE PLANS FOR SCOMI ENGINEERING GROUP AND ITS EMPLOYEES**

As at LPD, Scomi's intention in respect of the businesses of the Scomi Engineering Group and its employees is as follows:

- (a) Scomi intends to continue with the existing businesses and operations of Scomi Engineering and does not have any plan or intention to liquidate Scomi Engineering;
- (b) Scomi has no plan or intention to introduce or effect any material change in the existing business of the Scomi Engineering Group, or to sell or re-deploy the existing fixed assets of Scomi Engineering, except where such plan or disposal and/or redeployment is necessary to rationalise the existing business activities and/or business directions of the Scomi Engineering Group to achieve a more efficient and effective utilisation of resources; and
- (c) Scomi has no plan to dismiss or make redundant any of the existing employees of the Scomi Engineering Group by way of a retrenchment exercise as a direct consequence of the Proposed Merger of Scomi Engineering, which includes the existing management team of Scomi Engineering who will continue to manage the day-to-day operations of the Scomi Engineering Group. Nevertheless, there may be measures proposed to further improve the efficiency of operations and optimise staff productivity of the Scomi Engineering Group.

#### **5. INFORMATION ON SCOMI, SCOMI ENGINEERING AND PACS (WHICH ARE A CORPORATION)**

##### **5.1 SCOMI**

Scomi was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Act on 9 February 2002 as a public company limited by shares under its current name.

Scomi is principally involved in investment holding and provision of management services to its subsidiaries and associated companies.

As at the LPD, the share capital and number of issued shares of Scomi is RM636,581,636 and 1,917,510,141 Scomi Shares, respectively (inclusive of 14,427,200 ordinary shares held as treasury shares). Pursuant to Section 618 the Act, the amount standing to the credit of Scomi's share premium account and capital redemption reserve which amounted to RM444,831,000 became part of Scomi's share capital.

Please refer to **Appendix I** for further information on Scomi.

##### **5.2 SCOMI ENGINEERING**

Scomi Engineering was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Act on 15 December 1983 as a private limited company under the name of Bell & Order Engineering Sdn Bhd.

The principal activities of our Company are investment holding, provision of management services to subsidiaries and the design, manufacture and supply of monorail trains and related services.

As at the LPD, the share capital and number of issued shares of our Company is RM388,684,503 and 342,079,503 Scomi Engineering Shares, respectively (inclusive of 121,800 ordinary shares held by our Company as treasury shares). Pursuant to Section 618 of the Act, the amount standing to the credit of our Company's share premium account which amounted to RM46,605,000 became part of our Company's share capital.

Please refer to **Appendix II** for further information on Scomi Engineering.

### 5.3 PACS (WHICH ARE A CORPORATION)

#### 5.3.1 KASPADU

Kaspadu was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Act on 9 March 1993 as a private limited company under its current name.

The principal activity of Kaspadu is investment holding.

As at the LPD, the share capital and number of issued shares of Kaspadu is RM100,000.00 and 100,000 ordinary shares, respectively.

As at the LPD, the shareholders of Kaspadu and their shareholdings are as follows:

Name	Direct		Indirect	
	No. of Kaspadu Shares	%	No. of Kaspadu Shares	%
Tan Sri Dato' Kamaluddin Bin Abdullah	50,000	50.0	-	-
Shah Hakim	50,000	50.0	-	-

As at the LPD, the directors of Kaspadu and their shareholdings are as follows:

Name	Direct		Indirect	
	No. of Kaspadu Shares	%	No. of Kaspadu Shares	%
Tan Sri Dato' Kamaluddin Bin Abdullah	50,000	50.0	-	-
Shah Hakim	50,000	50.0	-	-
Mukhnizam Bin Mahmud	-	-	-	-

#### 5.3.2 RENTAK RIMBUN

Rentak Rimbun was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Act on 21 August 2003 as a private limited company under its current name.

The principal activity of Rentak Rimbun is investment holding.

As at the LPD, the share capital and number of issued shares of Rentak Rimbun is RM2,000,002.00 and 2,000,002 ordinary shares, respectively.

[The rest of this page is intentionally left blank]

As at the LPD, the shareholders of Rentak Rimbun and their shareholdings are as follows:

Name	Direct		Indirect	
	No. of Rentak Rimbun Shares	%	No. of Rentak Rimbun Shares	%
Shah Hakim	2,000,001	99.99	-	-
Wong Kok Yong	1	0.01	-	-

As at the LPD, the directors of Rentak Rimbun and their shareholdings are as follows:

Name	Direct		Indirect	
	No. of Rentak Rimbun Shares	%	No. of Rentak Rimbun Shares	%
Wong Kok Yong	1	0.01	-	-
Zubaidi Bin Harun	-	-	-	-
Azlina Binti Mohd Salleh	-	-	-	-

### 5.3.3 ONSTREAM MARINE

Onstream Marine was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Act on 8 August 1992 as a private limited company under its current name.

The principal activity of Onstream Marine is investment holding.

As at the LPD, the share capital and number of issued shares of Onstream Marine is RM13,879,000.00 and 13,879,000 ordinary shares, respectively.

As at the LPD, the shareholder of Onstream Marine and its shareholdings are as follows:

Name	Direct		Indirect	
	No. of Onstream Marine Shares	%	No. of Onstream Marine Shares	%
Kaspadu	13,879,000	100	-	-

As at the LPD, the directors of Onstream and their shareholdings are as follows:

Name	Direct		Indirect	
	No. of Onstream Marine Shares	%	No. of Onstream Marine Shares	%
Tan Sri Dato' Kamaluddin Bin Abdullah	-	-	-	-
Shah Hakim	-	-	-	-
Mukhnizam Bin Mahmud	-	-	-	-
Foong Choong Hong	-	-	-	-
Puan Sri Azrene Binti Abdullah	-	-	-	-

## **6. PROSPECTS OF SCOMI GROUP**

### **6.1 Economic overview and outlook**

#### **6.1.1 Overview and outlook of the global economy**

Global economy is expected to expand 3.6% in 2017 (2016: 3.2%). This is attributed to improved growth in most advanced economies as well as the emerging market and developing economies (EMDEs). The advanced economies are forecast to record a higher growth of 2.2% (2016: 1.7%), while the EMDEs are projected to grow 4.6% (2016: 4.3%).

Growth in the EMDEs is expected to expand supported by strong global demand and higher investment. China is projected to record a stable growth, contributed by a supportive macro-policy mix, strengthening external demand and progress in domestic reforms. In addition, India's growth is expected to remain robust driven by strong private consumption and a robust services sector. Likewise, most major Association of Southeast Asian Nations (ASEAN) economies, namely Indonesia, Malaysia, the Philippines, Thailand and Vietnam, are expected to register steady growth contributed by strong domestic demand and higher external demand.

Notwithstanding improvements to the global economy, downside risks persist. Vulnerabilities that may take a toll on global growth include the timing and pace of monetary policy tightening, sluggish productivity in major economies, rising concerns over the inward-looking policy, high public sector and household debts, and financial market volatility. In addition, heightening geopolitical tensions, including terrorism and domestic strife, and weather-related risks may dampen global growth.

Global GDP is forecast to expand 3.7% in 2018 (2017: 3.6%), driven by sustained growth in the advanced economies and a better performance in the EMDEs. The advanced economies are projected to register a growth of 2% (2017: 2.2%), supported by strong domestic and external demand.

In the EMDEs, GDP is expected to improve 4.9% (2017: 4.6%), mainly supported by higher global demand and rising market confidence. China is anticipated to grow 6.5% (2017: 6.8%) amid continuous structural reforms and efforts to contain risks in its financial and property markets. India's growth is projected to strengthen 7.4% (2017: 6.7%), largely contributed by strong private consumption and increased investment through key structural reforms. Meanwhile, ASEAN is expected to record a steady growth of 5.1% (2017: 4.9%), underpinned by strong consumption and increased external demand.

Risks to the global economy remain tilted to the downside, despite better growth projection for 2018. Among the risks are policy uncertainties in the major economies, including protectionism, post-Brexit uncertainties, excessive credit growth and high household debt. Furthermore, heightening geopolitical tensions in the Middle East and East Asia, tepid oil and commodity prices as well as climate change effects may pose additional downside risks.

*(Source: Economic Report 2017/2018, Ministry of Finance)*

[The rest of this page is intentionally left blank]

## **6.1.2 Overview and outlook of the Malaysian economy**

The Malaysian economy recorded a sterling growth of 5.7% during the first six months of 2017 underpinned by strong domestic demand and reinforced by improved external sector. Given the robust economic growth during the first half, real GDP for the year is expected to strengthen further between 5.2% and 5.7% (2016: 4.2%), surpassing the earlier estimates.

Aggregate domestic demand is expected to remain resilient, primarily driven by private sector expenditure, while the public sector gradually consolidates. Of significance, private consumption will continue to support economic growth. Meanwhile, private investment is projected to expand at a stronger pace supported by higher capital outlays, particularly in the services and manufacturing sectors. Investments will also be supported by steady inflows of foreign direct investment (FDI).

On the supply side, growth will be supported by stronger performance across all sectors with services and manufacturing remaining as the main drivers of growth. The services sector is projected to expand at a faster rate, reflecting stronger expansion across most subsectors, particularly wholesale and retail trade; information and communication; as well as food & beverages and accommodation. Within the manufacturing sector, the export-oriented industries are projected to expand significantly following higher global demand for semiconductors. Similarly, growth in the domestic-oriented industries will strengthen following improved demand for consumer products and construction-related materials. In the agriculture sector, growth is expected to be supported by the recovery in output of crude palm oil (CPO) and rubber. The construction sector will be led by higher civil engineering activities while the mining sector continues to expand, though at a slower pace supported by higher production of natural gas.

The Malaysian economy is projected to continue its strong growth momentum with real GDP expanding between 5% and 5.5% in 2018 (2017: 5.2% and 5.7%). Growth will be mainly driven by resilient domestic demand amid favourable external sector. Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism; policy uncertainties in the advanced countries; and volatility in the financial markets. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external challenges.

*(Source: Economic Report 2017/2018, Ministry of Finance)*

## **6.2 Overview and outlook for the oil, gas and energy industry**

### **6.2.1 Overview and outlook of the global oil, gas and energy industry**

Since the publication of the World Oil Outlook 2016 in November last year, the market has experienced significant changes that have had an impact on medium and long term estimates. This is particularly evident from the supply viewpoint, with OPEC's decisions taken in Algiers (28 September 2016) at the 170<sup>th</sup> (Extraordinary) Meeting of the OPEC conference and then in Vienna (30 November 2016) at the 171<sup>st</sup> Meeting of the OPEC conference, seeing its member countries implement a production adjustment with a target of 32.5 million barrels a day with effect from 1 January 2017. Moreover, the subsequent OPEC and non-OPEC declaration of cooperation through the ministerial meetings in Vienna (10 December 2016 and 25 May 2017) embraced a production adjustment of 1.2 million barrels a day for OPEC, together with a production adjustment of around 0.6 million barrels a day from participating non-OPEC producing countries. The decisions were focused on accelerating the ongoing drawdown of the stock overhang, which is now well underway, as a means to help bring the oil market rebalancing forward.

This significant global energy demand growth is, however, unequally distributed among major regions and country groupings. Energy demand in developing countries is expected to grow at an average rate of 1.9% per annum over the period 2015 to 2040. This is in sharp contrast to an average growth rate of 0.1% per annum projected for the Organisation for Economic Co-operation and Development and 0.9% per annum for Europe and Asia. The key reasons for this variation are the different prospects that exist among major country groups in terms of population growth, urbanisation rates and expansion in economic activity.

At the global level, the largest contribution to future energy demand is projected to come from natural gas. In absolute terms, demand for gas will increase by almost 34 million barrels of oil equivalent per day, reaching a level of 93 million barrels of oil equivalent per day by 2040. Its share in the global energy mix will increase by a significant 3.6%. The majority of the energy demand growth in the 2015 to 2040 period comes from non-Organisation for Economic Co-operation and Development countries with around 29 million barrels of oil equivalent per day, while the rest (some 5 million barrels of oil equivalent per day) is located in the mature markets of Organisation for Economic Co-operation and Development countries. Strong population growth in most developing countries, combined with robust economic development, leads to demand growth for gas in all the relevant sectors, power generation, industry, as well as the residential and commercial sectors. The increasing availability of gas on the global market due to the expansion of liquefied natural gas production is also set to contribute to the high growth rates for this energy source.

Other renewables consisting mainly of wind, photovoltaic, solar and geothermal energy is projected to be by far the fastest growing energy type. It is estimated to have an average annual growth rate of 6.8% over the forecast period. Its share is expected to increase by 4% by 2040. However, given that its current base in the global energy demand mix is rather low, at about 1.4%, the share of other renewables is still anticipated to be below 5.5% by 2040, despite its impressive growth.

Oil and coal are projected to grow at much lower rates of 0.6% and 0.4% per annum, respectively. Despite these relatively low rates, fossil fuels will retain a dominant role in the global energy mix, although with a declining overall share. Indeed, the share of fossil fuels in the global energy mix stood at 81% in 2015. This is set to decline to below 80% by 2020 and then drop further to under 78% by 2030. It is estimated to reach 74% by 2040. It should be noted, however, that oil and gas together are still expected to provide more than half of the world's energy needs over the forecast period, with their combined share relatively stable between 52 to 53%.

Long term global oil demand growth is forecast to decelerate steadily, falling from an annual average of around 1.3 million barrels a day during the period 2016 to 2020 to only 0.3 million barrels a day every year between 2035 and 2040. This deceleration is a result of slowing gross domestic product growth, assumed oil price increases, a structural shift of economies towards a more service-oriented structure, efficiency improvements as a result of tightening energy efficiency policies and/or technological improvements, and oil facing strong competition from other energy sources.

[The rest of this page is intentionally left blank]



The road transportation sector is currently the largest contributor to global oil demand. In 2016, this sector represented 45% of total demand at 42.8 million barrels a day. Substantial growth is expected in the long-term with an additional 5.4 million barrels a day up to 2040, when it reaches 48.3 million barrels a day. In fact, one out of every three new barrels between 2016 and 2040 is anticipated to come from the road transportation sector. Significant growth is also expected for the petrochemical sector where demand is estimated to increase by 3.8 million barrels a day during the forecast period. Aviation is the fastest growing sector driven by a rapidly expanding global middle class, particularly in developing countries, as well as the increasing penetration of low cost carriers. It is foreseen that demand in this sector will increase by 2.9 million barrels a day over the forecast period.

*(Source: World Oil Outlook 2017, OPEC)*

### **6.2.2 Overview and outlook of the Malaysian oil, gas and energy industry**

Value added of the mining sector continued to expand at a moderate pace of 0.9% during the first half of 2017 (January - June 2016: 0.4%). The growth was supported by higher production of natural gas which strengthened 4.7% (January - June 2016: 1.9%) in line with higher exports to China, Japan and Republic of Korea coupled with stronger demand from domestic petrochemical industry. However, crude oil and condensates subsector contracted further by 3.7% (January - June 2016: -1.2%) following Malaysia's commitment to cut oil production by up to 20,000 barrels per day since January 2017. This is in line with the agreement between OPEC and non-OPEC members to curtail oil output by 1.8 million barrels per day from January 2017 to March 2018 to address the global oil glut. As a result, Brent oil traded higher at an average of USD52.05 per barrel during the first nine months of 2017 (January - September 2016: USD42.04 per barrel). For the year, the Brent is expected to trade around USD50 per barrel (2016: USD44.05 per barrel). In 2017, the mining sector is expected to expand 0.5% (2016: 2.2%) backed by higher production of natural gas, offsetting lower production of crude oil. The natural gas subsector is expected to benefit from commercialisation of LNG Train 9 at the PETRONAS LNG Complex in Bintulu and PETRONAS' Floating Liquefied Natural Gas 1.

The mining sector is projected to expand 0.9% (2017: 0.5%) contributed mainly by higher production of natural gas. Output of natural gas is expected to increase further on account of higher global demand, particularly from China, Japan, Republic of Korea and Taiwan. In addition, the completion of oil and gas projects such as North Malay Basin Full Field Development Phase 1 and Regasification Terminal 2 in Pengerang are expected to further boost production of natural gas. On the contrary, production of crude oil is projected to decline due to Malaysia's commitment to cut production until the first quarter of 2018. For the year, Brent is anticipated to trade at an average of USD52 per barrel (2017: USD50 per barrel).

*(Source: Economic Report 2017/2018, Ministry of Finance)*

[The rest of this page is intentionally left blank]

## 6.3 Overview and outlook for the rail industry

### 6.3.1 Overview and outlook of the global rail industry

Compared to the last study 2 years ago, the overall rail supply market has witnessed a substantial growth at 3%, driven for the main part by the Asian Pacific region. At over EUR 159 billion, the world rail supply market has reached a record high level. From a product segment perspective, the largest contribution to the market's growth in the 2013 – 2015 period compared to the 2011 – 2013 period stemmed mainly from the rolling stock and services segments. Added together, these 2 segments account for 72% of the total rail market in the 2013 – 2015 period. The highest growth rates have been recorded both in the rolling stock and the rail control segments, with 5.8% and 4.9% respectively. In particular, the rolling stock sector benefitted from record-high purchases of locomotives and freight wagons as well as from several large-scale orders in other product segments, such as metros, commuter trains and (very) high speed trains.

In line with overall market growth, the infrastructure in operation grew by 26,000 km, primarily in the urban and very high speed track segments, with track infrastructure in sum reaching more than 1.6 m km of urban and interurban tracks. The bulk of the additional track kilometres can be attributed to the Asian Pacific region due to the construction of new routes in China and India. Including the 5 additional countries as mentioned above, it is worth noting that approximately 40% of all track kilometres are electrified, mostly in Western Europe and Asia Pacific, leaving considerable market potential for further track electrification. The installed base of rolling stock in the 60 countries totals approximately 6.2 m units, of which 88% are freight cars. In relative terms, the metro segment showed the highest growth rate adding more than 8,000 new units to the installed base when compared with the previous study.

As per Scomi's forecasts, the total market for rail supply is set to continue its growth of recent years at 2.6%. The rail supply market is foreseen to reach approximately EUR 185 billion per annum in the 2019 – 2021 period. While the different regional markets are projected to grow steadily in the future, the highest growth rates are expected in Western Europe and Africa/Middle East, 3.1% and 3.0% respectively.

From a product segment perspective, the highest contribution (in absolute values) to the overall growth is predicted to stem from the services and rolling stock segments that will supply 68% of the expected market growth. This growth of the rail supply industry will enable the sustainable improvement of mobility both in developed and developing countries, with rail as the backbone of an intermodal transport system where urbanisation goes hand in hand with sustainable development goals.

*(Source: UNIFE World Rail Market Study – forecast 2016 - 2021)*

[The rest of this page is intentionally left blank]

### **6.3.2 Overview and outlook of the Malaysian rail industry**

Under the Eleventh Plan, the Government aims to continue to provide sufficient and affordable access to transportation to allow for a safe, efficient, and fast flow of people and goods within Malaysia – especially across rural and urban areas – and internationally.

Improving urban public transport remains critical for Malaysia as 75% of its population will be living in cities by 2020. Public transport modal share in Greater Kuala Lumpur / Klang Valley was 17.1% in 2014. The Government aims to raise this to 40% by 2020, and 20% in other capital cities. To increase public transport modal share by commuters, investments in new infrastructure, along with greater intermodal integration will be undertaken to ensure seamless travel. Suitable public transport modes will be developed based on travel demand.

The Klang Valley Mass Rapid Transit (KVMRT) system will become operational during the Eleventh Plan. The KVMRT Line 1 will traverse 51 km between Sungai Buloh and Kajang, through 31 stations serving about 1.2 million people with a daily expected ridership of 400,000. Construction on KVMRT Line 2 will also start in 2016 and is estimated to become operational by 2022. Additionally, construction on a Light Rail Transit (LRT) Line 3 connecting Bandar Utama to Klang, running over 36 km and serving 25 stations will start in 2016 with expected completion in 2020.

Keretapi Tanah Melayu Bhd (KTMB) is the sole operator of intercity rail services and offers public transport options. KTMB will continue its transformation exercise to improve overall operations, including organisation structure, route rationalisation, and review of fare and freight charges, to provide a better service to the public. Service reliability and operational performance will be improved by addressing engineering issues, rolling stock management, and infrastructure maintenance.

Road and rail safety will be improved during the Eleventh Plan. Blackspot Mitigation Programme and Road Safety Audit will be intensified to reduce road accidents and fatalities. This will reduce road fatalities by 50% by 2020 as per the recommendations of the United Nations Decade of Action for Road Safety 2011-2020. Response time to address road hazards, including landslides and potholes, will be shortened. Rail safety for heavy rail will be enhanced through track upgrading, electrification, signalling and communication system improvement, as well as rolling stocks replacement.

*(Source: Strengthening infrastructure to support economic expansion, Eleventh Malaysia Plan, 2016-2020)*

## **6.4 Prospects of Scomi Group**

### **6.4.1 Scomi Group**

The prospects of Scomi Group are not expected to change materially as a consequence of the Proposed Mergers given that Scomi Engineering and Scomi Energy are currently subsidiaries of Scomi.

Amid the present low oil price environment, Scomi Group had responded proactively in restructuring and realigning its energy business segment. While it continues to streamline operations across its existing businesses, Scomi Group is also exploring the potential of non-oil and gas based chemicals and renewable energy as a new income stream. In the transport solutions segment, the Scomi Group continues to achieve progress on its existing monorail projects in Brazil and India in terms of stages of completion, and is also working in concerted effort with its client to resolve various issues that have previously delayed the progress of the Scomi Group's projects, such as delayed completion of civil works and revision in project milestones.

While navigating through the current challenging operating conditions, Scomi Group has implemented measures aimed at reducing operational costs while optimising productivity, including asset and cost optimisation, better project execution, financial prudence, operational synergy and cash flow and debt management. Scomi Group will continue to operate within the oil and gas sector, albeit with a different approach that will allow it to remain sustainable amid the present low oil price environment such as, among others, promoting the sale of the Scomi Group's chemicals with green technology which are developed in-house, that will help with overall efficiencies of drilling program for the Scomi Group's customers, and focusing on rolling out production chemicals.

*(Source: Management of Scomi)*

#### **6.4.2 Scomi Engineering Group**

The Scomi Engineering Group is a product engineering and manufacturing organisation that provides public transport systems and solutions. As at the LPD, the Scomi Engineering Group has tendered for a total of about RM3.3 billion worth of projects and its order book stands at about RM1.9 billion.

While the financial years ahead is likely to remain challenging due to a sluggish recovery in crude oil prices and economic growth in key markets, the Scomi Engineering Group foresees opportunities fueled by the growth in demand for mass public transportation and rising urban populations across the world, notably in developing countries.

In the short-term, markets that offer the Scomi Engineering Group with potential opportunities include Thailand, Turkey, Dubai, China, Sri Lanka, the Philippines and Taiwan. In Thailand and Vietnam, its proximity to the countries will make the Scomi Engineering Group an attractive choice. In the domestic market, continued Government spending in rail systems is expected to further provide the Scomi Engineering Group with opportunities to participate and benefit from the investment.

In respect of commercial vehicles, opportunities are also present as the Mass Rapid Transit (MRT) Phase 2 and proposed Bus Rapid Transit solution are anticipated to require feeder buses, of which the Scomi Engineering Group expects to capitalise on these prospects having proven its capabilities.

In view of the above and after taking into consideration the risk factors affecting the Scomi Engineering Group as set out in Sections 7.2 and 7.3, Part A of this Document, the management of Scomi Engineering is of the view that the business of the Scomi Engineering Group is still commercially viable.

Moving forward, the Scomi Engineering Group's strategies will be to address present and expected challenges such as project delays, poor cash flows due to project delays and penetrating new markets, while capitalising on any opportunities that may arise in its current business segments. It has strengthened its engineering and manufacturing position and is looking at its inherent strengths in manufacturing to be able to offer its customers either a complete solution or components of the solution.

As part of its growth plan, the Scomi Engineering Group intends to:

- (a) bid for all opportunities in its current business segments. It will consider participating as a first tier contractor, directly tendering for contracts or alternatively serving as a second tier contractor to provide engineering, manufacturing, and assembly and supply services;
- (b) continue the development of the next generation of monorail systems leveraging on new technologies such as nanotechnology, the Internet-of-Things and 3D printing;

- (c) work with strategic partners to develop global monorail standards especially for guideway infrastructure; and
- (d) grow its facilities concession management services, particularly under the operations and maintenance. Within this scope, it is able to provide repair management, maintenance management, service and parts supply. With an experienced team, the Scomi Engineering Group is able to provide these services at its hub in Rawang or at its client's location.

*(Source: Management of Scomi Engineering)*

#### **6.4.3 Scomi Energy Group**

The Scomi Energy Group's financial and business prospects are largely correlated to the conditions of the global oil and gas sector. With crude oil price hovering at the range of between USD45 and USD60 per barrel for the past 1 year up to the LPD, there seems to be a gradual increase in capital expenditure by oil and gas majors and national oil companies. With this development, the prospects of the Scomi Energy Group are expected to be positive moving forward with possible increased drilling activities in the global oil and gas sector, barring any major geo-political developments.

The present oil prices present an opportunity for companies to re-invest and will likely contribute to increased exploration and production activities in the global oil and gas sector. The decision to be made by the OPEC and non-OPEC members including Russia to maintain production quotas will also be a key factor in crude oil price recovery.

The Scomi Energy Group's key markets such as the Middle East, Russia and Turkmenistan continue to see progressive increase in rig counts. However, the extent of this global recovery remains uncertain. The impact to oilfield services will lag as oil majors need time to reach a final investment decision for new projects and award new supply contracts. As such, recovery is expected to be gradual and the effects will be more apparent for Scomi Energy in the later part of the FYE 31 March 2018 and beyond.

On the Scomi Energy Group's marine business, the high coal prices have resulted in encouraging utilisation rates for its coal vessels. The current activity level is expected to continue and provide avenues for further revenue growth for its marine services.

As for the Scomi Energy Group's development and production asset and services unit, the development of its Ophir marginal field project continues to make good progress with the achievement of first oil in November 2017 and the first lifting of Ophir crude expected to be in December 2017. The Ophir marginal field project is expected to contribute positively to the future financial performance of the Scomi Energy Group.

In view of the above and after taking into consideration the risk factors affecting the Scomi Energy Group as set out in Sections 7.1 and 7.3, Part A of this Document, the management of Scomi Energy is of the view that the business of the Scomi Energy Group is still commercially viable and the prospects of the Scomi Energy Group appear to be positive in the medium to long term.

The Scomi Energy Group's strategies are to grow its core business, pursue product expansion and develop operational synergy. It will continue to focus on its value proposition as an integrated drilling service provider by delivering end-to-end offerings from drilling, evaluation, completion, production and well intervention.

As part of its growth plan, the Scomi Energy Group intends to:

- (a) continue to explore well rejuvenation programs focusing on markets for production chemicals;
- (b) pursue opportunities in new markets, primarily those focused on land based production, i.e. Algeria, Kuwait and Iraq which are more cost effective than offshore drilling and have maintained or are increasing their momentum of activity;
- (c) continue to enhance research and development activities, scope up its geographical presence across the globe and secure strategic partners for transfer of technology; and
- (d) actively participate in tenders and focused on securing long term contracts with its customer.

*(Source: Management of Scomi Energy)*

The Proposed Mergers are not expected to immediately contribute to the earnings of the Scomi Group. Upon completion of the Proposed Mergers, it is Scomi's intention to continue pursue the growth strategies of Scomi Energy and Scomi Engineering as set out above with a view to improve their financial performance in the medium to long term, the exact time frame of which cannot be ascertained at this juncture. In an effort to turnaround the businesses of Scomi Energy and Scomi Engineering within 12 months from the completion of the Proposed Mergers, it is Scomi's intention to focus on strengthening Scomi Group's financial fundamentals as well as to implement cash realisation initiatives to raise at least USD50.0 million (or approximately RM209.9 million) by disposing of and/or streamlining Scomi's existing assets including the existing non-core assets of the Scomi Energy Group and the Scomi Engineering Group.

*(Source: Management of Scomi)*

## **7. RISK FACTORS**

The Proposed Merger of Scomi Engineering is subject to completion risk as there can be no assurance that the Proposed Merger of Scomi Engineering will be successful in view that it is conditional upon the Proposed Share Consolidation and Proposed Bonus Issue of Warrants and approvals being obtained from the relevant authorities and the Scheme Shareholders.

After the completion of the Proposed Merger of Scomi Engineering, the Scheme Shareholders will be holding shares in Scomi and should take note of the risk factors affecting Scomi Group's other core businesses and the industry that Scomi Group is principally involved in. The Proposed Mergers are not expected to give rise to new risks which Scomi is not already exposed to, as Scomi Energy and Scomi Engineering are currently 65.6% owned and 72.3% owned subsidiaries of Scomi respectively. Notwithstanding this, the risks which could have a material adverse effect on the Scomi Group's business operations and financial performance, upon further consolidating the financial results of the Scomi Energy Group and Scomi Engineering Group after the completion of the Proposed Mergers, are set out below:

[The rest of this page is intentionally left blank]

(i) **Risk associated with the financial performance of Scomi Energy and Scomi Engineering**

A summary of the contribution of the Scomi Energy Group and the Scomi Engineering Group to the revenue and loss after tax of the Scomi Group, based on the latest audited consolidated financial statements for the FYE 31 March 2017 as well as the latest unaudited consolidated financial statements for the 6-month FPE 30 September 2017 of Scomi, is set out below:

	FYE 31 March 2017				6-month FPE 30 September 2017			
	Revenue (RM'000)	%	Loss after tax attributable to the owners of Scomi (RM'000)	%	Revenue (RM'000)	%	Loss after tax attributable to the owners of Scomi (RM'000)	%
Scomi Energy Group	664,012	80.3	(82,986)	77.3	321,451	82.9	(25,126)	59.6
Scomi Engineering Group	162,880	19.7	(14,289)	13.3	66,165	17.1	(22,624)	53.6
Others	-	-	(10,130)	9.4	-	-	5,584	(13.2)
<b>Scomi Group</b>	<b>826,892</b>	<b>100.0</b>	<b>(107,405)</b>	<b>100.0</b>	<b>387,616</b>	<b>100.0</b>	<b>(42,166)</b>	<b>100.0</b>

Assuming the Proposed Mergers had been completed on 1 April 2016, being the beginning of the FYE 31 March 2017, the loss after tax and loss per share of the Scomi Group are expected to increase from RM110.9 million to RM169.2 million and from 5.64 sen to 7.31 sen respectively.

There is no assurance that the Scomi Group would be able to curb further losses, if any, to be incurred by both the Scomi Energy Group and the Scomi Engineering Group upon completion of the Proposed Mergers. A prolonged weak financial performance of the Scomi Group would negatively affect the Scomi Group's credibility with bankers, suppliers, investors and other stakeholders, which would in turn have a material and adverse effect on the business operations, financial performance, and prospects of the Scomi Group.

(ii) **Impairment risk**

The completion of the Proposed Mergers is not likely to result in any impairment loss in view that no negative goodwill will be recognised by Scomi. The Proposed Mergers are accounted for under common control transaction, given that Scomi Energy and Scomi Engineering are already Scomi's subsidiaries, i.e. on book value accounting basis. In applying book value accounting, any difference between total consideration paid for the Scheme Shares and the book value of the non-controlling interests of Scomi in both Scomi Energy and Scomi Engineering will be directly recognised in the equity attributable to the owners of Scomi.

Moving forward, impairment assessment will need to be performed annually as at 31 March for intangible assets with infinite life. In addition, impairment assessment is also required if there is an indication of impairment as at balance sheet date. This is in line with the audit process and in accordance with the accounting standards.

[The rest of this page is intentionally left blank]

## 7.1 Risks relating to Scomi Energy

The risks currently faced by the Scomi Energy Group include:

### (a) Market pricing for the oil and gas industry production

The businesses of the Scomi Energy Group correlate with the conditions within the oil and gas industry, notably the level of activity in the exploration, drilling, development and production of oil and natural gas which may be affected by factors beyond the Group's control, in particular, fluctuations in oil and gas prices.

Fluctuations in the prices of oil and gas can be volatile and are primarily affected by the state of the global economy and economic growth as well as the actual and perceived changes in the demand and supply for oil and gas. The prices of oil and natural gas have a direct bearing on the level of activity in the global offshore oil and gas industry as they affect the level of capital spending by companies in the offshore oil and gas industry. Low oil and gas prices tend to reduce the amount of oil and natural gas that producers can produce economically. When this occurs, major oil and gas companies generally reduce their spending budgets for offshore drilling, exploration and development.

Other factors which affect the level of activity in the global offshore oil and gas industry include global economic and political conditions, the supply of and demand for vessels, development of alternative fuels, conflicts in oil-producing regions and changes in national or international regulations (including governmental policies) that may cause increases or reductions in offshore development. This, in turn, would materially and adversely affect demand for services offered by the Scomi Energy Group, thereby adversely affecting the financial condition and results of operations of the Scomi Energy Group and in turn, the results of operations of the Scomi Group.

Taking into consideration the challenging external environment, the Scomi Group continues to explore to remain capex and asset light via disposal of the Scomi Group's existing assets, and/or streamline operations across the Company's businesses. Nevertheless, there can be no assurance that the protracted period of low drilling and production activities will not have a material and adverse effect on the businesses, financial position, results of operations and prospects of the Scomi Group.

### (b) Operation risk such as fire, natural disasters, explosions, spills and blowouts

The Scomi Energy Group is subject to inherent risks in the oil and gas industry such as fire, natural disasters, explosions, spills and blowouts, which the Scomi Group has no control over. In extreme circumstances, these could also result in loss of human life or serious injury, environmental pollutions, significant damage to equipment and machinery, and reputational damage to the Group.

There can be no assurance that such operational risks will not adversely affect the financial position and results of operations of the Scomi Energy Group and in turn, the results of operations of the Scomi Group. In mitigating such risks, the Scomi Group ensures that the Scomi Energy Group takes the necessary actions to ensure proper quality, health safety and environment procedures are in place, including ensuring that the operations of the Scomi Energy Group are adequately insured.



## 7.2 Risks relating to Scomi Engineering

The risks currently faced by Scomi Engineering includes an ongoing legal dispute with PMB, further details of which are set out in Section 11 of Appendix II, Part A of this Document.

Based on the latest audited consolidated financial statements of Scomi Engineering for the FYE 31 March 2017, the billed and unbilled receivables due from PMB amounted to about RM210.1 million as at 31 March 2017. Failure to fully recover these outstanding receivables, which are outside of the Scomi Group's control, will result in an impairment of the remaining receivables and reduce the earnings or further increase the losses of the Scomi Engineering Group, as the case may be.

There is no assurance that the dispute will be settled or settled on terms which are favourable or reasonable to the Scomi Engineering Group. If the dispute is not settled or if settled on terms which are not favourable or reasonable to the Scomi Engineering Group, the businesses, financial position, results of operations and prospects of the Scomi Engineering Group may be adversely affected, and in turn, the results of operations of the Scomi Group. Further, if the Scomi Engineering Group fails to recover the above receivables, the Scomi Group may not be able to generate sufficient cash flow to fulfil its debt obligations and this would adversely affect the Scomi Group's business operations upon completion of the Proposed Merger of Scomi Engineering.

## 7.3 Risks relating to Scomi Energy and Scomi Engineering

The risks currently faced by both Scomi Energy and Scomi Engineering include:

### (a) Changes in laws, regulations or policies of governments or other governmental activities

The Scomi Group has business presence in several countries including Malaysia, Indonesia, Turkmenistan, Russia, Pakistan, Oman, Nigeria, India and Australia. These businesses are governed by the laws, regulations and government policies in each of the countries in which they operate. Any economic downturn, changes in policies in these countries, fluctuations in currency and interest rate, changes in capital controls or capital restrictions, labour laws, changes in environmental protection laws and regulations, duties and taxation and limitations on imports and exports, which are beyond the Group's control, could materially and adversely affect the business operations of the Scomi Energy Group, and in turn, the results of operations of Scomi Group.

### (b) Financial / investment risk (including default risk arising from customers going into default resulting in financial loss and increase in collection costs)

Scomi's exposure to credit risk arises principally from loans and advances to its subsidiaries, and financial guarantees given to banks for credit facilities granted to its subsidiaries. Scomi's subsidiaries, including Scomi Energy and Scomi Engineering, in turn face credit risk in the event a customer or counterparty to a financial instrument fails to meet its contractual obligations.

As at 31 March 2017, the Scomi Energy Group and the Scomi Engineering Group held a significant balance of trade receivables amounting to RM183.0 million and RM710.4 million (included unbilled revenue amounting to RM627.3 million) respectively, representing 24.7% and 277.5% of the NA of the Scomi Energy Group and the Scomi Engineering Group, respectively. A significant amount of indebtedness could, among others:

- (i) impair the Scomi Group's ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes on favourable terms, if at all;
- (ii) require the Scomi Group to use a substantial portion of the Company's cash from operations to make principal and interest payments on the Company's debt, reducing the funds that would otherwise be available for operations; and
- (iii) limit the Scomi Group's flexibility in responding to changing business and economic conditions.

The ability of the Scomi Group to service its indebtedness will depend upon, among others, its future business, financial condition, cash flows and results of operations, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond the Scomi Group's control. If the Scomi Group's operating cash flows are not sufficient to service the Company's indebtedness, the Scomi Group will be forced to take action such as seeking additional equity capital or reducing or delaying investments or capital expenditures.

**(c) Competition from both local and international industry players**

The Scomi Energy Group and the Scomi Engineering Group face competition from both local and international industry players in the markets and businesses in which they respectively operate in. In assessing the extent of competition faced, the key differentiating factors are the suitability as well as the availability of equipment, price, quality of services and the ability to attract and retain qualified and skilled personnel. The Scomi Energy Group and the Scomi Engineering Group continuously strive to maintain its market share in the oilfield services industry and mass transit engineering services industry. Failure to maintain their competitive position could adversely affect the financial performance of the Scomi Group.

**(d) Loss of qualified skilled personnel**

The businesses of the Scomi Energy Group and Scomi Engineering Group are dependent on availability of qualified skilled personnel. The pool of qualified skilled personnel in the oilfield services industry and mass transit engineering services industry is limited and competition for such personnel is high. There can be no assurance that the Scomi Energy Group and Scomi Engineering Group will be able to recruit and retain the necessary skilled personnel for its operations. Failure to attract and retain skilled employees may have an adverse effect on the Scomi Energy Group and Scomi Engineering Group and consequently, its competitiveness.

**(e) Foreign exchange risk**

The Scomi Energy Group and Scomi Engineering Group conduct their businesses in several countries outside Malaysia including Indonesia, Thailand, Russia, Oman and Nigeria. A substantial portion of their revenue is denominated in USD, and the purchases of materials and equipment are denominated primarily in USD. Foreign exchange risks arise mainly from a mismatch between the currency of the Scomi Group's revenue and the currency of its purchases and expenses. The Scomi Group may suffer foreign currency losses if there are significant adverse fluctuations in currency exchange rates between the time of the Scomi Group's purchases and payments in foreign currencies and the time of the Scomi Group's sales and receipts.

In addition, the Scomi Energy Group and Scomi Engineering Group are subject to translation risks as their consolidated financial statements are reported in RM while the financial statements of some of their subsidiaries are prepared in the foreign currencies of their domicile.

In view of the nature of its business operations which span multiple countries, the Scomi Energy Group and Scomi Engineering Group will continue to face foreign exchange risks in the future and such risks may adversely impact the results of operations and financial condition of the Scomi Group.

## 8. HISTORICAL SHARE PRICES OF SCOMI AND SCOMI ENGINEERING

### 8.1 Market prices of Scomi Shares

The month end closing, highest and lowest prices of Scomi Shares traded on the Main Market of Bursa Securities for the 6 months prior to the Announcement, i.e. from February 2017 to July 2017, and latest calendar month prior to the LPD are set out below:

	Month End Closing	Monthly Highest	Monthly Lowest
	RM	RM	RM
<b>For the 6 months period prior to the Announcement</b>			
February 2017	0.155	0.195	0.155
March 2017	0.185	0.205	0.165
April 2017	0.170	0.195	0.170
May 2017	0.155	0.175	0.150
June 2017	0.125	0.145	0.125
July 2017	0.110	0.140	0.110
<b>Latest calendar month prior to the LPD</b>			
November 2017	0.145	0.165	0.140

The last traded price for Scomi Shares prior to the Announcement and the Explanatory Statement are set out below:

**Prior to the Announcement**

Last traded price as at the LTD 0.110

**Before this Explanatory Statement**

Last traded price as at the LPD 0.13

(Source: Bloomberg)

[The rest of this page is intentionally left blank]

## 8.2 Market prices of Scomi Engineering Shares

The month end closing, highest and lowest transacted prices of Scomi Engineering Shares traded on the Main Market of Bursa Securities for the 6 months prior to the Announcement i.e. from February 2017 to July 2017, and last calendar month prior to the LPD are set out below:

	Month End Closing	Monthly Highest	Monthly Lowest
	RM	RM	RM
<b>For the 6 months period prior to the Announcement</b>			
February 2017	0.360	0.510	0.315
March 2017	0.410	0.420	0.400
April 2017	0.350	0.415	0.350
May 2017	0.255	0.355	0.255
June 2017	0.280	0.280	0.230
July 2017	0.245	0.275	0.245
<b>Latest calendar month prior to the LPD</b>			
November 2017	0.265	0.305	0.265

The last traded price for Scomi Engineering Shares prior to the Announcement and the Explanatory Statement are set out below:

### **Prior to the Announcement**

Last traded price as at the LTD 0.255

### **Before this Explanatory Statement**

Last traded price as at the LPD 0.265

*(Source: Bloomberg)*

## 9. EFFECTS OF THE PROPOSED MERGER OF SCOMI ENGINEERING

### 9.1. Scomi Engineering

#### 9.1.1. Issued share capital

The Proposed Merger of Scomi Engineering will not have any effect on the issued share capital of Scomi Engineering.

[The rest of this page is intentionally left blank]

### 9.1.2. Substantial shareholder's shareholding

The change in the substantial shareholder's shareholding in Scomi Engineering before and after the Proposed Merger of Scomi Engineering is as follows:

Name	As at LPD		After the Proposed Merger of Scomi Engineering	
	Direct	Indirect	Direct	Indirect
Scomi	No. of Scomi Engineering Shares ('000) 247,350	No. of Scomi Engineering Shares ('000) -	No. of Scomi Engineering Shares ('000) 341,958	No. of Scomi Engineering Shares ('000) -
	( <sup>(1)</sup> ) % 72.3	* % -	* % 100.0	* % -

Note:

(1) The percentage shareholdings have been computed net of treasury shares held by the Company as at the LPD.

### 9.1.3. NA, NA per Scomi Engineering Share and gearing

The Proposed Merger of Scomi Engineering is not expected to have any material effect on the NA, NA per Scomi Engineering Share and the gearing of Scomi Engineering Group.

### 9.1.4. Earnings and EPS

The Proposed Merger of Scomi Engineering is not expected to have any material effect on the earnings and EPS of Scomi Engineering Group.

[The rest of this page is intentionally left blank]

## 9.2. Scomi

Effects of the Proposals are illustrated below based on the following scenarios:

Scenario 1 Assuming the Proposed Mergers approved by Scheme Shareholders and Scomi Energy Scheme Shareholders.

Scenario 2 Assuming only the Proposed Merger of Scomi Engineering is approved by the Scheme Shareholders.

Under Scenario 2, the basis for the Proposed Bonus Issue of Warrants will be adjusted accordingly such that the potential aggregate number of new Consolidated Shares arising from the exercise of all outstanding warrants will not exceed 50% of the total number of issued shares of Scomi (excluding treasury shares and before the exercise of the said Warrants) at all times.

The basis for the Proposed Bonus Issue of Warrants under Scenario 2 has yet to be determined and therefore, there is no effects shown upon the full exercise of the Warrants under this scenario.

### 9.2.1. Issued share capital

For illustration purposes, the pro forma effects of the Proposals on the issued share capital of Scomi for Scenario 1 and Scenario 2 are as follows:

	Scenario 1		Scenario 2	
	No. of Scomi Shares ('000)	RM'000	No. of Scomi Shares ('000)	RM'000
Issued share capital as at the LPD	1,917,510 <sup>(1)</sup>	636,582	1,917,510 <sup>(1)</sup>	636,582
Issued share capital after the Proposed Share Consolidation	958,755 <sup>(2)</sup>	636,582	958,755 <sup>(2)</sup>	636,582
To be issued pursuant to the Proposed Bonus Issue of Warrants	-	-	-	-
To be issued pursuant to the Proposed Merger of Scomi Energy	482,870	101,403 <sup>(3)</sup>	-	-
To be issued pursuant to the Proposed Merger of Scomi Engineering	135,328	28,419 <sup>(3)</sup>	135,328	28,419 <sup>(3)</sup>
To be issued assuming the full exercise of the Warrants	738,314	162,638 <sup>(4)</sup>	-	-
	<b>2,315,266</b>	<b>929,041</b>	<b>1,094,083</b>	<b>665,001</b>

Notes:

- \* *The difference being the amount listed and the total is due to rounding.*
- (1) *Includes 14,427,200 treasury shares of Scomi as at LPD.*
- (2) *Including 7,213,600 Consolidated Shares held as treasury shares.*
- (3) *For purposes of computing the fair value of the Consideration Shares, Scomi has adopted the Issue Price.*
- (4) *Based on the exercise price of RM0.21 per Warrant and the transfer of warrants reserve amounting to about RM7.6 million into share capital upon full exercise of the Warrants.*

[The rest of this page is intentionally left blank]

## 9.2.2. Substantial shareholders' shareholdings

### Scenario 1

The changes in the substantial shareholders' shareholdings of Scomi for Scenario 1 are as follows:

Name	As at LPD			After the Proposed Share Consolidation (I)		
	Direct	Indirect		Direct	Indirect	
	No. of Scomi Shares ('000)	No. of Scomi Shares ('000)	( <sup>(1)</sup> ) %	No. of Consolidated Shares ('000)	No. of Consolidated Shares ('000)	( <sup>(1)</sup> ) %
IJM Corporation Berhad	467,983	-	24.6	233,991	-	24.6
Kaspadu	<sup>(2)</sup> 171,150	<sup>(3)</sup> 1,125	9.0	85,575	<sup>(3)</sup> 563	9.0
Shah Hakim	<sup>(4)</sup> 1,950	<sup>(5)</sup> 175,917	0.1	975	<sup>(5)</sup> 87,959	0.1
Tan Sri Dato' Kamaluddin Bin Abdullah	-	<sup>(6)</sup> 172,275	-	-	<sup>(6)</sup> 86,138	-
Amadia Investments Ltd ("Amadia Investments")	<sup>(7)</sup> 151,637	-	8.0	75,819	-	8.0
TAEI One Partners Ltd (acting in its capacity as the general partner of the Asian Entrepreneur Legacy One, L.P.) the "Fund")	-	<sup>(8)</sup> 151,637	-	-	<sup>(8)</sup> 75,819	-
United Overseas Bank Limited	-	<sup>(9)</sup> 151,637	8.0	-	<sup>(9)</sup> 75,819	8.0

[The rest of this page is intentionally left blank]



After (I) and the Proposed Bonus Issue of Warrants (II) <sup>(10)</sup> After (II) and the Proposed Merger of Scomi Energy (III)

Name	Direct		Indirect		Direct		Indirect	
	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%
IJM Corporation Berhad	233,991	24.4	-	-	233,991	16.2	-	-
Kaspadu	85,575	8.9	<sup>(3)</sup> 563	0.1	85,575	5.9	<sup>(3)</sup> 563	*
Shah Hakim	975	0.1	<sup>(5)</sup> 87,959	9.2	2,240	0.2	<sup>(5)</sup> 87,993	6.1
Tan Sri Dato' Kamaluddin Bin Abdullah	-	-	<sup>(6)</sup> 86,138	9.0	-	-	<sup>(6)</sup> 86,138	6.0
Amadia Investments	75,819	7.9	-	-	75,819	5.3	-	-
The Fund	-	-	<sup>(8)</sup> 75,819	7.9	-	-	<sup>(8)</sup> 75,819	5.3
United Overseas Bank Limited	-	-	<sup>(9)</sup> 75,819	7.9	-	-	<sup>(9)</sup> 75,819	5.3

[The rest of this page is intentionally left blank]

**After (III) and the Proposed Merger of Scomi Engineering (IV)**

**After (IV) and the full exercise of the Warrants (V)**

Name	Direct		Indirect		Direct		Indirect	
	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%
IJM Corporation Berhad	233,991	14.8	-	-	397,785	17.2	-	-
Kaspadu	85,575	5.4	(3) 563	*	145,477	6.3	(3) 957	*
Shah Hakim	3,130	0.2	(5) 88,761	5.6	4,042	0.2	(5) 150,412	6.5
Tan Sri Dato' Kamaluddin Bin Abdullah	-	-	(6) 86,138	5.5	-	-	(6) 146,434	6.3
Amadia Investments	75,819	4.8	-	-	128,892	5.6	-	-
The Fund	-	-	(8) 75,819	4.8	-	-	(8) 128,892	5.6
United Overseas Bank Limited	-	-	(9) 75,819	4.8	-	-	(9) 128,892	5.6

Notes:

\* Negligible.

(1) The percentage shareholdings have been computed net of the treasury shares held by Scomi as at LPD.

(2) 135,753,055 Scomi Shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominees (Tempatan) Sdn Bhd and UOB Kay Hian Nominees (Tempatan) Sdn Bhd.

(3) Deemed interested by virtue of Section 8(4) of the Act through its shareholding in Onstream Marine.

(4) 1,421,000 Scomi Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.

(5) Deemed interested by virtue of Section 8(4) of the Act through his interests in Kaspadu, Rentak Rimbum and Onstream Marine.

(6) Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Kaspadu and Onstream Marine.

(7) Held through UOBM Nominees (Asing) Sdn Bhd for TAEI One Partners Ltd for Amadia Investments Ltd and HLG Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (AVC Clients).

(8) Deemed interested by virtue of Section 8(4) of the Act. Amadia Investments Ltd is an investment vehicle of the Fund.

(9) Deemed interested by virtue of its investment in the Fund.

(10) Assuming that all the treasury shares are resold on Bursa Securities

[The rest of this page is intentionally left blank]

## Scenario 2

The changes in the substantial shareholders' shareholdings of Scomi for Scenario 2 are as follows:

Name	As at LPD			After the Proposed Share Consolidation (I)		
	Direct		Indirect	Direct		Indirect
	No. of Scomi Shares ('000)	( <sup>(1)</sup> ) %	No. of Scomi Shares ('000)	( <sup>(1)</sup> ) %	No. of Consolidated Shares ('000)	( <sup>(1)</sup> ) %
IJM Corporation Berhad	467,983	24.6	-	-	233,991	24.6
Kaspadu	( <sup>(2)</sup> ) 171,150	9.0	( <sup>(3)</sup> ) 1,125	0.1	85,575	9.0
Shah Hakim	( <sup>(4)</sup> ) 1,950	0.1	( <sup>(5)</sup> ) 175,917	9.2	975	0.1
Tan Sri Dato' Kamaluddin Bin Abdullah	-	-	( <sup>(6)</sup> ) 172,275	9.1	-	-
Amadia Investments	( <sup>(7)</sup> ) 151,637	8.0	-	-	75,819	8.0
The Fund	-	-	( <sup>(8)</sup> ) 151,637	8.0	-	-
United Overseas Bank Limited	-	-	( <sup>(9)</sup> ) 151,637	8.0	-	-
					( <sup>(3)</sup> ) 563	0.1
					( <sup>(5)</sup> ) 87,959	9.2
					( <sup>(6)</sup> ) 86,138	9.1
					( <sup>(8)</sup> ) 75,819	8.0
					( <sup>(9)</sup> ) 75,819	8.0

[The rest of this page is intentionally left blank]

After (I) and the Proposed Bonus Issue of Warrants (II) <sup>(10)</sup>

After (II) and the Proposed Merger of Scomi Engineering (III)

Name	Direct		Indirect		Direct		Indirect	
	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%
IJM Corporation Berhad	233,991	24.4	-	-	233,991	21.4	-	-
Kaspadu	85,575	8.9	<sup>(3)</sup> 563	0.1	85,575	7.8	<sup>(3)</sup> 563	0.1
Shah Hakim	975	0.1	<sup>(5)</sup> 87,959	9.2	1,865	0.2	<sup>(5)</sup> 88,726	8.1
Tan Sri Dato' Kamaluddin Bin Abdullah	-	-	<sup>(6)</sup> 86,138	9.0	-	-	<sup>(6)</sup> 86,138	7.9
Amadia Investments	75,819	7.9	-	-	75,819	6.9	-	-
The Fund	-	-	<sup>(8)</sup> 75,819	7.9	-	-	<sup>(8)</sup> 75,819	6.9
United Overseas Bank Limited	-	-	<sup>(9)</sup> 75,819	7.9	-	-	<sup>(9)</sup> 75,819	6.9

Notes:

\* Negligible.

- (1) The percentage shareholdings have been computed net of the treasury shares held by Scomi as at LPD.
- (2) 135,753,055 Scomi Shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominees (Tempatan) Sdn Bhd and UOB Kay Hian Nominees (Tempatan) Sdn Bhd.
- (3) Deemed interested by virtue of Section 8(4) of the Act through its shareholding in Onstream Marine.
- (4) 1,421,000 Scomi Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.
- (5) Deemed interested by virtue of Section 8(4) of the Act through his interests in Kaspadu, Rentak Rimbum and Onstream Marine.
- (6) Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Kaspadu and Onstream Marine.
- (7) Held through UOBM Nominees (Asing) Sdn Bhd for TAEI One Partners Ltd for Amadia Investments Ltd and HLG Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients).
- (8) Deemed interested by virtue of Section 8(4) of the Act. Amadia Investments Ltd is an investment vehicle of the Fund.
- (9) Deemed interested by virtue of its investment in the Fund.
- (10) Assuming that all the treasury shares are resold on Bursa Securities

### 9.2.3. NA, NA per Scomi Share and gearing

#### Scenario 1

For illustration purposes, based on the audited consolidated financial statements of Scomi for the FYE 31 March 2017, the pro forma effects of the Proposals on the NA and gearing of Scomi Group for Scenario 1 are as follows:

	As at 31 March 2017	Pro forma I (RM'000)	Pro forma II (RM'000)	Pro forma III (RM'000)	Pro forma IV (RM'000)	Pro forma V (RM'000)
Share capital	(RM'000)					
Treasury shares	636,582	636,582	636,582	(3) 737,985	(3) 766,403	929,041
Warrant reserve	(18,696)	(18,696)	(2) -	-	-	-
Other reserves <sup>(1)</sup>	-	-	-	(3) 6,063	(3) 7,592	-
Retained earnings	(68,732)	(68,732)	(68,732)	(4) 259,675	(5) 296,002	296,002
<b>NA</b>	<b>24,959</b>	<b>24,959</b>	<b>(2) 7,778</b>	<b>(6) 4,278</b>	<b>4,278</b>	<b>4,278</b>
	<b>574,113</b>	<b>574,113</b>	<b>575,628</b>	<b>1,008,000</b>	<b>1,074,275</b>	<b>1,229,321</b>
No. of Shares/Consolidated Shares in issue (excluding treasury shares) ('000)	1,903,083	951,541	958,755	1,441,625	1,576,952	2,315,266
NA per Share/Consolidated Share (RM)	0.30	0.60	0.60	0.70	0.68	0.53
Total borrowings	771,098	771,098	771,098	771,098	771,098	771,098
Gearing (times)	1.34	1.34	1.34	0.76	0.72	0.63

#### Notes:

Pro forma I: After the Proposed Share Consolidation

Pro forma II: After Pro forma I and the Proposed Bonus Issue of Warrants

Pro forma III: After Pro forma II and the Proposed Merger of Scomi Energy

Pro forma IV: After Pro forma III and the Proposed Merger of Scomi Engineering

Pro forma V: After Pro forma IV and assuming full exercise of the Warrants

(1) Other reserves comprise merger reserve, translation reserve and hedging reserve.

(2) Assuming that all the treasury shares are resold on Bursa Securities at the 5-day VWAMP of the Scomi Shares up to and including the LTD, after adjusting for the Proposed Share Consolidation, of RM0.21 per Consolidated Share prior to the entitlement date of the Proposed Bonus Issue of Warrants, resulting in a loss on resale of approximately RM17.2 million.

(3) For purposes of computing the fair value of the consideration shares and consideration warrants for the Proposed Mergers, Scomi has adopted the issue price of the consideration shares of RM0.21 and the theoretical fair value of RM0.113 for each consideration share and consideration warrant respectively. However, it should be noted that Malaysian Financial Reporting Standards 3 - Business Combinations issued by the Malaysian Accounting Standards Board requires the recognition of the fair value of the consideration shares based on the closing market price of the Consolidated Shares on the completion date of the Proposed Mergers.

- (4) After adjusting for the difference between the book value of Scomi's non-controlling interest in Scomi Energy of approximately RM435.9 million as at 31 March 2017 and the total fair value of the consideration shares and consideration warrants to be issued for the Proposed Merger of Scomi Energy of approximately RM107.5 million, which will be directly recognised in the equity attributable to the owners of Scomi due to the Proposed Merger of Scomi Energy being accounted as a common control transaction.
- (5) After adjusting for the difference between the book value of Scomi's non-controlling interest in Scomi Engineering of approximately RM66.3 million as at 31 March 2017 and the total fair value of the Consideration Shares and Consideration Warrants to be issued for the Proposed Merger of Scomi Engineering of approximately RM29.9 million, which will be directly recognised in the equity attributable to the owners of Scomi due to the Proposed Merger of Scomi Engineering being accounted as a common control transaction.
- (6) After deducting estimated expenses in relation to the Proposals amounting to RM3.5 million.

## Scenario 2

For illustration purposes, based on the audited consolidated financial statements of Scomi for the FYE 31 March 2017, the pro forma effects of the Proposals on the NA and gearing of Scomi Group for Scenario 2 are as follows:

	As at 31 March 2017 (RM'000)	Pro forma I (RM'000)	Pro forma II (RM'000)	Pro forma III (RM'000)
Share capital	636,582	636,582	636,582	<sup>(3)</sup> 665,001
Treasury shares	(18,696)	(18,696)	- <sup>(2)</sup>	-
Warrant reserve <sup>(1)</sup>	-	-	-	<sup>(3)</sup> 1,529
Other reserves	(68,732)	(68,732)	(68,732)	<sup>(4)</sup> (32,405)
Retained earnings	24,959	24,959	<sup>(2)</sup> 7,778	<sup>(5)</sup> 4,278
<b>NA</b>	<b>574,113</b>	<b>574,113</b>	<b>575,628</b>	<b>638,403</b>
No. of Shares/Consolidated Shares in issue (excluding treasury shares) ('000)	1,903,083	951,541	958,755	1,094,083
NA per Share/Consolidated Share (RM)	0.30	0.60	0.60	0.58
Total borrowings	771,098	771,098	771,098	771,098
Gearing (times)	1.34	1.34	1.34	1.21

### Notes:

Pro forma I: After the Proposed Share Consolidation

Pro forma II: After Pro forma I and the Proposed Bonus Issue of Warrants

Pro forma III: After Pro forma II and the Proposed Merger of Scomi Engineering

- (1) Other reserves comprise merger reserve, translation reserve and hedging reserve.
- (2) Assuming that all the treasury shares are resold on Bursa Securities at the 5-day VWAMP of the Scomi Shares up to and including the LTD, after adjusting for the Proposed Share Consolidation, of RM0.21 per Consolidated Share prior to the entitlement date of the Proposed Bonus Issue of Warrants, resulting in a loss on resale of approximately RM17.2 million.

- (3) *For purposes of computing the fair value of the Consideration Shares and Consideration Warrants, Scomi has adopted the issue price of the Consideration Shares of RM0.21 and the theoretical fair value of RM0.113 for each Consideration Shares and Consideration Warrants respectively. However, it should be noted that Malaysian Financial Reporting Standards 3 - Business Combinations issued by the Malaysian Accounting Standards Board requires the recognition of the fair value of the Consideration Shares based on the closing market price of the Consolidated Shares on the completion date of the Proposed Mergers.*
- (4) *After adjusting for the difference between the book value of Scomi's non-controlling interest in Scomi Engineering of approximately RM66.3 million as at 31 March 2017 and the total fair value of the Consideration Shares and Consideration Warrants to be issued for the Proposed Merger of Scomi Engineering of approximately RM29.9 million, which will be directly recognised in the equity attributable to the owners of Scomi due to the Proposed Merger of Scomi Engineering being accounted as a common control transaction.*
- (5) *After deducting estimated expenses in relation to the Proposals amounting to RM3.5 million.*

[The rest of this page is intentionally left blank]

#### 9.2.4. Earnings and EPS

The Proposed Merger of Scomi Engineering is not expected to have any material effect on the earnings of the Scomi Group for the financial year ending 31 March 2018. However, the EPS of the Scomi Group is expected to proportionately increase as a result of the lower number of ordinary shares in issue following the completion of the Proposed Share Consolidation.

The Proposed Issue of Warrants is not expected to have any material effect on the earnings of the Scomi Group for the financial year ending 31 March 2018. However, going forward, the EPS of the Scomi Group may be diluted as a result of the increase in the number of shares in issue as and when the Warrants are exercised.

The potential effects of the exercise of the Warrants on the future earnings and EPS of the Scomi Group will depend upon, among others, the number of Warrants exercised at any point in time and the returns generated by the Scomi Group from the utilisation of proceeds raised from the exercise of the Warrants.

##### Scenario 1

For illustration purposes, the pro forma effects of the Proposed Mergers on the earnings of the Scomi Group for Scenario 1 on the assumption that the Proposed Mergers had been completed on 1 April 2016, being the beginning of the FYE 31 March 2017, are as follows:

	<b>RM'000</b>
(1) Audited loss of Scomi Group attributable to owners of Scomi for the FYE 31 March 2017	(110,905)
Net loss of Scomi Energy attributable to the non-controlling interest	(52,780)
Net loss of Scomi Engineering attributable to the non-controlling interest	(5,466)
Pro forma loss of Scomi Group attributable to owners of Scomi after the Proposed Mergers	<u>(169,151)</u>
Total weighted average number of shares <sup>(2)</sup> in issue (000')	2,315,266
Pro forma EPS (sen)	(7.31)
Basic EPS for the FYE 31 March 2017 (excluding the effects of the Proposed Mergers) (sen)	(5.64)

*Notes:*

- (1) *Adjusted for estimated expenses relating to the Proposals of approximately RM3.5 million.*  
(2) *After the Proposed Share Consolidation, including 618,197,411 Consolidated Shares to be issued pursuant to the Proposed Mergers and 738,313,507 new Consolidated Shares to be issued pursuant to the exercise of the Warrants.*

[The rest of this page is intentionally left blank]



## Scenario 2

For illustration purposes, the pro forma effects of the Proposed Merger of Scomi Engineering on the earnings of the Scomi Group for Scenario 2 on the assumption that the Proposed Merger of Scomi Engineering had been completed on 1 April 2016, being the beginning of the FYE 31 March 2017, are as follows:

	<b>RM'000</b>
(1) Audited loss of Scomi Group attributable to owners of Scomi for the FYE 31 March 2017	(110,905)
Net loss of Scomi Engineering attributable to the non-controlling interest	(5,466)
	<hr/>
Pro forma loss of Scomi Group attributable to owners of Scomi after the Proposed Merger of Scomi Engineering	(116,371)
	<hr/>
Total weighted average number of shares <sup>(2)</sup> in issue (000')	1,094,083
Pro forma EPS (sen)	(10.64)
Basic EPS for the FYE 31 March 2017 (excluding the effects of the Proposed Merger of Scomi Engineering) (sen)	(5.64)

Notes:

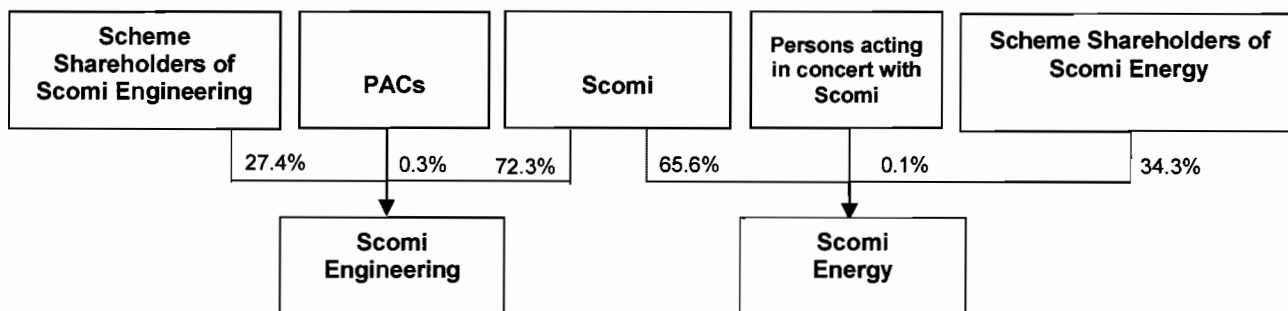
(1) Adjusted for estimated expenses relating to the Proposals of approximately RM3.5 million.

(2) After the Proposed Share Consolidation and including 135,327,778 Consolidated Shares to be issued pursuant to the Proposed Merger of Scomi Engineering.

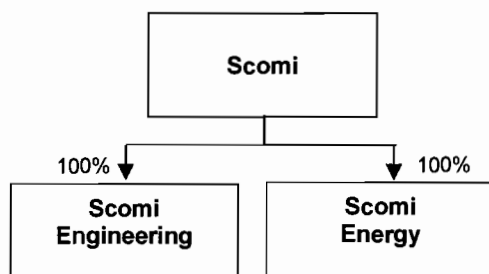
## 10. CORPORATE STRUCTURE BEFORE AND AFTER THE PROPOSED MERGER OF SCOMI ENGINEERING

The corporate structures of Scomi Group before and after the Proposed Merger of Scomi Engineering for the 2 scenarios are as follows:

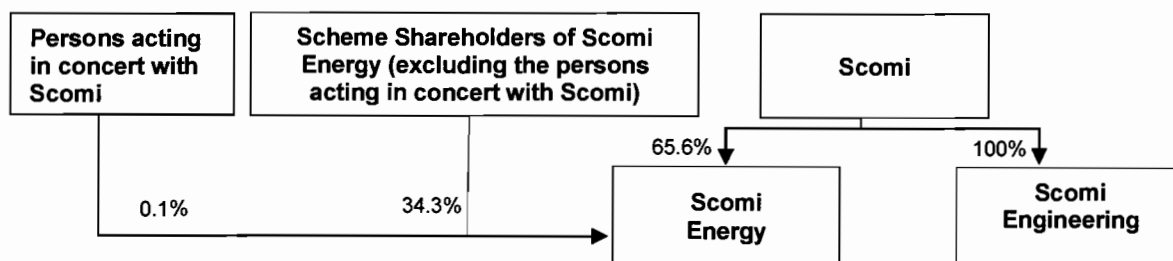
### Before the Proposed Mergers



### Scenario 1: After the Proposed Share Consolidation, Proposed Bonus Issue of Warrants and Proposed Mergers (before the exercise of Warrants)



**Scenario 2: After the Proposed Share Consolidation, Proposed Bonus Issue of Warrants and Proposed Merger of Scomi Engineering (Assuming only the Proposed Merger of Scomi Engineering go through) (before the exercise of Warrants)**



## 11. APPROVALS REQUIRED

The Proposed Merger of Scomi Engineering is subject to the following approvals being obtained:

### 11.1 Scomi

- (a) the approval of Bursa Securities for:
- (i) the Proposed Share Consolidation;
  - (ii) the admission of the Warrants to the Official List of Bursa Securities;
  - (iii) the listing of and quotation for the Warrants on the Main Market of Bursa Securities;
  - (iv) the listing of and quotation for the new Consolidated Shares to be issued upon the exercise of the Warrants on the Main Market of Bursa Securities; and
  - (v) listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;

Bursa Securities had approved Scomi's applications for the abovementioned vide its letter dated 30 November 2017 subject to the following conditions:

- (i) HLIB is required to make the relevant announcements pursuant to Paragraph 13.10(2) of the Listing Requirements;
  - (ii) Scomi and HLIB must fully comply with the provisions under the Listing Requirements pertaining to the implementation of the Proposals;
  - (iii) Scomi and HLIB to inform Bursa Securities upon the completion of the Proposals;
  - (iv) Scomi to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed; and
  - (v) Payment of additional listing fees pertaining to the exercise of Warrants, if relevant. In this respect, Scomi is required to furnish Bursa Securities on a quarterly basis a summary of the total number of Consolidated Shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of the listing fees payable.
- (b) approval of the shareholders of Scomi for the Proposals, at an EGM of Scomi to be convened;

- (c) approval of the shareholders of Scomi for the issuance and specific allotment of the Consideration Shares and Consideration Warrants to certain directors, major shareholder or chief executive of Scomi, and persons connected to them who are also the Scheme Shareholders and/or the Scomi Energy Scheme Shareholders at an EGM of Scomi to be convened, unless a waiver is obtained from Bursa Securities from having to comply with Paragraph 6.06(1) of the Listing Requirements. In this connection, Bursa Securities had approved the aforesaid waiver vide its letter dated 14 September 2017; and
- (d) approval, waiver and/or consent of any other relevant authorities and/or parties, if required.

## **11.2 Scomi Engineering**

- (a) a ruling or direction being given by the SC pursuant to Note (1) to Paragraphs 11.02, 11.03 and 11.04 of Rule 11, Part C of the Rules and Paragraph 5 of Schedule 3 of the Rules. In this connection, our Company and Scomi Energy had obtained the approvals of the SC vide its letters dated 3 October 2017 for an extension of time to despatch the scheme documents;
- (b) approval of the non-interested Scheme Shareholders of the Proposed Merger of Scomi Engineering by way of a poll by at least a majority in number of the non-interested Scheme Shareholders and 75% in value of the total disinterested Scomi Engineering Scheme Shares present and voting either in person or by proxy at the forthcoming CCM, provided that the value of votes cast against the resolution to approve the Proposed Merger of Scomi Engineering at the forthcoming CCM is not more than 10% of the votes attaching to all disinterested Scomi Engineering Scheme Shares of the total voting shares of Scomi Engineering;
- (c) sanction of the Scheme by the High Court under Section 366 of the Act and the lodgement of the office copy of the sealed Court's order obtained pursuant thereto with the Registrar of Companies Malaysia; and
- (d) approval, waiver and/or consent of any other relevant authorities and/or parties, if required.

The Proposed Share Consolidation is not conditional upon the Proposed Bonus Issue of Warrants and the Proposed Mergers. The Proposed Bonus Issue of Warrants is conditional upon the Proposed Share Consolidation, but not the Proposed Mergers. The Proposed Mergers are conditional upon the Proposed Share Consolidation and Proposed Bonus Issue of Warrants. The Proposed Merger of Scomi Engineering and the Proposed Merger of Scomi Energy are not inter-conditional with each other.

Save as disclosed above, the Proposed Merger of Scomi Engineering is not conditional upon any other corporate exercise/scheme undertaken by our Company.

## **12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

Scomi, the major shareholder of Scomi Engineering, being the initiator of the Proposed Merger of Scomi Engineering and the PACs are deemed interested in the Proposed Merger of Scomi Engineering and hence will abstain from voting in respect of their direct and/or indirect shareholding in Scomi Engineering, if any, on the resolution pertaining to the Proposed Merger of Scomi Engineering to be tabled at the CCM.

Shah Hakim, Cyrus Eruch Daruwalla and Liew Willip are Common Directors in Scomi and Scomi Engineering. The directorships of the Common Directors in Scomi Engineering and Scomi are as follows:

- (i) Shah Hakim, is a Non-Independent Executive Director of our Company, a Non-Independent Executive Director and Chief Executive Officer of Scomi. He is also the substantial shareholder of Scomi;
- (ii) Cyrus Eruch Daruwalla is a Non-Independent Non-Executive Director of our Company and Scomi; and
- (iii) Liew Willip, is an Independent Non-Executive Director of our Company and Scomi.

The Common Directors have voluntarily abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of our Company pertaining to the Proposed Merger of Scomi Engineering.

The Common Directors will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in our Company on the resolution pertaining to the Proposed Merger of Scomi Engineering to be tabled at the CCM. Further, the Common Directors will also ensure that persons connected with them abstain from voting in respect of their direct and/or indirect shareholdings, if any, in our Company on the resolution pertaining to the Proposed Merger of Scomi Engineering to be tabled at the CCM.

### **13. DIRECTORS' RECOMMENDATIONS**

Our Board (save for the Common Directors), having considered all aspects including the prospects, effects and risk factors of the Proposed Merger of Scomi Engineering, and the view of the Independent Adviser, is proposing to put forth the Proposed Merger of Scomi Engineering to the Scheme Shareholders for deliberation and voting at the CCM to be convened. Pursuant to the advice from the Independent Adviser that the Proposed Merger of Scomi Engineering is fair and reasonable to the Scheme Shareholders, the Board is of the same view that the Proposed Merger of Scomi Engineering is in the best interest of our Company and the Scheme Shareholders.

Accordingly, our Board (save for the Common Directors) recommends that you vote in favour of the resolution pertaining to the Proposed Merger of Scomi Engineering to be tabled at our forthcoming CCM.

Please note that our Board (save for the Common Directors) has not taken into consideration any specific investment objective, financial and tax situation and particular need of any individual Scheme Shareholder or any specific group of Scheme Shareholders. Accordingly, our Board (save for the Common Directors) recommends that any individual Scheme Shareholder or any specific group of Scheme Shareholder who require advice in relation to the Proposed Merger of Scomi Engineering in the context of their individual investment objectives, risk profiles, financial and tax situation or particular needs, should consult their respective stockbroker, bank manager, accountant, solicitor or other professional adviser immediately.

[The rest of this page is intentionally left blank]

#### 14. TENTATIVE TIMETABLE

Barring unforeseen circumstances, the Proposed Merger of Scomi Engineering is expected to be completed by the 1<sup>st</sup> quarter of 2018.

The tentative timetable for the Proposed Merger of Scomi Engineering is set out below:

<u>Events</u>	<u>Tentative timing</u>
Convening this CCM	5 January 2018
Submission of application to the High Court to sanction the Scheme	Early January 2018
High Court sanction for the Scheme	Early February 2018
Suspension of trading of Scomi Engineering Shares	Mid February 2018
Entitlement date and lodgement of the office copy of the sealed High Court Order with the Registrar of Companies Malaysia	Mid February 2018
Allotment and issuance of the Consideration Shares and Consideration Warrants to the Scheme Shareholders	End February 2018
Completion of the Proposed Merger of Scomi Engineering	End February 2018
Delisting of Scomi Engineering	End February 2018

#### 15. CCM

The CCM, the Notice of which is enclosed with this Document, will be held with leave of the High Court at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia on Friday, 5 January 2018 at 2:30 p.m. for the purpose of considering and, if thought fit, approving (with or without modification or addition) the resolution set out in the Notice of CCM.

If you are unable to attend and vote at the CCM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you must deposit the Form of Proxy with the share registrar of our Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time set for the CCM or any adjournment thereof, where in default, the instrument of proxy shall not be treated as valid. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the CCM should you subsequently decide to do so.

#### 16. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully  
For and on behalf of the Board of  
**SCOMI ENGINEERING BHD**

**DATUK ZAINUN AISHAH BINTI AHMAD**  
**CHAIRMAN, INDEPENDENT NON-EXECUTIVE DIRECTOR**

**PART B**

**INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED MERGER OF  
SCOMI ENGINEERING**

## EXECUTIVE SUMMARY

---

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of this Document, except where the context otherwise requires or where otherwise defined herein. All references to "we", "us" or "our" in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposed Merger of Scomi Engineering.

**THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSED MERGER OF SCOMI ENGINEERING. WE ADVISE NON-INTERESTED SCHEME SHAREHOLDERS TO READ BOTH PART A: EXPLANATORY STATEMENT AND PART B: INDEPENDENT ADVICE LETTER FOR THE VIEWS AND RECOMMENDATIONS IN RELATION TO THE PROPOSED MERGER OF SCOMI ENGINEERING CONTAINED THEREIN AS WELL AS THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED MERGER OF SCOMI ENGINEERING TO BE TABLED AT THE FORTHCOMING CCM OF THE COMPANY.**

### 1. INTRODUCTION

On 21 August 2017, the Board had announced the receipt of the Proposal Letter from Scomi in respect of the Proposed Merger of Scomi Engineering. Pursuant to the Proposed Merger of Scomi Engineering, the Scheme Shareholders will receive 10 Consideration Shares together with 1 Consideration Warrant for every 7 Scomi Engineering Scheme Shares to be surrendered. Further details of the Proposed Merger of Scomi Engineering are set out in Part A of this Document.

On the same day, on behalf of the board of directors of Scomi, HLIB and Astramina jointly announced the following:-

- (i) In addition to having submitted the Proposal Letter to the Board in respect of the Proposed Merger of Scomi Engineering, Scomi had also submitted a formal proposal to the board of directors of Scomi Energy in respect of the Proposed Merger of Scomi Energy; and
- (ii) In conjunction with the Proposed Mergers, Scomi proposed to undertake the following corporate exercises prior to the implementation of the Proposed Mergers:-
  - (a) the Proposed Share Consolidation; and
  - (b) the Proposed Bonus Issue of Warrants.

On 15 September 2017, on behalf of the Board, MIDF Investment and Astramina jointly announced the appointment of Mercury Securities as the Independent Adviser to advise the Board (*save for the Common Directors*) and the non-interested Scheme Shareholders in relation to the Proposed Merger of Scomi Engineering.

On 10 October 2017, the Board (*save for the Common Directors*), after having considered all aspects of the Proposed Merger of Scomi Engineering including the rationale, effects as well as the terms and conditions of the Proposed Merger of Scomi Engineering and the advice of the Independent Adviser, had decided to present the Scheme to the Scheme Shareholders for approval at the forthcoming CCM.

On 7 November 2017, on behalf of the Board, MIDF Investment and Astramina jointly announced that the Company had received a letter from Scomi on a variation by Scomi to the terms of the Proposed Merger of Scomi Engineering. Following the variation, the Scheme Shareholders holding less than 100 Scomi Engineering Scheme Shares per CDS account will be receiving Consideration Shares and Consideration Warrants in accordance with the swap ratio of the Proposed Merger of Scomi Engineering, instead of receiving the entire offer price in cash, and the entitlement of the Scheme Shareholders to the Consideration Shares or Consideration Warrants will also be rounded down to the nearest whole new Consideration Share and new Consideration Warrant.

**EXECUTIVE SUMMARY (cont'd)**

On 23 November 2017, the SC has notified that it has no further comments on this IAL. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

For the purpose of the Proposed Merger of Scomi Engineering, the PACs in accordance with Section 216(3) of the CMSA as at the LPD are as follows:-

- (i) Kaspadu;
- (ii) Shah Hakim;
- (iii) Rentak Rimbun; and
- (iv) Onstream Marine.

The purpose of this IAL is to provide you with an independent evaluation on the Proposed Merger of Scomi Engineering, together with our recommendation on whether the non-interested Scheme Shareholders should vote in favour or against the resolution to give effect to the Proposed Merger of Scomi Engineering at the forthcoming CCM of the Company.

**2. EVALUATION OF THE PROPOSED MERGER OF SCOMI ENGINEERING**

**2.1 FAIRNESS OF THE PROPOSED MERGER OF SCOMI ENGINEERING**

*(please refer to Section 4 in this IAL for further details)*

In assessing the fairness of the Proposed Merger of Scomi Engineering, we have considered the following pertinent factors:-

Considerations	
<p>Implied exchange ratio based on:-</p> <p>(i) Fair value</p>	<ul style="list-style-type: none"> <li>• As the Proposed Merger of Scomi Engineering is based on a securities exchange rather than a cash offer, the fairness of the Proposed Merger of Scomi Engineering should be evaluated based on the (i) fair value and (ii) market price of the Consideration Shares <i>(together with the Consideration Warrants)</i> and the Scomi Engineering Scheme Shares in relative terms to one another. Please refer to Sections 4.1 and 4.2 in this IAL for the details on the computation of the implied exchange ratios based on fair value and market price respectively.</li> <li>• Based on fair value, the implied exchange ratios are <b>higher than 1</b> indicating that the Scheme Shareholders are effectively receiving 10 Consideration Shares together with 1 Consideration Warrant which are higher in terms of fair value than 7 Scomi Engineering Scheme Shares to be surrendered whereby:-             <ul style="list-style-type: none"> <li>(i) In the event the Proposed Mergers are approved and implemented, the implied exchange ratios range from 1.1134 to 1.3234 indicating that the total value of securities to be received by the Scheme Shareholders represents a <b>premium of 11.34% to 32.34%</b> over the value of Scomi Engineering Scheme Shares to be surrendered; and</li> <li>(ii) In the event only the Proposed Merger of Scomi Engineering is approved and implemented, the implied exchange ratios range from 1.2167 to 1.4314 indicating that the total value of securities to be received by the Scheme Shareholders represents a <b>premium of 21.67% to 43.14%</b> over the value of Scomi Engineering Scheme Shares to be surrendered.</li> </ul> </li> </ul>



**EXECUTIVE SUMMARY (cont'd)**

Considerations	
<p>Implied exchange ratio based on:-</p> <p>(ii) Market price</p>	<ul style="list-style-type: none"> <li>• Based on market price, the implied exchange ratios are also <b>higher than 1</b> indicating that the Scheme Shareholders are effectively receiving 10 Consideration Shares together with 1 Consideration Warrant which are higher in terms of market price than 7 Scomi Engineering Scheme Shares to be surrendered whereby:-               <ul style="list-style-type: none"> <li>(i) The implied exchange ratios range from 1.0794 to 1.2970 derived based on the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of Scomi Shares and Scomi Engineering Shares; and</li> <li>(ii) The implied exchange ratios have been <b>higher than 1</b> for 97% of the total market days over the past 12 months before the date of the Proposal Letter up to the LPD.</li> </ul> </li> </ul>
<p><b>Mercury Securities' view</b></p>	<p>The Proposed Merger of Scomi Engineering is <b>FAIR</b>.</p>

**2.2 REASONABLENESS OF THE PROPOSED MERGER OF SCOMI ENGINEERING**  
*(please refer to Section 5 in this IAL for further details)*

In assessing the reasonableness of the Proposed Merger of Scomi Engineering, we have considered the following pertinent factors:-

Considerations	
<p>Trading liquidity analysis</p>	<ul style="list-style-type: none"> <li>• The Scheme Shareholders <i>(if they so wish)</i> should be able to dispose of the Consideration Shares received pursuant to the Proposed Merger of Scomi Engineering in the open market more readily than the Scomi Engineering Shares in view that:-               <ul style="list-style-type: none"> <li>(i) the Scomi Shares have a higher average monthly trading liquidity of 7.07% and hence, are <b>more liquid</b> than Scomi Engineering Shares (3.21%, excluding outlier);</li> <li>(ii) the monthly trading liquidity of Scomi Shares has been <b>higher than</b> that of Scomi Engineering Shares for the past 12 months up to July 2017 <i>(being the last full trading month prior to the LTD)</i> save for September 2016 and February 2017 <i>(outlier)</i>;</li> <li>(iii) in terms of absolute quantity, the average monthly trading volume of Scomi Shares of 77.6 million units is 25.9 times <b>more than</b> that of Scomi Engineering Shares (3.0 million units, excluding outlier); and</li> <li>(iv) the issuance of Consideration Shares and Consideration Warrants <i>(if subsequently exercised into new Consolidated Shares)</i> pursuant to the Proposed Mergers is expected to further enhance the trading liquidity of Consolidated Shares in Scomi as the Scheme Shareholders and/or Scomi Energy Scheme Shareholders elevate to become shareholders of Scomi.</li> </ul> </li> </ul>

## EXECUTIVE SUMMARY (cont'd)

Considerations	
No competing offer and level of control	<ul style="list-style-type: none"><li>As at the LPD, save for the Proposed Merger of Scomi Engineering, the Board has not received any competing offer for the Scomi Engineering Scheme Shares or any other offer to acquire the assets and liabilities of the Scomi Engineering Group.  In the absence of a competing offer, the Proposed Merger of Scomi Engineering presents an opportunity for the Scheme Shareholders to unlock their investment in Scomi Engineering at a premium while continue to participate in the future growth of Scomi Engineering as well as to have participation in other businesses of the Scomi Group via their shareholdings in Scomi.</li><li>As at the LPD, Scomi and the PACs have statutory control over Scomi Engineering, with an aggregate equity interest of 72.67%. With their current level of control, Scomi and the PACs are able to influence the outcome of most of the resolutions sought at shareholders' general meetings of the Company (<i>unless they are required to abstain from voting</i>), including the ability to approve any ordinary resolutions as well as to oppose any ordinary / special resolutions.</li><li>Further, in view that Scomi and the PACs currently hold a controlling stake of 72.67% in Scomi Engineering, any competing offer will not be successful unless with the support of Scomi and the PACs.</li></ul>
<b>Our view</b>	The Proposed Merger of Scomi Engineering is <b>REASONABLE</b> .

### 3. RECOMMENDATION

Premised on the above and our evaluation as a whole, we are of the view that the Proposed Merger of Scomi Engineering is **FAIR** and **REASONABLE**.

Accordingly, we recommend that the non-interested Scheme Shareholders **VOTE IN FAVOUR** of the resolution to give effect to the Proposed Merger of Scomi Engineering to be tabled at the forthcoming CCM of the Company.

You should carefully consider the terms and conditions of the Proposed Merger of Scomi Engineering based on all the relevant and pertinent factors including those which are set out above, and other information as set out in this Document and any other publicly available information.

**You are advised to read this IAL in its entirety, together with the Explanatory Statement as well as the accompanying appendices, carefully for more information and not to rely solely on this Executive Summary before forming an opinion on the Proposed Merger of Scomi Engineering.**

**Headquarters:**  
Ground, 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> Floor  
Wisma Umno  
Lorong Bagan Luar Dua  
12000 Butterworth  
Seberang Perai

12 December 2017

**To: The non-interested Scheme Shareholders**

Dear Sir / Madam,

**INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED MERGER OF SCOMI ENGINEERING**

---

*This IAL is prepared for inclusion in this Document. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of this Document, except where the context otherwise requires or where otherwise defined herein. All references to "we", "us" or "our" in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposed Merger of Scomi Engineering.*

**1. INTRODUCTION**

On 21 August 2017, the Board had announced the receipt of the Proposal Letter from Scomi in respect of the Proposed Merger of Scomi Engineering. Pursuant to the Proposed Merger of Scomi Engineering, the Scheme Shareholders will receive 10 Consideration Shares together with 1 Consideration Warrant for every 7 Scomi Engineering Scheme Shares to be surrendered. Further details of the Proposed Merger of Scomi Engineering are set out in Part A of this Document.

On the same day, on behalf of the board of directors of Scomi, HLIB and Astramina jointly announced the following:-

- (i) In addition to having submitted the Proposal Letter to the Board in respect of the Proposed Merger of Scomi Engineering, Scomi had also submitted a formal proposal to the board of directors of Scomi Energy in respect of the Proposed Merger of Scomi Energy; and
- (ii) In conjunction with the Proposed Mergers, Scomi proposed to undertake the following corporate exercises prior to the implementation of the Proposed Mergers:-
  - (a) the Proposed Share Consolidation; and
  - (b) the Proposed Bonus Issue of Warrants.

On 15 September 2017, on behalf of the Board, MIDF Investment and Astramina jointly announced the appointment of Mercury Securities as the Independent Adviser to advise the Board (*save for the Common Directors*) and the non-interested Scheme Shareholders in relation to the Proposed Merger of Scomi Engineering.

On 10 October 2017, the Board (*save for the Common Directors*), after having considered all aspects of the Proposed Merger of Scomi Engineering including the rationale, effects as well as the terms and conditions of the Proposed Merger of Scomi Engineering and the advice of the Independent Adviser, had decided to present the Scheme to the Scheme Shareholders for approval at the forthcoming CCM.

**Butterworth** - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai. Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercurysecurities.com.my  
**Kuala Lumpur** - L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara 50480 Kuala Lumpur. Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my  
**Melaka** - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898  
**Penang** - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118  
**Johor Bahru** - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

On 7 November 2017, on behalf of the Board, MIDF Investment and Astramina jointly announced that the Company had received a letter from Scomi on a variation by Scomi to the terms of the Proposed Merger of Scomi Engineering. Following the variation, the Scheme Shareholders holding less than 100 Scomi Engineering Scheme Shares per CDS account will be receiving Consideration Shares and Consideration Warrants in accordance with the swap ratio of the Proposed Merger of Scomi Engineering, instead of receiving the entire offer price in cash, and the entitlement of the Scheme Shareholders to the Consideration Shares or Consideration Warrants will also be rounded down to the nearest whole new Consideration Share and new Consideration Warrant.

On 23 November 2017, the SC has notified that it has no further comments on this IAL. However, such notification shall not be taken to suggest that the SC agrees with the recommendations contained herein or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

For the purpose of the Proposed Merger of Scomi Engineering, the PACs in accordance with Section 216(3) of the CMSA as at the LPD are as follows:-

- (i) Kaspadu;
- (ii) Shah Hakim;
- (iii) Rentak Rimbun; and
- (iv) Onstream Marine.

As at the LPD, the details of Scomi's and the PACs' holdings in Scomi Shares and Scomi Engineering Shares are as follows:-

#### Scomi Shares

Name	Direct		Indirect	
	No. of Scomi Shares	% <sup>(1)</sup>	No. of Scomi Shares	% <sup>(1)</sup>
Scomi	-(2)	-	-	-
<b>PACs</b>				
Kaspadu	171,149,685 <sup>(3)</sup>	8.99	1,125,340 <sup>(4)</sup>	0.06
Shah Hakim	1,950,100 <sup>(5)</sup>	0.10	175,917,025 <sup>(6)</sup>	9.24
Rentak Rimbun	3,642,000 <sup>(7)</sup>	0.19	-	-
Onstream Marine	1,125,340	0.06	-	-

#### Notes:-

- (1) Computed based on 1,903,082,941 Scomi Shares (excluding 14,427,200 treasury shares) as at the LPD.
- (2) As at the LPD, Scomi holds 14,427,200 Scomi Shares as treasury shares.
- (3) 135,753,055 Scomi Shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominees (Tempatan) Sdn Bhd and UOB Kay Hian Nominees (Tempatan) Sdn Bhd.
- (4) Deemed interested by virtue of Section 8(4) of the Act through its interest in Onstream Marine.
- (5) 1,421,000 Scomi Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.
- (6) Deemed interested by virtue of Section 8(4) of the Act through his interests in Kaspadu, Rentak Rimbun and Onstream Marine.
- (7) Held through KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbun (RE001).

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## Scomi Engineering Shares

Name	Direct		Indirect	
	No. of Scomi Engineering Shares	% <sup>(1)</sup>	No. of Scomi Engineering Shares	% <sup>(1)</sup>
Scomi	247,350,058	72.33	-	-
<b>PACs</b>				
Kaspadu	-	-	-	-
Shah Hakim	623,000 <sup>(2)</sup>	0.18	537,500 <sup>(3)</sup>	0.16
Rentak Rimbun	537,500 <sup>(4)</sup>	0.16	-	-
Onstream Marine	-	-	-	-

**Notes:-**

- (1) Computed based on 341,957,703 Scomi Engineering Shares (excluding 121,800 treasury shares) as at the LPD.
- (2) 123,000 Scomi Engineering Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin).
- (3) Deemed interested by virtue of Section 8(4) of the Act through his interest in Rentak Rimbun.
- (4) 282,000 Scomi Engineering Shares held through KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbun (RE001).

The purpose of this IAL is to provide you with an independent evaluation on the Proposed Merger of Scomi Engineering, together with our recommendation on whether the non-interested Scheme Shareholders should vote in favour or against the resolution to give effect to the Proposed Merger of Scomi Engineering at the forthcoming CCM of the Company, subject to the scope and limitations of our role and evaluation specified herein.

The resolution to give effect to the Proposed Merger of Scomi Engineering to be tabled at the forthcoming CCM of the Company is required to be approved by way of a poll by at least a majority in number of the non-interested Scheme Shareholders and 75% in value of the total disinterested Scomi Engineering Scheme Shares, present and voting, either in person or by proxy at the CCM to be convened for the purpose of the Scheme, provided that the value of votes cast against the resolution to approve the Proposed Merger of Scomi Engineering at the CCM is not more than 10% of the votes attaching to all the disinterested Scomi Engineering Scheme Shares. For the avoidance of doubt, Scomi and the PACs will abstain from voting at the CCM.

This IAL is prepared solely for the use of the non-interested Scheme Shareholders to consider the Proposed Merger of Scomi Engineering and should not be used or relied upon by any other party or for any other purposes.

**YOU ARE ADVISED TO CAREFULLY CONSIDER THE CONTENTS OF THIS DOCUMENT AS WELL AS THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED MERGER OF SCOMI ENGINEERING TO BE TABLED AT THE FORTHCOMING CCM OF THE COMPANY.**

**IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## **2. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSED MERGER OF SCOMI ENGINEERING**

We have evaluated the Proposed Merger of Scomi Engineering and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment of the Proposed Merger of Scomi Engineering and would be of general concern to the non-interested Scheme Shareholders.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the Proposed Merger of Scomi Engineering as to whether the Proposed Merger of Scomi Engineering is fair and reasonable insofar as the non-interested Scheme Shareholders are concerned based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:-

- (i) information contained in the Proposal Letter, Part A of this Document as well as the accompanying appendices attached thereto;
- (ii) audited consolidated financial statements of Scomi, Scomi Engineering and Scomi Energy for the FYE 31 March 2015, 31 March 2016 and 31 March 2017 as well as the unaudited consolidated financial statements of Scomi, Scomi Engineering and Scomi Energy for the 6-month FPE 30 September 2017;
- (iii) discussions with and representations by the Board and management of Scomi Engineering;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the Board and management of Scomi Engineering; and
- (v) other publicly available information which we deem to be relevant.

We have relied on the Board and management of Scomi Engineering to take due care to ensure that all information, documents, confirmations and representations provided by them to facilitate our evaluation of the Proposed Merger of Scomi Engineering are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and as at the date hereof, we are satisfied that the information provided to us or which are available to us is sufficient and have no reason to believe that the aforementioned information is unreliable, incomplete, misleading and/or inaccurate.

Our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested Scheme Shareholders as a whole and not for any specific group of non-interested Scheme Shareholders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual non-interested Scheme Shareholder or any specific group of non-interested Scheme Shareholders. We recommend that any non-interested Scheme Shareholder who is in doubt as to the action to be taken in relation to the Proposed Merger of Scomi Engineering in the context of his/her individual investment objectives, financial situation, risk profile or particular needs should consult his/her respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Our advice should be considered in the context of the entirety of this IAL. Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. Such conditions may change significantly over a short period of time.

We shall immediately notify the non-interested Scheme Shareholders by way of an announcement if, after despatching this IAL, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAL:-

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAL to the non-interested Scheme Shareholders in accordance with Paragraph 11.07(2) of the Rules.

### 3. EVALUATION OF THE PROPOSED MERGER OF SCOMI ENGINEERING

In arriving at our opinion and recommendation in respect of the Proposed Merger of Scomi Engineering, we have assessed the fairness and reasonableness of the Proposed Merger of Scomi Engineering in accordance with Paragraphs 1 to 7 under Schedule 2: Part III of the Rules whereby:-

- (i) The term "fair and reasonable" should generally be analysed as 2 distinct criteria, i.e. whether the Proposed Merger of Scomi Engineering is "fair" and whether the Proposed Merger of Scomi Engineering is "reasonable", rather than as a composite term;
- (ii) The Proposed Merger of Scomi Engineering is considered as "fair" if the value of consideration is equal to or higher than the market price and is also equal to or higher than the value of the Scomi Engineering Scheme Shares. However, if the value of consideration is equal to or higher than the market price but is lower than the value of the Scomi Engineering Scheme Shares, the Proposed Merger of Scomi Engineering is considered as "not fair". In making the assessment, the value of the Scomi Engineering Scheme Shares is determined based on the assumption that 100% of the issued share capital of the Company is being acquired;
- (iii) In considering whether the Proposed Merger of Scomi Engineering is "reasonable", we have taken into consideration matters other than the valuation of the Scomi Engineering Scheme Shares; and
- (iv) Generally, the Proposed Merger of Scomi Engineering would be considered "reasonable" if it is "fair".

We have considered the following pertinent factors in our evaluation of the Proposed Merger of Scomi Engineering:-

<b>Fairness of the Proposed Merger of Scomi Engineering</b>	<b>Section 4</b>
• Implied exchange ratio based on:-	
o Fair value	Section 4.1
o Market price	Section 4.2
<b>Reasonableness of the Proposed Merger of Scomi Engineering</b>	<b>Section 5</b>
• Trading liquidity analysis	Section 5.1
• No competing offer and level of control	Section 5.2

#### 4. FAIRNESS OF THE PROPOSED MERGER OF SCOMI ENGINEERING

As the Proposed Merger of Scomi Engineering is based on a securities exchange rather than a cash offer, the fairness of the Proposed Merger of Scomi Engineering should be evaluated based on the (i) fair value and (ii) market price of the Consideration Shares (*together with the Consideration Warrants*) and the Scomi Engineering Scheme Shares in relative terms to one another.

In order to determine whether the (i) fair value and (ii) market price of the Consideration Shares (*together with the Consideration Warrants*) to be received by the Scheme Shareholders are higher than those of Scomi Engineering Scheme Shares to be surrendered by the Scheme Shareholders, we have derived the implied exchange ratios in Sections 4.1 and 4.2 in this IAL.

**An exchange ratio of more than 1 shall indicate that the Scheme Shareholders are effectively receiving the Consideration Shares (*together with the Consideration Warrants*) which are higher in terms of (i) fair value and/or (ii) market price than the Scomi Engineering Scheme Shares to be surrendered.**

##### 4.1 Implied exchange ratio based on fair value

###### **Step 1: Derive the fair value of the Scomi Group, Scomi Engineering and Scomi Energy**

###### **(1) Valuation of the Scomi Group**

The Scomi Group is principally involved in the following business segments:-

- (i) Oilfield Services - the supply and manufacturing of equipment, supply of a wide range of specialised chemicals and provision of services;
- (ii) Marine Services - the provision of transportation of bulk aggregates for the coal industry and other shipping related services; and
- (iii) Transport Solutions - (a) development, design, manufacture and supply of monorail transportation infrastructure systems and equipment and services, and engineering related support services; and  
(b) manufacture, fabrication and assembly of commercial coaches, truck vehicle bodies and special purpose vehicles.

In addition to the above, the Scomi Group is also currently involved in new business segments i.e. renewable energy and non-oil and gas based chemicals.

The revenue contribution of each business segment to the Scomi Group's financial performance is as shown below:-

Name of entity	Segments	Unaudited for the 6-month FPE 30 September 2017		Audited for the FYE 31 March 2017	
		(RM'000)	(%)	(RM'000)	(%)
Scomi Energy	Oilfield Services	256,573	66.2	489,053	59.1
	Marine Services	64,878	16.7	174,959	21.2
Scomi Engineering	Transport Solutions	66,165	17.1	162,880	19.7
Other entities	Renewable Energy	-	-	-	-
	Others (including non-oil and gas based chemicals)	-	-	-	-
<b>Total</b>		<b>387,616</b>	<b>100.0</b>	<b>826,892</b>	<b>100.0</b>



In arriving at the fair value of the Scomi Group, we have adopted the SOPV model as our sole valuation method, in which the following valuation methods have been adopted for the respective business segments:-

<u>Name of entity</u>	<u>Segments</u>	<u>Valuation method</u>
(i) Scomi Energy	Oilfield Services comprising:- (a) Drilling Services; and (b) D&P	DCF* NA
	Marine Services	NA
(ii) Scomi Engineering	Transport Solutions	DCF*
(iii) Other entities	Renewable Energy	DCF*
	Others (including non-oil and gas based chemicals)	NA

\* *The DCF valuation model considers both the time value of money and the future cash flows to be generated from the business over a specified period of time. As the methodology entails the discounting of future cash flows to be generated from the said business at a specified discount rate to arrive at the fair value of the business, the riskiness of generating such cash flows will also be taken into consideration.*

*Under the DCF valuation method, the FCFF projected to be generated from the business is discounted at an appropriate WACC to derive the present value of all future cash flows from the business available to the providers of capital for the business. This present value of FCFF is also known as the Enterprise Value. Thereafter, the Equity Value is derived as follows:-*

<i>Equity Value</i>	=	<i>Enterprise Value</i>	-	<i>Non-controlling interests (if any)</i>	+	<i>Surplus cash (if any)</i>	-	<i>Market value of existing debts</i>
---------------------	---	-------------------------	---	---	---	------------------------------	---	---------------------------------------

We view the SOPV model to be the most appropriate method to derive the valuation of the Scomi Group (see below for further details on the valuation):-

(A) Scomi Energy

Scomi Energy (a 65.65%-owned subsidiary of Scomi) is a global technology enterprise in the energy and logistics industries with an established presence in 41 locations across 20 countries, providing services to the oil and gas and coal industries.

In the Drilling Services segment, Scomi Energy provides integrated solutions for drilling fluids services, drilling waste management services and production enhancement chemicals including for challenging wells such as horizontal, multilateral, deep-water and high temperature and high pressure wells.

Besides providing drilling services, Scomi Energy has also ventured into the development of marginal fields via its equity interest in Ophir Production Sdn Bhd (a joint venture company) which had on 11 June 2014 signed a 7-year small field risk service contract with Petroliam Nasional Berhad to develop and produce petroleum from the Ophir field, located off Kerteh, Terengganu, Malaysia. First oil was achieved in November 2017 and the first lifting of Ophir crude is expected to be in December 2017.

As for the Marine Services segment, Scomi Energy is involved in the provision of marine logistic services to the energy sector via offshore support vessels for oil and gas upstream activities as well as for transportation of coal. As at the LPD, Scomi Energy (through its subsidiaries and joint ventures) operates a fleet of 80 vessels comprising 75 tug and barges, 2 accommodation work barges and 3 anchor handling tug supply vessels.

(A)(i) DCF for Oilfield Services (Drilling Services)

We view that the DCF valuation model is the most appropriate method and accordingly, we have adopted the said method to derive a valuation for the Oilfield Services (Drilling Services) segment as the method is able to effectively factor in the earnings and cash flows potential of the business as well as the timing of such cash flows to be generated, supported by the existing drilling services contracts of Scomi Energy (*with contract period of up to 5 years*) as well as future contracts to be secured.

We have reviewed the future financial information of the Drilling Services segment until the FYE 31 March 2022 ("**Drilling Services Future Financials**"), which was prepared by the management of Scomi Energy based on forecast on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Drilling Services Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Drilling Services Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Drilling Services Future Financials (*together with the bases and assumptions therein*) have been reviewed and approved by the board of directors of Scomi Energy. The key bases and assumptions adopted in the preparation of the Drilling Services Future Financials are as follows:-

- (i) the Drilling Services segment will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;
- (ii) Scomi Energy will be able to compete effectively in securing new drilling services contracts to replenish its order book before gradually growing its revenue base (*which is projected to increase at rates ranging from 7% to 10% per annum*);
- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the Drilling Services segment. The operating costs will increase in tandem with the increase in revenue;
- (iv) there will not be any capital expenditure to be incurred for the operations of the Drilling Services segment as the existing assets can be utilised to meet the projected revenue;
- (v) there will not be any significant or material changes to the agreements, licenses and regulations governing the Drilling Services segment;
- (vi) the current accounting policies adopted will remain relevant and there will not be any significant changes in the accounting policies which have a material adverse impact on the financial performance and financial position of the Drilling Services segment; and
- (vii) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the oil and gas industry.

In order to derive the Equity Value of the Drilling Services segment, we have first discounted the FCFF projected to be generated from the said business segment at an appropriate WACC to reflect the rate of return required by the providers of capital for the business. The resulting present value of FCFF is known as the Enterprise Value of the Drilling Services segment.

Our valuation, together with the key bases and assumptions adopted, are as follows:-

No	Key bases and assumptions	Descriptions
(i)	FCFF  Based on the Drilling Services Future Financials until the FYE 31 March 2022	FCFF is the free cash flows from operations available to the providers of capital for a business after taking into consideration all operating expenses, movement in working capital and net investing cash flows.  We have reviewed the key bases and assumptions adopted in the Drilling Services Future Financials prepared by the management of Scomi Energy in deriving the FCFF and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.
(ii)	WACC  10.32% to 10.44%, based on the expected capital structure for the respective financial years	WACC is derived using the formula below:-  $WACC = E (K_e) + D (K_d) (1 - T)$ where:-  E = Proportion of equity to the capital structure D = Proportion of debt to the capital structure K <sub>e</sub> = Cost of equity, which represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Drilling Services segment, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity of between 10.44% and 11.14% with the following inputs:-  $K_e = R_f + \beta (R_m - R_f)$ K <sub>d</sub> = Cost of debt, which represents the rate of return required by a lender / financier on the cash flow streams generated by the business given the risks associated with the cash flows. Based on discussion with the management of Scomi Energy, we have adopted a pre-tax cost of debt of 6.00%, based on the prevailing interest rates for facilities available to Scomi Energy.  T = Statutory corporate income tax rate of 24%

No	Key bases and assumptions	Descriptions
(iii)	Risk-free rate of return ( $R_f$ )  3.99%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities.  As extracted from Bloomberg, the said yield is 3.99% per annum as at the LTD.
(iv)	Expected market rate of return ( $R_m$ )  10.71%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.  In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 10.71% per annum for the past 10 years. As a cross-check, the expected market rate of return as derived from Bloomberg is 9.02% as at the LTD.
(v)	Beta ( $\beta$ )  0.960 to 1.063, based on the expected capital structure for the respective financial years	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and <i>vice versa</i> .  As Scomi Energy is listed on Bursa Securities, its beta is obtainable and represents a reliable measure for the riskiness of the shares in Scomi Energy. As extracted from Bloomberg, the adjusted 3-year beta of Scomi Energy up to the LTD is 1.187, which we view as reasonable and appropriate after taking into consideration the range of un-levered beta of other companies listed on Bursa Securities, which are principally involved in the provision of services to the oil and gas industry and have a market capitalisation as at the LTD of between RM100.0 million and RM800.0 million, of between 0.781 and 0.989 ( <i>Scomi Energy's unlevered beta: 0.960</i> ).  In the Drilling Services Future Financials, the proportion of debt to the capital structure of the Drilling Services segment is expected to reduce over the years as Scomi Energy repays outstanding banking facilities. As the adjusted beta of 1.187 is based on the present capital structure of the Drilling Services segment, we have un-levered the adjusted beta and re-levered it based on the expected capital structure for the respective financial years ( <i>with a debt to equity ratio ranging from nil to 0.14 times</i> ). Based on our computation, the re-levered beta of the Drilling Services segment ranges from 0.960 to 1.063.  For information purposes, adjusted beta is an estimate of a security's future beta. The adjusted beta is derived from historical data, but modified by the assumption that a security's beta moves towards the market average over time and is calculated as follows:-  Adjusted beta = (0.67 * Historical beta) + (0.33 * 1.0)

No	Key bases and assumptions		Descriptions
(vi)	Terminal value (in present terms)	RM314.23 million to RM345.65 million	<p>For the period beyond the FYE 31 March 2022, we have adopted a perpetuity growth rate (g) of 2.50% on the expected sustainable level of FCFF projected to be generated by the Drilling Services segment. Therefrom, we derived the terminal value (in present terms) for the Drilling Services segment of between RM314.23 million and RM345.65 million based on the following formula:-</p> $\text{Terminal value (in present terms)} = \frac{\text{Expected sustainable level of FCFF} \times (1+g)}{(WACC - g)} \times \frac{1}{(1+WACC)^5}$
Enterprise Value of the Drilling Services segment	ranges from approximately RM481.00 million to RM512.42 million		<p>The formula used to derive the Enterprise Value of the Drilling Services segment is as follows:-</p> <p>Enterprise Value of Drilling Services segment = Present value of projected FCFF based on the Drilling Services Future Financials<sup>(1)</sup> + Present value of terminal value (based on the formula above)</p> <p>Note:- (1) Computed based on the following formula:-</p> $\text{Present value of FCFF} = \frac{\text{FCFF}}{(1+WACC)^n}$ <p>whereby, n represents time, in years into the future.</p>

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

Based on the Enterprise Value of the Drilling Services segment above, we have then derived the Equity Value of the said segment as follows:-

	Low range (RM'million)	High range (RM'million)
Enterprise Value of the Drilling Services segment	481.00	512.42
Less : Non-controlling interests <sup>(1)</sup>	(13.20)	(13.20)
Add : Surplus cash	-	-
Less : Market value of existing debts <sup>(2)</sup>	(165.44)	(165.44)
<b>Equity Value of the Drilling Services segment</b>	<b>302.36</b>	<b>333.78</b>

Notes:-

- (1) Based on the non-controlling interests of Drilling Services segment as at 31 March 2017.  
 (2) Based on the total borrowings of Drilling Services segment as at 31 March 2017.

(A)(ii) NA for Oilfield Services (D&P)

We have not conducted any valuation on the D&P segment as the resulting outcome is not expected to have a material impact to the estimated fair value of Scomi in view that:-

- (a) although first oil was achieved in November 2017, the economic feasibility of a commercial production is yet to be ascertained; and  
 (b) the total assets allocated to this segment constitute less than 1% of the total assets of Scomi as at 31 March 2017.

In view of the above, we are satisfied that the latest audited NA of the D&P segment provides a reasonable basis for us to arrive at the fair value of the D&P segment. Accordingly, we have adopted the latest audited NA of the D&P segment as at 31 March 2017 of RM7.95 million as its fair value.

(A)(iii) NA for Marine Services

By virtue of the nature of marine logistics industry, Scomi Energy has significant investments in marine vessels. As at 31 March 2017, the audited carrying amount of the marine vessels is RM343.77 million (after deducting accumulated depreciation of RM648.57 million and accumulated impairment losses of RM86.18 million). The said carrying amount has been assessed for impairment by the management of Scomi Energy for the FYE 31 March 2017, taking into consideration the valuation conducted by an independent valuer, ALC Consulting Services Pte Ltd (a company that undertakes marine survey and ship valuation work) on all the vessels as at 31 March 2017.

For the purposes of estimating the fair value of the Marine Services segment, we are satisfied that the desktop valuation of the marine vessels conducted by ALC Consulting Services Pte Ltd as at 31 March 2017 provides a reasonable basis for us to approximate the fair value of the marine vessels of Scomi Energy as at 31 March 2017. Further, we noted that there was no impairment loss recognised in respect of these marine vessels for the 6-month FPE 30 September 2017.

Nonetheless, we wish to highlight that there are limitations associated with desktop valuation conducted on the marine vessels. A desktop valuation does not involve a physical inspection / sighting by the valuer of actual condition of the marine vessels and accordingly, the valuation is arrived at by the valuer based on past transactions of similar vessels in the open market based on average condition (*instead of actual condition of respective marine vessels*).

Apart from the marine vessels, a substantial portion of its total assets comprise liquid assets such as trade and other receivables as well as cash and bank balances which are reasonably expected to approximate their values.

In view of the above, we have adopted the latest audited NA of the Marine Services segment (*excluding the non-controlling interests of RM34.66 million*) as at 31 March 2017 of RM412.95 million as its fair value.

(B) Scomi Engineering

Scomi Engineering (*a 72.33%-owned subsidiary of Scomi*) is a product engineering and manufacturing organisation that provides public transport systems and solutions, centred on its 2 business units i.e. rail and commercial vehicles. Scomi Engineering has the capability to provide a complete solution from design, engineering, build, commissioning, integration and operations and maintenance.

For its rail business, Scomi Engineering is an end-to-end monorail manufacturer, systems integrator and provider of rolling stock, electrical and mechanical systems and services. Currently, Scomi Engineering has 3 ongoing projects i.e. 1 each in Brazil, India and Malaysia.

For its commercial vehicles business, Scomi Engineering supplies both local and regional markets with various types of coaches / buses as well as special purpose vehicles.

DCF for Transport Solutions

We view that the DCF valuation model is the most appropriate method and accordingly, we have adopted the said method to derive a valuation for the Transport Solutions segment as the method is able to effectively factor in the earnings and cash flows potential of the business as well as the timing of such cash flows to be generated, supported by the existing and future contracts of Scomi Engineering.

We have reviewed the future financial information of the Transport Solutions segment until the FYE 31 March 2022 ("**Transport Solutions Future Financials**"), which was prepared by the management of Scomi Engineering based on forecast on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Transport Solutions Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Transport Solutions Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Transport Solutions Future Financials (*together with the bases and assumptions therein*) have been reviewed and approved by the Board. The key bases and assumptions adopted in the preparation of the Transport Solutions Future Financials are as follows:-

- (i) the Transport Solutions segment will continue to operate on a going concern basis and is expected to sustain its operations in perpetuity;
- (ii) Scomi Engineering will be able to secure new contracts to replenish its order book as well as to obtain the necessary financing for the same. The revenue is projected based on the contract sum of ongoing projects and thereafter, based on an expected sustainable level of contract sum from future projects to be secured;
- (iii) there will not be any significant delay in implementation / completion of projects or any significant or material increase in costs (*whether due to delays in project implementation or otherwise*) which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the Transport Solutions segment. The operating costs are projected based on the same basis as revenue above;
- (iv) there will not be any capital expenditure to be incurred for the rail operations of the Transport Solutions segment as the existing assets can be utilised to meet the projected revenue;
- (v) there will not be any significant or material changes to the agreements, licenses and regulations governing the Transport Solutions segment;
- (vi) the current accounting policies adopted will remain relevant and there will not be any significant changes in the accounting policies which have a material adverse impact on the financial performance and financial position of the Transport Solutions segment; and
- (vii) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the transportation industry.

<b>THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK</b>
--



In order to derive the Equity Value of the Transport Solutions segment, we have first discounted the FCFF projected to be generated from the said business segment at an appropriate WACC to reflect the rate of return required by the providers of capital for the business. The resulting present value of FCFF is known as the Enterprise Value of the Transport Solutions segment.

Our valuation, together with the key bases and assumptions adopted, are as follows:-

No	Key bases and assumptions	Descriptions
(i)	FCFF  Based on the Transport Solutions Future Financials until the FYE 31 March 2022	FCFF is the free cash flows from operations available to the providers of capital for a business after taking into consideration all operating expenses, movement in working capital and net investing cash flows.  We have reviewed the key bases and assumptions adopted in the Transport Solutions Future Financials prepared by the management of Scomi Engineering in deriving the FCFF and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.
(ii)	WACC  7.24% to 7.88%, based on the expected capital structure for the respective financial years	WACC is derived using the formula below:-  $WACC = E (K_e) + D (K_d) (1 - T)$ where:-  E = Proportion of equity to the capital structure D = Proportion of debt to the capital structure K <sub>e</sub> = Cost of equity, which represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Transport Solutions segment, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity of between 7.51% and 10.03% with the following inputs:-  $K_e = R_f + \beta (R_m - R_f)$ K <sub>d</sub> = Cost of debt, which represents the rate of return required by a lender / financier on the cash flow streams generated by the business given the risks associated with the cash flows. Based on discussion with the management of Scomi Engineering, we have adopted a pre-tax cost of debt of 8.68%, based on the prevailing interest rates for facilities available to Scomi Engineering.  T = Statutory corporate income tax rate of 24%

No	Key bases and assumptions		Descriptions
(iii)	Risk-free rate of return ( $R_f$ )	3.99%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities.  As extracted from Bloomberg, the said yield is 3.99% per annum as at the LTD.
(iv)	Expected market rate of return ( $R_m$ )	10.71%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.  In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 10.71% per annum for the past 10 years. As a cross-check, the expected market rate of return as derived from Bloomberg is 9.02% as at the LTD.
(v)	Beta ( $\beta$ )	0.524 to 0.899, based on the expected capital structure for the respective financial years	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa.  As Scomi Engineering is listed on Bursa Securities, its beta is obtainable and represents a reliable measure for the riskiness of the Scomi Engineering Shares. Moreover, Scomi Engineering is the only company listed on Bursa Securities which is involved in the provision of monorail solutions and hence, there is no listed peer appropriately comparable to it.  We have adopted the adjusted 3-year beta of Scomi Engineering up to the LTD of 1.105, as extracted from Bloomberg. For information purposes, adjusted beta is an estimate of a security's future beta. The adjusted beta is derived from historical data, but modified by the assumption that a security's beta moves towards the market average over time and is calculated as follows:-  Adjusted beta = $(0.67 * \text{Historical beta}) + (0.33 * 1.0)$  In the Transport Solutions Future Financials, the proportion of debt to the capital structure of the Transport Solutions segment is expected to reduce over the years as Scomi Engineering repays outstanding banking facilities and utilises less debt financing in its operations. As the adjusted beta of 1.105 is based on the present capital structure of the Transport Solutions segment, we have un-levered the adjusted beta and re-levered it based on the expected capital structure for the respective financial years ( <i>with a debt to equity ratio ranging from 0.43 times to 1.67 times</i> ). Based on our computation, the re-levered beta of the Transport Solutions segment ranges from 0.524 to 0.899.

No	Key bases and assumptions		Descriptions
(vi)	Terminal value (in present terms)	RM520.24 million to RM578.05 million	<p>As a cross-check, we noted the un-levered adjusted 3-year beta of other companies listed on Bursa Securities which are principally involved in the provision of land transportation solutions and have a market capitalisation as at the LTD of below RM300.0 million range from 0.331 to 0.681 (Scormi Engineering: 0.396).</p> <p>For the period beyond the FYE 31 March 2022, we have adopted a perpetuity growth rate (g) of 2.50% on the expected sustainable level of FCFF projected to be generated by the Transport Solutions segment. Therefrom, we derived the terminal value (in present terms) for the Transport Solutions segment of between RM520.24 million and RM578.05 million based on the following formula:-</p> $\text{Terminal value (in present terms)} = \frac{\text{Expected sustainable level of FCFF} \times (1 + g)}{(WACC - g)} \times \frac{1}{(1 + WACC)^5}$
Enterprise Value of the Transport Solutions segment	ranges from approximately RM811.34 million to RM869.14 million	<p>The formula used to derive the Enterprise Value of the Transport Solutions segment is as follows:-</p> $\text{Enterprise Value of Transport Solutions segment} = \text{Present value of projected FCFF based on the Transport Solutions Future Financials}^{(1)} + \text{Present value of terminal value (based on the formula above)}$ <p><u>Note:-</u> (1) Computed based on the following formula:-</p> $\text{Present value of FCFF} = \frac{\text{FCFF}}{(1 + WACC)^n}$ <p>whereby, n represents time, in years into the future.</p>	

Based on the Enterprise Value of the Transport Solutions segment above, we have then derived the Equity Value of the said segment as follows:-

	Low range (RM'million)	High range (RM'million)
Enterprise Value of the Transport Solutions segment	811.34	869.14
Less : Non-controlling interests	-	-
Add : Surplus cash	-	-
Less : Market value of existing debts <sup>(1)</sup>	(604.22)	(604.22)
<b>Equity Value of the Transport Solutions segment</b>	<b>207.12</b>	<b>264.92</b>

Note:-

(1) Based on the total borrowings of Transport Solutions segment as at 31 March 2017, including an interest-bearing amount due to Scomi of RM78.58 million.

(C) Other subsidiaries

Since the listing of Scomi on Bursa Securities on 13 May 2003, the Scomi Group has been principally involved in the Oilfield Services, Marine Services and Transport Solutions business segments, which in aggregate contribute substantially all of the Scomi Group's revenue and total assets.

In addition to these business segments, the Scomi Group is also currently involved in new business segments i.e. renewable energy and non-oil and gas based chemicals.

(C)(i) DCF for Renewable Energy

Currently, Scomi is involved in the Renewable Energy segment via the:-

- (a) engineering, procurement, construction, maintenance, repair and operations of a solar photovoltaic farm in Sungai Petani, Kedah ("**Sungai Petani Power Plant**") via its 51% equity interest in a joint venture company with Synergy Generated Sdn Bhd ("**SGSB Project**"); and
- (b) development of the Sungai Petani Power Plant on a build-own-operate basis via its 30% equity interest in Strong Elegance Sdn Bhd ("**SESB Project**").

We view that the DCF valuation model is the most appropriate method and accordingly, we have adopted the said method to derive a valuation for the Renewable Energy segment as the method is able to effectively factor in the earnings and cash flows potential of the business as well as the timing of such cash flows to be generated throughout the tenure of these contracts.

We have reviewed the future financial information of the Renewable Energy segment throughout the concession period until the FYE 31 March 2041 ("**Renewable Energy Future Financials**"), which was prepared by the management of Scomi based on forecast on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Renewable Energy Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Renewable Energy Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Renewable Energy Future Financials *(together with the bases and assumptions therein)* have been reviewed and approved by the board of directors of Scomi. The key bases and assumptions adopted in the preparation of the Renewable Energy Future Financials are as follows:-

- (i) the Sungai Petani Power Plant is expected to sustain its operations commencing from the FYE 31 March 2020 until expiry of the concession period in the FYE 31 March 2041 without any extension *(i.e. 2 years for engineering, procurement and construction until the FYE 31 March 2020 followed by the maintenance, repair and operations for 21 years until the FYE 31 March 2041)*;
- (ii) there will not be any significant or material disruptions / interruptions to the operations of the Sungai Petani Power Plant *(whether due to acts of God, fire or other unforeseen circumstances)*;
- (iii) there will not be any significant or material increase in costs which is expected to have a material adverse effect on the financial results, cash flows or business prospects of the Sungai Petani Power Plant;
- (iv) it is assumed that tax exemption will be obtained for the Sungai Petani Power Plant business;
- (v) there will not be any significant or material changes to the agreements, licenses and regulations governing the Sungai Petani Power Plant;
- (vi) the current accounting policies adopted will remain relevant and there will not be any significant changes in the accounting policies which have a material adverse impact on the financial performance and financial position of the Sungai Petani Power Plant; and
- (vii) there will not be any significant or material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the power generation industry.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

In order to derive the Equity Value of the Renewable Energy segment, we have first discounted the FCFF projected to be generated from the said business segment at an appropriate WACC to reflect the rate of return required by the providers of capital for the business. The resulting present value of FCFF is known as the Enterprise Value of the Renewable Energy segment.

Our valuation, together with the key bases and assumptions adopted, are as follows:-

No	Key bases and assumptions	Descriptions
(i)	FCFF  Based on the Renewable Energy Future Financials throughout the concession period until the FYE 31 March 2041	FCFF is the free cash flows from operations available to the providers of capital for a business after taking into consideration all operating expenses, movement in working capital and net investing cash flows.  We have reviewed the key bases and assumptions adopted in the Renewable Energy Future Financials prepared by the management of Scomi in deriving the FCFF and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.
(ii)	WACC  <u>SGSB Project</u> 7.36% to 8.19% <u>SESB Project</u> 6.28% to 7.05%  (based on the expected capital structure for the respective financial years)	WACC is derived using the formula below:- $WACC = E (K_e) + D (K_d) (1 - T)$ where:- E = Proportion of equity to the capital structure D = Proportion of debt to the capital structure K <sub>e</sub> = Cost of equity, which represents the rate of return required by an investor on the cash flow streams generated by the business given the risks associated with the cash flows. In deriving the cost of equity for the Renewable Energy segment, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity for SGSB Project of between 7.73% and 18.87% (SESB Project: 7.05% to 15.34%) with the following inputs:- $K_e = R_f + \beta (R_m - R_f)$ K <sub>d</sub> = Cost of debt, which represents the rate of return required by a lender / financier on the cash flow streams generated by the business given the risks associated with the cash flows. Based on discussion with the management of Scomi, we have adopted a pre-tax cost of debt for SGSB Project of 8.00% (SESB Project: 4.91%), based on the prevailing interest rates for facilities available to Scomi. T = Statutory corporate income tax rate of 24%

No	Key bases and assumptions	Descriptions
(iii)	Risk-free rate of return ( $R_f$ )  3.99%	Risk-free rate of return represents the expected rate of return from a risk-free investment. The closest available approximation of the risk-free rate of return is the yield of 10-year Malaysian Government Securities.  As extracted from Bloomberg, the said yield is 3.99% per annum as at the LTD.
(iv)	Expected market rate of return ( $R_m$ )  10.71%	Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.  In our opinion, the expected rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a 10-year historical expected rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 10.71% per annum for the past 10 years. As a cross-check, the expected market rate of return as derived from Bloomberg is 9.02% as at the LTD.
(v)	Beta ( $\beta$ )  <u>SGSB Project</u> 0.556 to 2.215  <u>SESB Project</u> 0.456 to 1.689  (based on the expected capital structure for the respective financial years)	Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and vice versa.  In deriving the estimated beta of the Renewable Energy segment, we have relied on the adjusted 3-year beta up to the LTD of companies listed on Bursa Securities which are principally involved in the power generation industry <sup>(1)</sup> . As the adjusted beta extracted from Bloomberg is based on the capital structure of the respective comparable companies, we have un-levered the adjusted beta and re-levered it based on the expected capital structure of the SGSB Project (with a debt to equity ratio ranging from 0.29 times to 5.08 times) and the SESB Project (with a debt to equity ratio ranging from nil to 3.56 times). Based on our computation, the re-levered beta of the SGSB Project ranges from 0.556 to 2.215 (SESB Project: 0.456 to 1.689).  <i>Note:-</i> (1) There is no company listed on Bursa Securities which is identical to the Renewable Energy segment. Whilst we noted that the Renewable Energy segment is focused on power generation via renewable energy sources, we view that these companies are adequately comparable to the Renewable Energy segment and are reasonable to be adopted as proxies for the purposes of deriving the estimated beta of power generation industry in Malaysia. The comparable companies identified and their market capitalisation as at the LTD are as follows:-  (i) Tenaga Nasional Berhad (RM80.38 billion); and (ii) YTL Power International Berhad (RM10.94 billion).

No	Key bases and assumptions	Descriptions
		<p>For information purposes, adjusted beta is an estimate of a security's future beta. The adjusted beta is derived from historical data, but modified by the assumption that a security's beta moves towards the market average over time and is calculated as follows:-</p> <p>Adjusted beta = (0.67 * Historical beta) + (0.33 * 1.0)</p>
Enterprise Value of the Renewable Energy segment	approximately RM166.44 million	<p>The formula used to derive the Enterprise Value of the Renewable Energy segment is as follows:-</p> <p>Enterprise Value of Renewable Energy segment = Present value of projected FCFF based on the Renewable Energy Future Financials<sup>(1)</sup></p> <p>Note:- (1) Computed based on the following formula:-</p> $\text{Present value of FCFF} = \frac{\text{FCFF}}{(1 + \text{WACC})^n}$ <p>whereby, <i>n</i> represents time, in years into the future.</p>

Based on Scomi's effective equity interest, the Equity Value of the Renewable Energy segment is RM55.90 million.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK



(C)(ii) NA for other remaining segments

We have not conducted any valuation on other remaining segments (including non-oil and gas based chemicals) as the resulting outcome is not expected to have a material impact to the estimated fair value of Scomi in view that the total assets allocated to these segments constitute less than 1% of the total assets of Scomi as at 31 March 2017. These other remaining segments have audited net liabilities of RM2.33 million as at 31 March 2017.

In view of the above, we have assigned the fair value of these other remaining segments as nil.

(D) SOPV for the Scomi Group

Summarised below are the fair values of the respective business segments (based on 100% equity interest and Scomi's effective equity interest):-

Name of entity	Segments	Workings	Valuation method	Fair value for 100% equity interest		Fair value for Scomi's effective equity interest	
				Low range (RM'million)	High range (RM'million)	Low range (RM'million)	High range (RM'million)
Scomi Energy	Oilfield Services (Drilling Services)	A(i)	DCF	302.36	333.78	198.51	219.14
	Oilfield Services (D&P)	A(ii)	NA	7.95	7.95	5.22	5.22
	Marine Services	A(iii)	NA	412.95	412.95	271.11	271.11
Scomi Engineering	Transport Solutions	B	DCF	207.12	264.92	149.82	191.63
Other entities	Renewable Energy	C(i)	DCF	-	-	55.90	55.90
	Others	C(ii)	NA	-	-	-	-
Amount due from Scomi Engineering		-	-	-	-	78.58	78.58
<b>Scomi Group</b>		<b>Sum of the above</b>	<b>SOPV</b>			<b>759.14</b>	<b>821.58</b>

(2) Valuation of Scomi Engineering

As set out in the table above, the fair value for 100% equity interest in Scomi Engineering ranges between RM207.12 million and RM264.92 million.

(3) Valuation of Scomi Energy

As set out in the table above, the fair value for 100% equity interest in Scomi Energy ranges between RM723.26 million and RM754.68 million.

**Step 2: Compute the fair value per Consolidated Share and Scomi Engineering Share**

Based on the fair value derived in Step 1 above, we have computed (as set out in the table below):-

(i) the fair value per Consolidated Share (assuming the Proposed Share Consolidation is completed) based on the following scenarios:-

Scenario 1 : Assuming the Proposed Mergers are approved by the Scheme Shareholders and Scomi Energy Scheme Shareholders, the fair value of the enlarged Scomi Group shall be based on the fair value for (i) 100% equity interest in Scomi Engineering (RM207.12 million to RM264.92 million), (ii) 100% equity interest in Scomi Energy (RM723.26 million to RM754.68 million) and (iii) the respective effective equity interest in other entities within the Scomi Group (RM55.90 million) and (iv) the amount due from Scomi Engineering (RM78.58 million).

Scenario 2 : Assuming only the Proposed Merger of Scomi Engineering is approved by the Scheme Shareholders, the fair value of the enlarged Scomi Group shall be based on the fair value for (i) 100% equity interest in Scomi Engineering (RM207.12 million to RM264.92 million), (ii) 65.65% equity interest in Scomi Energy (RM474.84 million to RM495.47 million) and (iii) the respective effective equity interest in other entities within the Scomi Group (RM55.90 million) and (iv) the amount due from Scomi Engineering (RM78.58 million).

(ii) the fair value per Scomi Engineering Share.

	Scenario 1		Scenario 2		Fair value of 100% equity interest in Scomi Engineering	
	Total (RM'million)	Per Consolidated Share (RM)	Total (RM'million)	Per Consolidated Share (RM)	Total (RM'million)	Per Scomi Engineering Share (RM)
<b>Before the exercise of Warrants</b>						
Low range	1,064.86	0.6784 <sup>(1)</sup>	816.44	0.7512 <sup>(2)</sup>	207.12	0.6057 <sup>(3)</sup>
High range	1,154.08	0.7352 <sup>(1)</sup>	894.87	0.8233 <sup>(2)</sup>	264.92	0.7747 <sup>(3)</sup>
<b>Assuming full exercise of Warrants</b>						
Low range	1,218.85 <sup>(4)</sup>	0.5292 <sup>(5)</sup>	930.56 <sup>(6)</sup>	0.5708 <sup>(5)</sup>		
High range	1,308.07 <sup>(4)</sup>	0.5680 <sup>(5)</sup>	1,008.99 <sup>(6)</sup>	0.6189 <sup>(5)</sup>		

Notes:-

(1) Computed based on 1,569,738,881 Consolidated Shares (excluding 7,213,600 treasury shares) after the Proposed Share Consolidation and Proposed Mergers.

(2) Computed based on 1,086,869,248 Consolidated Shares (excluding 7,213,600 treasury shares) after the Proposed Share Consolidation and Proposed Merger of Scomi Engineering.

(3) Computed based on 341,957,703 Scomi Engineering Shares (excluding 121,800 treasury shares) as at the LPD.

(4) Assuming that all 733,263,985 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants (assuming none of the treasury shares is resold into the market) and Proposed Mergers are exercised at an exercise price of RM0.21 into new Consolidated Shares.

- (5) Represents the fair value per Consolidated Share on a fully diluted basis.  
 Pursuant to Paragraph 6.50 of the Listing Requirements, Scomi must ensure the potential aggregate number of new Consolidated Shares arising from the exercise of all outstanding Warrants will not exceed 50% of the total number of issued shares of Scomi (excluding treasury shares and before the exercise of the said Warrants) at all times. Accordingly, we have assumed all 543,434,624 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants (assuming none of the treasury shares is resold into the market) and Proposed Merger of Scomi Engineering (which represents the maximum number of Warrants issuable by Scomi pursuant to the abovementioned restriction) are exercised at an exercise price of RM0.21 into new Consolidated Shares.

**Step 3: Compute the implied exchange ratios**

Pursuant to the terms of the Proposed Merger of Scomi Engineering, the Scheme Shareholders will receive 10 Consideration Shares together with 1 Consideration Warrant (which is exercisable into 1 new Consolidated Share at an exercise price of RM0.21) for every 7 Scomi Engineering Scheme Shares to be surrendered. Based on the terms of the Proposed Merger of Scomi Engineering, we have derived the following implied exchange ratios:-

	Scenario 1		Scenario 2		Implied exchange ratio (C) = (A) / (B)
	Fair value		Fair value		
	10 Consideration Shares <sup>(1)</sup> + 1 Consideration Warrant <sup>(2)</sup> (A) (RM)	7 Scomi Engineering Scheme Shares <sup>(3)</sup> (B) (RM)	10 Consideration Shares <sup>(1)</sup> + 1 Consideration Warrant <sup>(2)</sup> (A) (RM)	7 Scomi Engineering Scheme Shares <sup>(3)</sup> (B) (RM)	Implied exchange ratio (C) = (A) / (B)
Low range	5.6112	4.2399	6.0688	4.2399	1.3234
High range	6.0380	5.4229	6.5979	5.4229	1.1134
					1.4314 1.2167

**Notes:-**

- (1) Based on the fair value per Consolidated Share on a fully diluted basis (as derived in Step 2 above).  
 (2) Based on the intrinsic value of the Warrant being the fair value per Consolidated Share on a fully diluted basis less the exercise price of RM0.21.  
 (3) Based on the fair value per Scomi Engineering Share (as derived in Step 2 above).

**Comments:-**

In both scenarios, the implied exchange ratios are **higher than 1** indicating that the Scheme Shareholders are effectively receiving 10 Consideration Shares together with 1 Consideration Warrant (which is exercisable into 1 new Consolidated Share at an exercise price of RM0.21) which are higher in terms of fair value than 7 Scomi Engineering Scheme Shares to be surrendered.

In Scenario 1, the implied exchange ratios range from 1.1134 to 1.3234 indicating that the total value of securities to be received by the Scheme Shareholders represents a **premium of 11.34% to 32.34%** over the value of Scomi Engineering Scheme Shares to be surrendered.

In Scenario 2, the implied exchange ratios range from 1.2167 to 1.4314 indicating that the total value of securities to be received by the Scheme Shareholders represents a **premium of 21.67% to 43.14%** over the value of Scomi Engineering Scheme Shares to be surrendered.

## 4.2 Implied exchange ratio based on market price

We have also considered the implied exchange ratio based on market prices of the Consideration Shares (*together with the Consideration Warrants*) against Scomi Engineering Scheme Shares based on the steps below:-

### **Step 1: Derive the theoretical price for Consolidated Shares and Consolidated Shares ex-bonus Warrants as well as the resulting intrinsic value of Warrants**

As the Proposed Share Consolidation and Proposed Bonus Issue of Warrants will be undertaken prior to the implementation of the Proposed Mergers, the theoretical price for Consolidated Shares and Consolidated Shares ex-bonus Warrants as well as the resulting intrinsic value of Warrants are first calculated as follows:-

	Scomi Shares <sup>(1)</sup> (RM)	Consolidated Shares <sup>(2)</sup> (RM)	Consolidated Shares ex-bonus Warrants <sup>(3)</sup> (RM)	Intrinsic value of Warrants <sup>(4)</sup> (RM)
<b>Up to the LTD:-</b>				
Last traded market price	0.1100	0.2200	0.2159	0.0059
5-day VWAMP	0.1051	0.2102	0.2101	0.0001
1-month VWAMP	0.1171	0.2342	0.2242	0.0142
3-month VWAMP	0.1359	0.2718	0.2464	0.0364
6-month VWAMP	0.1771	0.3542	0.2948	0.0848
1-year VWAMP	0.1655	0.3310	0.2812	0.0712
<b>Up to the LPD:-</b>				
Last traded market price	0.1300	0.2600	0.2394	0.0294
5-day VWAMP	0.1429	0.2858	0.2546	0.0446

**Notes:-**

- (1) Source: Bloomberg.  
(2) Computed after taking into account the Proposed Share Consolidation.  
(3) Computed after taking into account the Proposed Bonus Issue of Warrants as follows:-

Where:-

Warrants are in-the-money

$$\text{Theoretical price of Consolidated Shares ex-bonus Warrants} = \frac{(A \times X) + (B \times Y)}{A + B}$$

- A = Number of Consolidated Shares  
B = Number of Warrants  
X = Respective theoretical price of Consolidated Shares in the table above  
Y = Exercise price of Warrants

Warrants are out-of-money or at-the-money

No price adjustment is made.

- (4) Based on the theoretical price of Consolidated Shares ex-bonus Warrants less the exercise price of RM0.21.

## Step 2: Obtain the historical trading market prices of Scomi Engineering Shares

The historical trading market prices of Scomi Engineering Shares are as follows:-

	Scomi Engineering Shares (RM)
<b>Up to the LTD:-</b>	
Last traded market price	0.2550
5-day VWAMP	0.2660
1-month VWAMP	0.2578
3-month VWAMP	0.2754
6-month VWAMP	0.3861
1-year VWAMP	0.3816
<b>Up to the LPD:-</b>	
Last traded market price	0.2650
5-day VWAMP	0.2654

(Source: Bloomberg)

## Step 3: Compute the implied exchange ratios

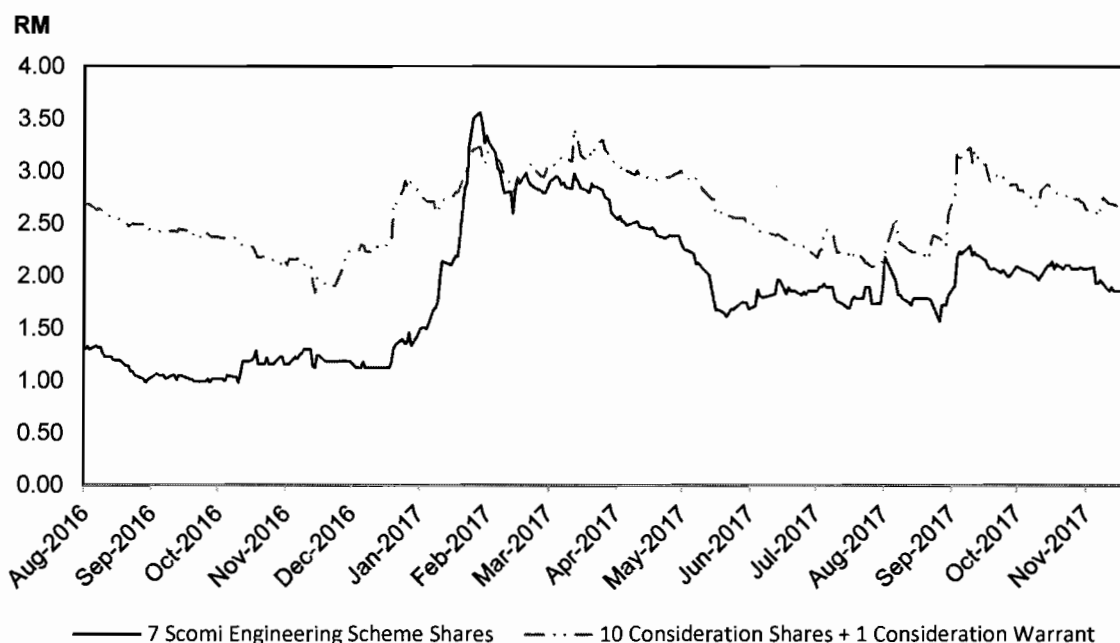
Based on the terms of the Proposed Merger of Scomi Engineering, we have derived the following implied exchange ratios:-

	10 Consideration Shares <sup>(1)</sup> + 1 Consideration Warrant <sup>(2)</sup> (A) (RM)	7 Scomi Engineering Scheme Shares <sup>(3)</sup> (B) (RM)	Implied exchange ratio (C) = (A) / (B)
<b>Up to the LTD:-</b>			
Last traded market price	2.1649	1.7850	1.2128
5-day VWAMP	2.1011	1.8620	1.1284
1-month VWAMP	2.2562	1.8046	1.2502
3-month VWAMP	2.5004	1.9278	1.2970
6-month VWAMP	3.0328	2.7027	1.1221
1-year VWAMP	2.8832	2.6712	1.0794
<b>Up to the LPD:-</b>			
Last traded market price	2.4234	1.8550	1.3064
5-day VWAMP	2.5906	1.8578	1.3944

### Notes:-

- (1) Based on the theoretical price of Consolidated Shares ex-bonus Warrants.
- (2) Based on the intrinsic value of Warrants i.e. the theoretical price of Consolidated Shares ex-bonus Warrants less the exercise price of RM0.21.
- (3) Based on the historical trading market prices of Scomi Engineering Shares.

Based on the information sourced from Bloomberg, we have computed and set out in the graph below the aggregate value of (i) 10 Consideration Shares and 1 Consideration Warrant as well as (ii) 7 Scomi Engineering Scheme Shares for the past 12 months before the date of the Proposal Letter up to the LPD:-



Based on the graph above, it is worth noting that the implied exchange ratios have been **higher than 1** for 97% of the total market days over the past 12 months before the date of the Proposal Letter up to the LPD.

Save as disclosed below, there is no significant event being announced for the past 12 months before the date of the Proposal Letter up to the LPD which may have impacted the trading market prices of Scomi Shares and Scomi Engineering Shares during the said period:-

Scomi	Scomi Engineering
27.03.2017 Execution of a power purchase agreement between Strong Elegance Sdn Bhd ( <i>in which Scomi has 30% equity interest</i> ) and Tenaga Nasional Berhad in relation to the SESB Project	06.02.2017 Clarification in relation to the article entitled "Chinese firms keen on Scomi's rail operation" appearing in The Edge Malaysia that any proposals involving Scomi Engineering's equity stake in its rail division are still in preliminary and exploratory stage
19.04.2017 Execution of a joint venture agreement between Scomi International Private Limited ( <i>a wholly-owned subsidiary of Scomi</i> ), South Asia Logistic Services Limited and Emir Equity Sdn Bhd to form a joint venture company in Singapore with a view to pursuing business of engineering, procurement and construction of hydropower plants, wind farms and port crane systems under any engineering, procurement and construction projects in Asia ( <i>including Turkey</i> )	03.03.2017 Execution of the Third Supplemental Contract to the Kuala Lumpur Monorail Fleet Expansion Project Contract Agreement between Scomi Transit Projects Sdn Bhd ( <i>a wholly-owned subsidiary of Scomi Engineering</i> ) and PMB for the purposes of determining the legal proceedings between the parties amicably while concurrently moving forward with the completion of the project works

Scomi	Scomi Engineering
25.07.2017 Announcement of the inclusion of an emphasis of matter drawing attention to the material uncertainty related to going concern of its subsidiary, Scomi Engineering, in the independent auditors' report for the financial statements of the Scomi Group for the FYE 31 March 2017	Subsequently, the Third Supplemental Contract was allegedly nullified by PMB pursuant to the alleged non-fulfilment of a condition precedent within the agreed period
21.08.2017 Announcement of the Proposals	24.07.2017 Announcement of the inclusion of an emphasis of matter drawing attention to the material uncertainty related to going concern in the independent auditors' report for the financial statements of the Scomi Engineering Group for the FYE 31 March 2017
	21.08.2017 Receipt of the Proposal Letter by the Board

The principal activities of Scomi and Scomi Engineering have remained unchanged for the past 12 months before the date of the Proposal Letter up to the LPD.

Comments:-

The implied exchange ratios are **higher than 1** indicating that the Scheme Shareholders are effectively receiving 10 Consideration Shares together with 1 Consideration Warrant (*which is exercisable into 1 new Consolidated Share at an exercise price of RM0.21*) which are higher in terms of market price than 7 Scomi Engineering Scheme Shares to be surrendered.

However, the above evaluation is based on the historical trading market prices of Scomi Shares and Scomi Engineering Shares and does not take into account any potential effect of the completion of the Proposed Mergers. Hence, this should not be relied upon as an indication of the future trading market prices of Scomi Shares and Scomi Engineering Shares.

**Our view on the fairness of the Proposed Merger of Scomi Engineering:-**

Based on our analysis as set out in Sections 4.1 and 4.2 in this IAL, we are of the view that the Proposed Merger of Scomi Engineering is **FAIR**.

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

## 5. REASONABLENESS OF THE PROPOSED MERGER OF SCOMI ENGINEERING

In assessing the reasonableness of the Proposed Merger of Scomi Engineering, we have considered (i) the relative trading liquidity between Scomi Shares and Scomi Engineering Shares as well as (ii) the likelihood of an alternative offer or competing offer vis-à-vis the level of control by Scomi and the PACs.

### 5.1 Trading liquidity analysis

Summarised below are the key market statistics for Scomi Shares and Scomi Engineering Shares:-

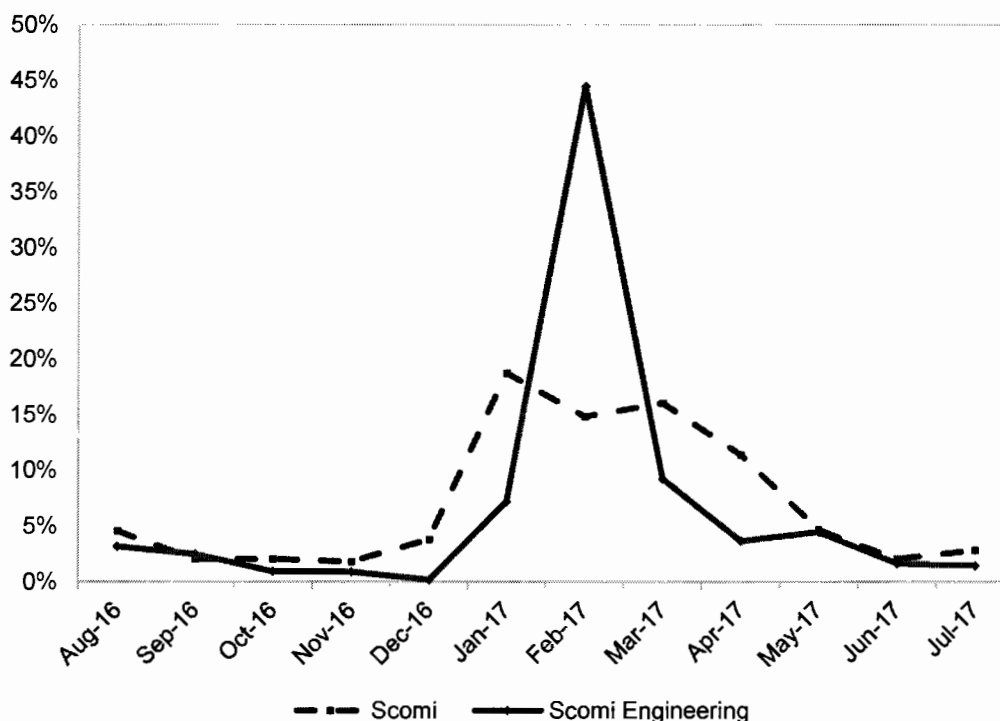
Scomi Shares		Scomi Engineering Shares	
Market capitalisation <sup>(1)</sup>	RM200.0 million	Market capitalisation <sup>(1)</sup>	RM91.0 million
<u>For the period from August 2016 to July 2017</u>		<u>For the period from August 2016 to July 2017</u>	
Total traded value	RM154.1 million	Total traded value	RM28.0 million
Total volume traded (units)	930.6 million	Total volume traded (units)	74.4 million
Average monthly traded value	RM12.8 million	Average monthly traded value	RM2.3 million
Average monthly volume traded (units)	77.6 million	Average monthly volume traded (units)	6.2 million

**Note:-**

(1) Computed based on the 5-day VWAMP of the respective company's shares up to the LTD.

In assessing the trading liquidity of Scomi Shares and Scomi Engineering Shares, we have analysed their percentage of monthly volume traded over free float for the past 12 months up to July 2017 (being the last full trading month prior to the LTD), as shown below:-

#### Percentage of monthly volume traded over free float





Month	Scomi Shares		Scomi Engineering Shares	
	Monthly volume traded <sup>(1)</sup> (units)	Monthly volume traded over free float <sup>(2)</sup> (%)	Monthly volume traded <sup>(1)</sup> (units)	Monthly volume traded over free float <sup>(2)</sup> (%)
July 2017	31,152,300	2.82	1,351,500	1.45
June 2017	22,775,900	2.06	1,539,500	1.65
May 2017	51,564,600	4.67	4,151,000	4.45
April 2017	126,093,300	11.41	3,414,300	3.66
March 2017	177,267,800	16.04	8,604,500	9.23
February 2017	161,630,500	14.81	41,453,500 <sup>(3)</sup>	44.48 <sup>(3)</sup>
January 2017	204,489,500	18.74	6,723,900	7.21
December 2016	41,543,200	3.81	168,300	0.18
November 2016	19,613,100	1.80	843,100	0.90
October 2016	22,439,500	2.06	854,400	0.92
September 2016	22,286,000	2.04	2,317,900	2.49
August 2016	49,785,800	4.56	2,956,400	3.17
<b>Simple average (excluding outlier)</b>	<b>77,553,458</b>	<b>7.07</b>	<b>2,993,164</b>	<b>3.21</b>

(Sources: Bloomberg and announcements on Bursa Securities)

**Notes:-**

- (1) The monthly volume traded represents total volume traded in the respective month. During the period under review, there was no dealing by the directors and substantial shareholders of Scomi Engineering / Scomi as well as persons connected to them. There was also no repurchase of shares from the open market by the respective company to be retained as treasury shares.
- (2) The free float excludes shares held by the directors and substantial shareholders of Scomi Engineering / Scomi as well as persons connected to them and those shares retained as treasury shares as at the end of the respective month, if any.
- (3) The trading volume is deemed an outlier (which is determined based on extreme deviation from the average) and hence, is excluded from the computation of simple average.

Save as disclosed in Section 4.2 in this IAL, there is no significant event being announced for the past 12 months up to July 2017 (being the last full trading month prior to the LTD) which may have impacted the trading volume of Scomi Shares and Scomi Engineering Shares.

**Comments:-**

Based on our analysis above, we noted that although the market capitalisation of Scomi is approximately 2.20 times the market capitalisation of Scomi Engineering:-

- (i) the Scomi Shares have a higher average monthly trading liquidity of 7.07% and hence, are **more liquid** than Scomi Engineering Shares (3.21%, excluding outlier);
- (ii) the monthly trading liquidity of Scomi Shares has been **higher than** that of Scomi Engineering Shares for the past 12 months up to July 2017 (being the last full trading month prior to the LTD) save for September 2016 and February 2017 (outlier); and
- (iii) in terms of absolute quantity, the average monthly trading volume of Scomi Shares of 77.6 million units is 25.9 times **more than** that of Scomi Engineering Shares (3.0 million units, excluding outlier).

In addition, the issuance of Consideration Shares and Consideration Warrants (if subsequently exercised into new Consolidated Shares) pursuant to the Proposed Mergers is expected to further enhance the trading liquidity of Consolidated Shares in Scomi as the Scheme Shareholders and/or Scomi Energy Scheme Shareholders elevate to become shareholders of Scomi.

This would suggest that the Scheme Shareholders (*if they so wish*) should be able to dispose of the Consideration Shares received pursuant to the Proposed Merger of Scomi Engineering in the open market more readily than the Scomi Engineering Shares.

Further, we noted that the Scomi Shares are also more liquid than Scomi Engineering Shares for the period from August 2017 to November 2017 as set out below:-

Month	Scomi Shares		Scomi Engineering Shares	
	Monthly volume traded (units)	Monthly volume traded over free float (%)	Monthly volume traded (units)	Monthly volume traded over free float (%)
November 2017	41,735,000	3.78	637,000	0.68
October 2017	109,148,900	9.88	1,544,400	1.66
September 2017	451,261,300	40.83	3,737,400	4.01
August 2017	38,924,700	3.52	2,273,700	2.44

However, the above evaluation is based on the historical trading volume of Scomi Shares and Scomi Engineering Shares in the respective periods as well as their free floats as at the respective dates. Hence, this should not be relied upon as an indication of the future trading liquidity of Scomi Shares and Scomi Engineering Shares.

## 5.2 No competing offer and level of control

As at the LPD, save for the Proposed Merger of Scomi Engineering, the Board has not received any competing offer for the Scomi Engineering Scheme Shares or any other offer to acquire the assets and liabilities of the Scomi Engineering Group.

In the absence of a competing offer, the Proposed Merger of Scomi Engineering presents an opportunity for the Scheme Shareholders to unlock their investment in Scomi Engineering at a premium while continue to participate in the future growth of Scomi Engineering as well as to have participation in other businesses of the Scomi Group via their shareholdings in Scomi.

As at the LPD, Scomi and the PACs have statutory control over Scomi Engineering, with an aggregate equity interest of 72.67%. With their current level of control, Scomi and the PACs are able to influence the outcome of most of the resolutions sought at shareholders' general meetings of the Company (*unless they are required to abstain from voting*), including the ability to approve any ordinary resolutions as well as to oppose any ordinary / special resolutions.

Further, in view that Scomi and the PACs currently hold a controlling stake of 72.67% in Scomi Engineering, any competing offer will not be successful unless with the support of Scomi and the PACs.

### **Our view on the reasonableness of the Proposed Merger of Scomi Engineering:-**

Premised on our assessment in Sections 5.1 and 5.2 in this IAL, we are of the view that the Proposed Merger of Scomi Engineering is **REASONABLE**.

## 6. RATIONALE FOR THE PROPOSED MERGER OF SCOMI ENGINEERING AND FUTURE PLANS FOR THE SCOMI ENGINEERING GROUP AND ITS EMPLOYEES

We refer to the rationale for the Proposed Merger of Scomi Engineering and future plans for the Scomi Engineering Group and its employees as set out in Sections 3 and 4 in Part A of this Document respectively.

### Rationale for the Proposed Merger of Scomi Engineering

The Proposed Merger of Scomi Engineering will present an opportunity for the Scheme Shareholders to unlock their investment in Scomi Engineering at a premium to the current market price, in exchange for a direct equity exposure in Scomi, offering them exposure to a more diversified range of operations and earnings profile of the larger group.

Based on our analysis as set out in Sections 4.1 and 4.2 in this IAL, the implied exchange ratios are **higher than 1** indicating that the Scheme Shareholders are effectively receiving 10 Consideration Shares together with 1 Consideration Warrant (*which is exercisable into 1 new Consolidated Share at an exercise price of RM0.21*) which are higher in terms of both fair value and market price than 7 Scomi Engineering Scheme Shares to be surrendered.

Should the Proposed Merger of Scomi Engineering be successfully implemented, the Scheme Shareholders will continue to participate in the future growth of Scomi Engineering as well as to have participation in other businesses of the Scomi Group via their shareholdings in Scomi. As set out in Section 4.1 in this IAL, the Scomi Group has a more diversified range of operations and earnings profile whereby its principal business segments and respective revenue contribution for the FYE 31 March 2017 are as follows:-

- (i) Oilfield Services (59.1%);
- (ii) Marine Services (21.2%);
- (iii) Transport Solutions (19.7%); and
- (iv) Renewable Energy (*nil as this is a new business segment*).

As the Proposed Merger of Scomi Engineering will result in the Scheme Shareholders having exposure to other business segments of the Scomi Group, the Scheme Shareholders should also consider the overview and outlook of the global and Malaysian oil, gas and energy industry as well as the prospects of Scomi Group and Scomi Energy Group in Section 6 in Part A of this Document and risk factors in Section 7 in Part A of this Document.

Further, based on our analysis on the historical trading liquidity of Scomi Shares and Scomi Engineering Shares, the Scheme Shareholders (*if they so wish*) should be able to dispose of the Consideration Shares received pursuant to the Proposed Merger of Scomi Engineering in the open market more readily than the Scomi Engineering Shares. In addition, the issuance of Consideration Shares and Consideration Warrants (*if subsequently exercised into new Consolidated Shares*) pursuant to the Proposed Mergers is expected to further enhance the trading liquidity of Consolidated Shares in Scomi as the Scheme Shareholders and/or Scomi Energy Scheme Shareholders elevate to become shareholders of Scomi.

From the perspective of Scomi Engineering, the Proposed Merger of Scomi Engineering (*which forms part of the Proposed Mergers*) paves the way for the integration of business activities of Scomi Engineering and Scomi Energy and will enable the merged group to leverage on the combined financial resources and strengths to compete in and undertake future business contracts, and pursue growth opportunities. In comparison, the gearing ratio of Scomi Engineering as at 31 March 2017 stands at 2.36 times, which is significantly higher than that of Scomi's 0.72 times.

In addition, the de-listing of Scomi Engineering after the Proposed Merger of Scomi Engineering is expected to eliminate any overlapping of administrative efforts and costs associated with maintaining its listing status.

### Future plans for the Scomi Engineering Group and its employees

We noted that as at the LPD, Scomi does not have any plan and/or intention to effect any material change to the existing business, assets or employment structure of the Scomi Engineering Group, except where such plan is necessary to rationalise the existing business activities and/or business directions of the Scomi Engineering Group to achieve a more efficient and effective utilisation of resources.

Should the Proposed Merger of Scomi Engineering be successfully implemented, Scomi (*currently already the controlling shareholder and holding company of Scomi Engineering*) will obtain full control of Scomi Engineering while the Scheme Shareholders will elevate to become shareholders of Scomi. Accordingly, any plan to rationalise the business of the Scomi Engineering Group for the betterment of the enlarged group will be in the best interests of all shareholders of Scomi (*including the non-interested Scheme Shareholders*).

### **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM**

The interests of Directors, major shareholders and/or persons connected to them (*together with their course of actions in relation to the Proposed Merger of Scomi Engineering*) are set out in Section 12 in Part A of this Document.

### **8. DIRECTORS' SHAREHOLDING AND INTENTION TO VOTE**

As at the LPD, save as disclosed below, the Directors of Scomi Engineering do not have any interest (*direct and indirect*) in the Scomi Engineering Shares:-

Name	Address	Direct		Indirect	
		No. of Scomi Engineering Shares	% <sup>(1)</sup>	No. of Scomi Engineering Shares	% <sup>(1)</sup>
Datuk Zainun Aishah binti Ahmad	No. 4, Jalan 11/3 40000 Shah Alam Selangor Darul Ehsan	250,000	0.07	-	-
Dato' Ikmal Hijaz Bin Hashim	No. 15, Jalan Teratak U8/95C, Bukit Jelutong 40150 Shah Alam Selangor Darul Ehsan	-	-	-	-
Liew Willip	No. 10, Lorong Batai Bukit Damansara 50490 Kuala Lumpur	-	-	-	-
Kanesan A/L Veluppillai	No. 8, Lorong 5/10A 46000 Petaling Jaya Selangor Darul Ehsan	-	-	-	-
Cyrus Eruch Daruwalla	No. 7, Jalan 6/26 46000 Petaling Jaya Selangor Darul Ehsan	-	-	-	-
Shah Hakim	No. 32, Jalan Chelagi Damansara Heights 50490 Kuala Lumpur	623,000 <sup>(2)</sup>	0.18	537,500 <sup>(3)</sup>	0.16

Notes:-

- (1) Computed based on 341,957,703 Scomi Engineering Shares (excluding 121,800 treasury shares) as at the LPD.
- (2) 123,000 Scomi Engineering Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin).
- (3) Deemed interested by virtue of Section 8(4) of the Act through his interest in Rentak Rimbun.

As Shah Hakim (*by virtue of him being a PAC*) is deemed interested in the Proposed Merger of Scomi Engineering, he has abstained from deliberations and making any recommendation in relation to the Proposed Merger of Scomi Engineering.

After taking into consideration the evaluation and recommendation by Mercury Securities and in line with the recommendation of the Board to the non-interested Scheme Shareholders to **VOTE IN FAVOUR** of the resolution to give effect to the Proposed Merger of Scomi Engineering to be tabled at the forthcoming CCM of the Company, Datuk Zainun Aishah binti Ahmad intends to **VOTE IN FAVOUR** of the said resolution in respect of her direct holdings in the Scomi Engineering Shares.

## 9. FURTHER INFORMATION

The non-interested Scheme Shareholders are advised to refer to the views and recommendation of the Board as set out in Part A of this Document as well as the attached appendices and other relevant information in this Document for further details in relation to the Proposed Merger of Scomi Engineering.

## 10. CONCLUSION AND RECOMMENDATION

In arriving at our opinion and recommendation in respect of the Proposed Merger of Scomi Engineering, we have assessed the fairness and reasonableness of the Proposed Merger of Scomi Engineering in accordance with Paragraphs 1 to 7 under Schedule 2: Part III of the Rules, whereby the term "fair and reasonable" should generally be analysed as 2 distinct criteria, i.e. whether the Proposed Merger of Scomi Engineering is "fair" and whether the Proposed Merger of Scomi Engineering is "reasonable", rather than as a composite term.

The Proposed Merger of Scomi Engineering is considered as "fair" if the value of consideration is equal to or higher than the market price and is also equal to or higher than the value of the Scomi Engineering Scheme Shares. However, if the value of consideration is equal to or higher than the market price but is lower than the value of the Scomi Engineering Scheme Shares, the Proposed Merger of Scomi Engineering is considered as "not fair".

In considering whether the Proposed Merger of Scomi Engineering is "reasonable", we have taken into consideration matters other than the valuation of the Scomi Engineering Scheme Shares. Generally, the Proposed Merger of Scomi Engineering would be considered "reasonable" if it is "fair".

<b>THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK</b>
--

Summarised below are the pertinent factors which you should carefully consider before voting on the resolution to give effect to the Proposed Merger of Scomi Engineering to be tabled at the forthcoming CCM of the Company:-

<b>Fairness</b>	<p>We view the Proposed Merger of Scomi Engineering as <b><u>FAIR</u></b> in view of the following:-</p> <p><b>(i) Implied exchange ratio based on fair value</b></p> <p>In both scenarios, the implied exchange ratios are <b><u>higher than 1</u></b> indicating that the Scheme Shareholders are effectively receiving 10 Consideration Shares together with 1 Consideration Warrant which are higher in terms of fair value than 7 Scomi Engineering Scheme Shares to be surrendered whereby:-</p> <p>(a) In Scenario 1, the implied exchange ratios range from 1.1134 to 1.3234 indicating that the total value of securities to be received by the Scheme Shareholders represents a <b><u>premium of 11.34% to 32.34%</u></b> over the value of Scomi Engineering Scheme Shares to be surrendered; and</p> <p>(b) In Scenario 2, the implied exchange ratios range from 1.2167 to 1.4314 indicating that the total value of securities to be received by the Scheme Shareholders represents a <b><u>premium of 21.67% to 43.14%</u></b> over the value of Scomi Engineering Scheme Shares to be surrendered.</p> <p><b>(ii) Implied exchange ratio based on market price</b></p> <p>The implied exchange ratios are <b><u>higher than 1</u></b> indicating that the Scheme Shareholders are effectively receiving 10 Consideration Shares together with 1 Consideration Warrant which are higher in terms of market price than 7 Scomi Engineering Scheme Shares to be surrendered whereby:-</p> <p>(a) The implied exchange ratios range from 1.0794 to 1.2970 derived based on the 5-day, 1-month, 3-month, 6-month and 1-year VWAMP of Scomi Shares and Scomi Engineering Shares; and</p> <p>(b) The implied exchange ratios have been <b><u>higher than 1</u></b> for 97% of the total market days over the past 12 months before the date of the Proposal Letter up to the LPD.</p>
-----------------	--

**THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK**

<p><b>Reasonableness</b></p>	<p>We view the Proposed Merger of Scomi Engineering as <b>REASONABLE</b> in view of the following:-</p> <p>(i) <b>Improved trading liquidity</b></p> <p>The Scheme Shareholders (<i>if they so wish</i>) should be able to dispose of the Consideration Shares received pursuant to the Proposed Merger of Scomi Engineering in the open market more readily than the Scomi Engineering Shares in view that:-</p> <p>(a) the Scomi Shares have a higher average monthly trading liquidity of 7.07% and hence, are <b>more liquid</b> than Scomi Engineering Shares (3.21%, excluding outlier);</p> <p>(b) the monthly trading liquidity of Scomi Shares has been <b>higher than</b> that of Scomi Engineering Shares for the past 12 months up to July 2017 (<i>being the last full trading month prior to the LTD</i>) save for September 2016 and February 2017 (<i>outlier</i>);</p> <p>(c) in terms of absolute quantity, the average monthly trading volume of Scomi Shares of 77.6 million units is 25.9 times <b>more than</b> that of Scomi Engineering Shares (3.0 million units, excluding outlier); and</p> <p>(d) the issuance of Consideration Shares and Consideration Warrants (<i>if subsequently exercised into new Consolidated Shares</i>) pursuant to the Proposed Mergers is expected to further enhance the trading liquidity of Consolidated Shares in Scomi as the Scheme Shareholders and/or Scomi Energy Scheme Shareholders elevate to become shareholders of Scomi.</p> <p>(ii) <b>No competing offer and level of control</b></p> <p>As at the LPD, save for the Proposed Merger of Scomi Engineering, the Board has not received any competing offer for the Scomi Engineering Scheme Shares or any other offer to acquire the assets and liabilities of the Scomi Engineering Group.</p> <p>In the absence of a competing offer, the Proposed Merger of Scomi Engineering presents an opportunity for the Scheme Shareholders to unlock their investment in Scomi Engineering at a premium while continue to participate in the future growth of Scomi Engineering as well as to have participation in other businesses of the Scomi Group via their shareholdings in Scomi.</p> <p>As at the LPD, Scomi and the PACs have statutory control over Scomi Engineering, with an aggregate equity interest of 72.67%. With their current level of control, Scomi and the PACs are able to influence the outcome of most of the resolutions sought at shareholders' general meetings of the Company (<i>unless they are required to abstain from voting</i>), including the ability to approve any ordinary resolutions as well as to oppose any ordinary / special resolutions.</p> <p>Further, in view that Scomi and the PACs currently hold a controlling stake of 72.67% in Scomi Engineering, any competing offer will not be successful unless with the support of Scomi and the PACs.</p>
------------------------------	---

Premised on the above and our evaluation as a whole, we are of the view that the Proposed Merger of Scomi Engineering is **FAIR** and **REASONABLE**.

Accordingly, we recommend that the non-interested Scheme Shareholders **VOTE IN FAVOUR** of the resolution to give effect to the Proposed Merger of Scomi Engineering to be tabled at the forthcoming CCM of the Company.

The non-interested Scheme Shareholders should be mindful that the Proposed Merger of Scomi Engineering is based on a share exchange rather than a cash offer and hence, the Consideration Shares (*together with the Consideration Warrants*) and Scomi Engineering Scheme Shares should be evaluated in relative terms to one another in considering the merits of the Proposed Merger of Scomi Engineering.

Should the Proposed Merger of Scomi Engineering be successfully implemented, the non-interested Scheme Shareholders will continue to participate in the future growth of Scomi Engineering as well as to have participation in other businesses of the Scomi Group via their shareholdings in Scomi.

The advice of Mercury Securities as contained in this IAL is addressed to the non-interested Scheme Shareholders at large and not to any particular non-interested Scheme Shareholders. Accordingly, in providing this advice, we have not taken into consideration any specific investment objectives, financial situation, risk profile and particular needs of any individual non-interested Scheme Shareholder or any specific group of non-interested Scheme Shareholders. We recommend that any individual non-interested Scheme Shareholder or any specific group of non-interested Scheme Shareholders who may require advice in the context of their investment objectives, financial situation, risk profile and particular needs should consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Yours faithfully,  
for and on behalf of  
**MERCURY SECURITIES SDN BHD**

**CHEW SING GUAN**  
Managing Director

**DENIS LIM**  
Director / Head of Corporate Finance



## ATTACHMENT I – FURTHER INFORMATION

### 1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

As at the LPD, the total number of Scomi Engineering Shares in issue is 342,079,503 shares (including 121,800 treasury shares). All the Scomi Engineering Shares rank *pari passu* in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions (including any capital distributions) which may be declared, made or paid to shareholders. Since the end of the FYE 31 March 2017 up to the LPD, there are no changes in Scomi Engineering's issued share capital.

Scomi Engineering does not have any convertible securities in issue as at the LPD.

#### 1.1 By Scomi Engineering

##### (i) Interests in Scomi

Scomi Engineering cannot have any interest (whether direct or indirect) in Scomi Shares as it is a subsidiary of Scomi.

##### (ii) Dealings in Scomi Shares

Scomi Engineering cannot deal (directly or indirectly) in Scomi Shares as it is a subsidiary of Scomi.

##### (iii) Dealings in Scomi Engineering Shares

Scomi Engineering has not dealt (directly or indirectly) in its own voting shares during the period commencing 6 months before the date of the Proposal Letter and up to the LPD.

#### 1.2 By the Directors of Scomi Engineering

##### (i) Interests in Scomi

Save as disclosed below, the Directors of Scomi Engineering do not have any interest (whether direct or indirect) in Scomi Shares as at the LPD:-

Name	Direct		Indirect	
	No. of Scomi Shares	% <sup>(1)</sup>	No. of Scomi Shares	% <sup>(1)</sup>
Shah Hakim	1,950,100 <sup>(2)</sup>	0.10	175,917,025 <sup>(3)</sup>	9.24

**Notes:-**

(1) Computed based on 1,903,082,941 Scomi Shares (excluding 14,427,200 treasury shares) as at the LPD.

(2) 1,421,000 Scomi Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.

(3) Deemed interested by virtue of Section 8(4) of the Act through his interests in Kaspadu, Rentak Rimbun and Onstream Marine.

##### (ii) Dealings in Scomi Shares

The Directors of Scomi Engineering have not dealt (directly or indirectly) in Scomi Shares during the period commencing 6 months before the date of the Proposal Letter and up to the LPD.

## ATTACHMENT I – FURTHER INFORMATION (cont'd)

### (iii) Interests in Scomi Engineering

Save as disclosed below, the Directors of Scomi Engineering do not have any interest (whether direct or indirect) in Scomi Engineering Shares as at the LPD:-

Name	Direct		Indirect	
	No. of Scomi Engineering Shares	% <sup>(1)</sup>	No. of Scomi Engineering Shares	% <sup>(1)</sup>
Datuk Zainun Aishah binti Ahmad	250,000	0.07	-	-
Shah Hakim	623,000 <sup>(2)</sup>	0.18	537,500 <sup>(3)</sup>	0.16

**Notes:-**

- (1) Computed based on 341,957,703 Scomi Engineering Shares (excluding 121,800 treasury shares) as at the LPD.
- (2) 123,000 Scomi Engineering Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin).
- (3) Deemed interested by virtue of Section 8(4) of the Act through his interest in Rentak Rimbun.

### (iv) Dealings in Scomi Engineering Shares

The Directors of Scomi Engineering have not dealt (directly or indirectly) in Scomi Engineering Shares during the period commencing 6 months before the date of the Proposal Letter and up to the LPD.

#### 1.3 By the persons with whom Scomi Engineering or any persons acting in concert with it has any arrangement over Scomi Shares or Scomi Engineering Shares

As at the LPD, there is no person with whom Scomi Engineering or any persons acting in concert with it has entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing with Scomi Shares or Scomi Engineering Shares.

#### 1.4 By the persons with whom Scomi Engineering or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom Scomi Engineering or any persons acting in concert with it has borrowed or lent any Scomi Shares or Scomi Engineering Shares.

#### 1.5 By Mercury Securities and funds whose investments are managed by Mercury Securities on a discretionary basis ("Discretionary Funds")

##### (i) Disclosure of interests in Scomi

Mercury Securities and its Discretionary Funds do not have any interest, whether direct or indirect, in Scomi Shares as at the LPD.

**(ii) Dealings in Scomi Shares**

Save as disclosed below, Mercury Securities and its Discretionary Funds have not dealt, directly or indirectly, in Scomi Shares during the period commencing 6 months before the date of the Proposal Letter and up to the LPD:-

Name	Date of transaction	Nature of transaction	No. of Scomi Shares	Average transacted price (RM)
Mercury Securities	22.05.2017	Acquisition	200,000	0.1750
		Disposal	200,000	0.1700
	22.08.2017	Acquisition	100,000	0.1500
		Disposal	100,000	0.1550

**(iii) Disclosure of interests in Scomi Engineering**

Mercury Securities and its Discretionary Funds do not have any interest, whether direct or indirect, in Scomi Engineering Shares as at the LPD.

**(iv) Dealings in Scomi Engineering Shares**

Mercury Securities and its Discretionary Funds have not dealt, directly or indirectly, in Scomi Engineering Shares during the period commencing 6 months before the date of the Proposal Letter and up to on the LPD.

**2. ARRANGEMENT AFFECTING DIRECTORS OF SCOMI ENGINEERING**

- (i) As at the LPD, there is no payment or other benefit which will be made or given to any Director of Scomi Engineering as compensation for loss of office or otherwise in connection with the Proposed Merger of Scomi Engineering.
- (ii) As at the LPD, there is no agreement or arrangement between any Director of Scomi Engineering and any other person which is conditional on or dependent upon the outcome of the Proposed Merger of Scomi Engineering or otherwise connected with the outcome of the Proposed Merger of Scomi Engineering.
- (iii) As at the LPD, Scomi and the PACs have not entered into any material contract in which any Director of Scomi Engineering has a material personal interest.

**3. SERVICE CONTRACTS**

As at the LPD, the Scomi Engineering Group does not have any service contracts with any Directors or proposed directors of Scomi Engineering, which have been entered into or amended within 6 months before the date of the Proposal Letter or which are fixed term contracts with more than 12 months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this Document.

**INFORMATION ON SCOMI**

---

**1. HISTORY AND BUSINESS**

Scomi was incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Act on 9 February 2002 as a public company limited by shares under its current name. Scomi was listed on the then Second Board (now known as the Main Market) of Bursa Securities on 13 May 2003. On 13 May 2004, Scomi transferred its listing status to the Main Board (now known as the Main Market) of Bursa Securities.

Scomi is principally involved in investment holding and provision of management services to its subsidiaries and associated companies. The principal activities of the subsidiaries and associated companies of Scomi are set out in Section 5 of this Appendix.

**2. SHARE CAPITAL**

Pursuant to Section 74 of the Act, all shares have no par or nominal value. Accordingly, the authorised share capital of Scomi is no longer applicable.

As at the LPD, the share capital and number of issued shares of Scomi is RM636,581,636 comprising 1,917,510,141 Scomi Shares (inclusive of 14,427,200 ordinary shares held as treasury shares). Pursuant to Section 618 the Act, the amount standing to the credit of Scomi's share premium account and capital redemption reserve which amounted to RM444,831,000 became part of Scomi's share capital.

As at the LPD, there are no options and convertibles securities in Scomi and there were no reorganisation of capital of Scomi during the 2 financial years preceding the date of the Announcement.

As at the LPD, there was no issuance of ordinary shares or share buy-back made by Scomi since 31 March 2017.

[The rest of this page is intentionally left blank]

## INFORMATION ON SCOMI (CONT'D)

## 3. DIRECTORS AND THEIR SHAREHOLDINGS

As at the LPD, the directors of Scomi and their respective shareholdings in Scomi are as follows:

Name	Date of Appointment	Designation	Nationality	Direct		Indirect	
				No. of Scomi shares <sup>(1)</sup>	% <sup>(1)</sup>	No. of Scomi shares	% <sup>(1)</sup>
Dato' Mohammed Hashim Azlan Bin Hashim	13 July 2004	Chairman, Independent Non-Executive Director	Malaysian	-	-	-	-
Tan Sri Nik Mohamed Bin Nik Yaacob	13 July 2004	Independent Non-Executive Director	Malaysian	-	-	-	-
Dato' Sreesanthan Eliathamby	18 April 2006	Non-Independent Non-Executive Director	Malaysian	-	-	-	-
Dato' Abdul Hamid Bin Sh Mohamed	8 May 2014	Independent Non-Executive Director	Malaysian	-	-	-	-
Foong Choong Hong	17 March 2003	Non-Independent Non-Executive Director	Malaysian	410,000	<sup>(2)</sup> 0.0	-	-
Lee Chun Fai	31 May 2015	Non-Independent Non-Executive Director	Malaysian	-	-	-	-
Cyrus Eruch Daruwalla	23 May 2016	Non-Independent Non-Executive Director	Indian	-	-	-	-
Liew Willip	3 January 2017	Independent Non-Executive Director	Malaysian	-	-	-	-
Shah Hakim	3 March 2003	Non-Independent Executive Director and Chief Executive Officer	Malaysian	<sup>(3)</sup> 1,950,100	0.1	<sup>(4)</sup> 175,917,025	9.2

## Notes:

(1) The percentage shareholdings have been computed net of treasury shares held by Scomi as at the LPD.

(2) Negligible.

(3) 1,421,000 Scomi Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.

(4) Deemed interested by virtue of Section 8(4) of the Act through his interests in Kaspadu, Rentak Rimbun and Onstream Marine.

## INFORMATION ON SCOMI (CONT'D)

## 4. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of Scomi and their respective shareholdings in Scomi are as follows:

Name	Country of incorporation	Direct		Indirect	
		No. of Scomi Shares	( <sup>(1)</sup> ) %	No. of Scomi Shares	( <sup>(1)</sup> ) %
IJM Corporation Berhad	Malaysia	467,982,787	24.6	-	-
Kaspadu	Malaysia	<sup>(2)</sup> 171,149,685	9.0	<sup>(3)</sup> 1,125,340	0.1
Shah Hakim	Malaysian	<sup>(4)</sup> 1,950,100	0.1	<sup>(5)</sup> 175,917,025	9.2
Tan Sri Dato' Kamaluddin Bin Abdullah	Malaysian	-	-	<sup>(6)</sup> 172,275,025	9.1
Amadia Investments Ltd	Cayman Islands	<sup>(7)</sup> 151,637,400	8.0	-	-
TAEL One Partners Ltd (acting in its capacity as the general partner of The Asian Entrepreneur Legacy One, L.P.) (the "Fund")	Cayman Islands	-	-	<sup>(8)</sup> 151,637,400	8.0
United Overseas Bank Limited	Singapore	-	-	<sup>(9)</sup> 151,637,400	8.0

## Notes:

- (1) The percentage shareholdings have been computed net of treasury share.  
(2) 135,753,055 Scomi Shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominees (Tempatan) Sdn Bhd and UOB Kay Hian Nominees (Tempatan) Sdn Bhd.  
(3) Deemed interested by virtue of Section 8(4) of the Act through its shareholding in Onstream Marine.  
(4) 1,421,000 Scomi Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.  
(5) Deemed interested by virtue of Section 8(4) of the Act through his interest in Kaspadu, Rentak Rimbun and Onstream Marine.  
(6) Deemed interested by virtue of Section 8(4) of the Act through his interest in Kaspadu and Onstream Marine.  
(7) Held through UOBM Nominees (Asing) Sdn Bhd for the Fund and HLG Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd (A/C Clients).  
(8) Deemed interested by virtue of Section 8(4) of the Act. Amadia Investments Ltd is an investment vehicle of the Fund.  
(9) Deemed interested by virtue of its investment in the Fund.

[The rest of this page is intentionally left blank]

## INFORMATION ON SCOMI (CONT'D)

## 5. SUBSIDIARIES AND ASSOCIATED COMPANY

As at the LPD, the subsidiaries of Scomi are as follows:

Name of company	Date / Place of incorporation	Share Capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
<b>Subsidiaries of Scomi</b>				
Scomi Energy Services Bhd	14 August 1996/ Malaysia	1,053,798,946	65.7	Investment holding, coal transportation and provision of management services to its subsidiaries and associated companies
Scomi Engineering Bhd	15 December 1983/ Malaysia	388,684,503	72.3	Investment holding, provision of management services to subsidiaries and the design, manufacture and supply of monorail trains and related services.
Scomi Oiltools Bermuda Limited	9 August 1990 / British Virgin Islands	US Dollar ("USD") 10,512,364	100.0	Investment holding
	Date of discontinuance: 18 September 1998 / British Virgin Islands			
	Date of continuance: 11 August 1998 / Bermuda			
Scomi International Private Limited	16 September 2009 / Singapore	Singapore Dollar ("SGD") SGD 2	100.0	Provision of integrated project management, consultancy, sales, marketing and other services for a wide range of industries
Scomi Solutions Sdn Bhd	21 June 2007 / Malaysia	200,000	100.0	Provision of management services and technical support in relation to information technology

## INFORMATION ON SCOMI (CONT'D)

Name of company	Date / Place of incorporation	Share Capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
Scomi Ecosolve Limited	10 September 2007 / British Virgin Islands	USD 1	100.0	Investment holding and the commercial exploitation of intellectual property & rights related to technologies
Scomi Precision Engineering Sdn Bhd	21 December 1999 / Malaysia	250,000	100.0	Ceased business operations
Scomi Chemicals Sdn Bhd	14 September 2006 / Malaysia	1,000,000	100.0	Investment Holding
Global Learning and Development Sdn Bhd	12 March 2012 / Malaysia	2	100.0	Provision of training, development and coaching and consultancy services in relation to educational, training and business application services
Scomi Energy Sdn Bhd	29 July 2003 / Malaysia	100,000	100.0	Investment holding and the provision of management services to its subsidiaries
Scomi OBM Terminal Sdn Bhd	28 June 1997 / Malaysia	100,000	100.0	Ceased operations
Scomi SGB Sdn Bhd	25 October 2016 / Malaysia	2	51.0	To carry on the business of power and energy generation through renewable energy sources
<b>Subsidiary of Scomi Energy Sdn Bhd</b>				
Scomi Enviro Sdn Bhd	23 July 2007 / Malaysia	100,000	100.0	Provision of equipment and services for the treatment of crude oil emulsion, sludge, stop and recovery of crude oil, treatment of non-aqueous fluids, treatment of oil contaminated solids and waste water treatment



## INFORMATION ON SCOMI (CONT'D)

Name of company	Date / Place of incorporation	Share Capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
<b>Subsidiaries of Scomi Oiltools Bermuda Limited</b>				
Scomi Oiltools Overseas (M) Limited	30 December 2002 / Mauritius	USD 1	100.0	Ceased business operation
<sup>(1)</sup> Scomi Oiltools (Europe) Ltd	13 June 1990 / Scotland, United Kingdom	British Pound ("GBP") 500,000	100.0	Ceased business operation
KMC Oiltools Algerie EURL	12 September 2000 / Algeria	Algerian Dinar ("DZD") 1,360,000	100.0	Ceased business operation
Scomi Oiltools Inc	26 March 1992 / Texas, United States of America	USD 6,950,000	100.0	Ceased business operation
<sup>(2)</sup> Scomi Oiltools Egypt SAE	6 December 1997 / Egypt	USD 400,000	65.7	Provision of oilfield equipment, supplies and provision of management services
<sup>(3)</sup> Oilfield Services de Mexico S de RL de CV	17 March 2005 / Mexico	Mexican Peso ("MXN") 3,000	100.0	Ceased business operation
<sup>(3)</sup> Scomi Oiltools de Mexico S de RL de CV	17 March 2005 / Mexico	MXN 3,000	100.0	Ceased business operation
<b>Associated company of Scomi</b> Strong Elegance Sdn Bhd	19 December 2016 / Malaysia	28,000,000	30.0	To carry on the business of power and energy generation through renewable energy sources

## INFORMATION ON SCOMI (CONT'D)

Name of company	Date / Place of incorporation	Share Capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
<b>Subsidiaries of Scomi Energy</b>				
Scomi D&P Sdn Bhd	8 October 2012 / Malaysia	2	65.7	An investment holding company in the business to undertake turnkey services for projects within the marine, oil and gas industries
Scomi Oilfield Limited	6 March 2007 / Bermuda	USD 25,245,314	65.7	Investment holding
Scomi Argentina Sociedad Anonima	16 November 2016 / Argentina	Argentine Peso ("ARS 200,000")	46.0	Currently not operating actively but will principally involve in the supply of chemicals, drilling fluids, drilling waste management, production chemicals, and other drilling related product and services
Trans Advantage Sdn Bhd	17 August 2006 / Malaysia	1,000,000	65.7	Provision of marine transportation
Scomi Marine Services Pte Ltd	27 July 2005 / Singapore	SGD 100,000	65.7	Investment holding
Scomi Sosma Sdn Bhd	16 August 1997 / Malaysia	500,000	65.7	Distribution of chemical products and services
Scomi KMC Sdn Bhd	30 January 2007 / Malaysia	2,600,000	34.1	Provision of engineering services, sale of a wide range of specialised chemicals and support services to the oil and gas industry
<b>Associated companies of Scomi Energy</b>				
Emerald Logistics Sdn Bhd	28 February 2008 / Malaysia	1,000,000	32.2	Ship chartering and ship management
Southern Petroleum Transportation Joint Stock Company	11 April 2008 / Vietnam	Vietnamese Dong ("VND") 582,565,080,000	9.1	Owner and operator of Tankers

## INFORMATION ON SCOMI (CONT'D)

Name of company	Date / Place of incorporation	Share Capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
<b>Associated company of Scomi D&amp;P Sdn Bhd</b> Ophir Production Sdn Bhd	18 December 2013 / Malaysia	3,200,000	19.7	Development and production of crude oil for Ophir field
<b>Subsidiary of Scomi Marine Services Pte Ltd</b> PT Rig Tenders Indonesia Tbk	1 April 1974 / Indonesia	Indonesian Rupiah ("Rp") 60,913,000,000	52.9	Ship owning and chartering
<b>Subsidiaries of PT Rig Tenders Indonesia Tbk</b> Rig Tenders Marine Pte Ltd	28 January 2010 / Singapore	SGD 100	52.9	Ship chartering
CH Ship Management Pte Ltd	8 March 1972 / Singapore	SGD 500,000	52.9	Provision of management services
Grundtvig Marine Pte Ltd	24 December 1982 / Singapore	SGD 350,000	52.9	Investment holding
CH Logistics Pte Ltd	20 January 1981 / Singapore	SGD 250,000	52.9	Investment holding
<b>Associated companies of Scomi Marine Services Pte Ltd</b> King Bridge Enterprises Limited (BVI)	18 October 2007 / British Virgin Islands	USD 100	32.2	Investment holding
<b>Subsidiary of Grundtvig Marine Pte Ltd</b> PT Batuah Abadi Lines	26 May 2003 / Indonesia	USD 6,700,000	50.2	Ship owning and chartering

## INFORMATION ON SCOMI (CONT'D)

Name of company	Date / Place of incorporation	Share Capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
<b>Subsidiary of PT Batuah Abadi Lines</b> Scomi Vessels Pte Ltd	21 August 2014 / Labuan, Malaysia	USD 100	50.2	Dormant
<b>Subsidiary of Scomi Sosma Sdn Bhd</b> Scomi Anticor S.A.S	10 August 1992 / France	Euro ("EUR") 90,000	65.7	Design and field deployment of various oil and gas production chemicals
<b>Associated company of Scomi Sosma Sdn Bhd</b> (4) Sosma (B) Sdn Bhd	6 October 2003 / Brunei	Brunei Dollar ("BND") 2	32.8	Dormant and under members' voluntary liquidation
<b>Subsidiaries of Scomi Oilfield Limited</b> Scomi Oiltools Sdn Bhd	27 February 1982 / Malaysia	8,082,000	65.7	Sale of a wide range of specialised chemicals and related engineering services, provision of rental equipment and support services to the oil and gas industry and provision of management services to its related companies
Scomi Oiltools Pty Ltd	6 August 1982 / Australia	Australian Dollar ("AUD") 25,000	65.7	Provision of oilfield equipment, supplies and services
KMCOB Capital Berhad	7 September 2006 / Malaysia	2	65.7	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
Scomi Oiltools Ltd	14 April 1981 / Cayman Islands	USD 100	65.7	Provision of oilfield equipment, supplies and services
Scomi Equipment Inc	1 August 2012 / Texas, United States of America	USD 1	65.7	Research and development and the provision of engineering services to support the drilling waste management operations of SCOMI's group of companies globally

## INFORMATION ON SCOMI (CONT'D)

Name of company	Date / Place of incorporation	Share Capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
Scomi Oiltools (Thailand) Ltd	27 October 1982 / Thailand	Thai Baht ("THB") 93,000,000	65.7	Provision of oilfield equipment, supplies and services
Scomi Oiltools Oman LLC	1 May 1991 / Oman	Omani Rial ("OMR") 150,000	33.5	Provision of oilfield equipment, supplies and services
Scomi Oiltools (Cayman) Ltd	29 December 1977 / Cayman Islands	USD 500,000	65.7	Provision of oilfield equipment, supplies and services
Scomi Oiltools (S) Pte Ltd	21 October 2004 / Singapore	SGD 100,000	65.7	Investment holding and provision of treasury function
Scomi Oiltools (Africa) Limited	15 May 1981 / Cayman Islands <sup>(5)</sup>	Caymanian Dollar ("KYD") 48,004	65.7	Investment holding and provision of oilfield equipment, supplies and services
<b>Associated company of Scomi Oilfield Limited</b>				
Vibratherm Limited	16 August 2011 / England & Wales	GBP 10,000	32.8	Development of microwave thermal treatment equipment
<b>Subsidiaries of Scomi Oiltools (S) Pte Ltd</b>				
KMC Oiltools India Pte Ltd	6 July 2005 / India	Indian Rupee ("INR") 43,030,860	65.7	Provision of oilfield equipment, supplies and services
PT Scomi Oiltools	23 December 2004 / Indonesia	USD 500,000	62.4	Provision of oilfield equipment, supplies and services
PT Multi Jaya Persada	14 June 2005 / Indonesia	Indonesian Rupiah ("IDR") 770,000,000	62.4	Dormant

## INFORMATION ON SCOMI (CONT'D)

Name of company	Date / Place of incorporation	Share Capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
PT Inti Jatam Pura	11 February 1981 / Indonesia	IDR 770,000,000	62.4	Dormant
Scomi Oiltools (RUS) LLC	11 March 2008 / Russia	Russian Ruble ("RUB") 1,000,000	65.7	Provision of oilfield equipment, supplies and services
<b>Subsidiary of Scomi Oiltools (Africa) Limited</b>				
Wasco Oil Service Company Nigeria Limited	6 May 1985 / Nigeria	Nigerian Naira ("NGN") 5,000,000	65.7	Provision of oilfield equipment, supplies and services
<b>Associated company of Scomi Oiltools Sdn Bhd</b>				
Global Oilfield Products Sdn Bhd	28 July 2015 / Malaysia	400,000	16.4	Manufacture of oilfield supplies
Scomi Platinum Sdn Bhd	21 April 2014 / Malaysia	1,350,000	32.8	Manufacture of palm based oleochemical products
<b>Subsidiaries of Scomi Engineering</b>				
Please refer to Appendix II for the list of subsidiaries of Scomi Engineering				

## Notes:

- (1) The company has been placed under liquidation on 20 June 2014.
- (2) Scomi Oiltools Bermuda Limited holds on trust for Scomi Oilfield Limited pursuant to a trust deed dated 8 March 2013.
- (3) The company has been placed under members' voluntary liquidation on 25 June 2013 and has held its final meeting on 25 June 2013.
- (4) The company is under members' voluntary liquidation.
- (5) The company was incorporated in Jersey on 15 May 1981 and re-domiciled to Cayman Islands on 1 April 2011.

[The rest of this page is intentionally left blank]

## INFORMATION ON SCOMI (CONT'D)

## 6. PROFIT AND DIVIDEND RECORD

The following is a summary of the profit and dividend record of Scomi Group as extracted from the audited consolidated financial statements of Scomi Group for FYE 2015 to FYE 2017 and the unaudited consolidated financial statements of Scomi Group for the 6-month FPE 30 September 2017.

FYE 31 March	Restated 2015	2016	2017	6-month FPE 30 September 2017
	RM'000	RM'000	RM'000	RM'000
Revenue	1,798,572	1,383,332	826,892	387,616
PBT / (LBT)	103,907	25,793	(148,403)	(58,131)
Taxation	(37,535)	(13,889)	(17,248)	(6,417)
<b>PAT/ (LAT)</b>	<b>66,301</b>	<b>11,904</b>	<b>(165,651)</b>	<b>(64,548)</b>
Non-controlling Interest ("NCI")	(22,045)	10,632	58,246	(22,382)
<b>Profit / (Loss) attributable to owners of Scomi</b>	<b>44,256</b>	<b>22,536</b>	<b>(107,405)</b>	<b>(42,166)</b>
Share capital	156,864	191,751	636,582	636,582
Share premium	352,379	444,831	-	-
Treasury shares	(18,696)	(18,696)	(18,696)	(18,696)
Retained earnings	133,386	133,386	24,959	(17,207)
Convertible bond reserves	106,471	-	-	-
Other reserves	(97,744)	(97,744)	(68,732)	(108,654)
<b>Total equity attributable to owners of Scomi</b>	<b>637,181</b>	<b>653,528</b>	<b>574,113</b>	<b>492,025</b>
NCI	536,598	537,002	502,147	464,347
<b>Total Equity</b>	<b>1,173,779</b>	<b>1,190,530</b>	<b>1,076,260</b>	<b>956,372</b>
No. of Scomi Shares in issue ('000)	1,568,637	1,917,510	1,917,510	1,917,510
Basic EPS / (LPS)(sen)	2.85	1.18	(5.64)	(1.37)
NA per share (RM)	0.41	0.34	0.30	0.26
Net dividend per share (sen)	-	-	-	-
Exceptional items	-	-	-	-

(Source: Annual Report of Scomi for FYE 2015, 2016, 2017 and unaudited quarterly report for 30 September 2017)

[The rest of this page is intentionally left blank]

## INFORMATION ON SCOMI (CONT'D)

## 7. STATEMENT OF FINANCIAL POSITION

The audited financial position of Scomi Group as at FYE 2015 to FYE 2017 as well as the unaudited financial position of Scomi Group as at 6-month FPE 30 September 2017 are as follows:

FYE 31 March	Restated 2015	2016	2017	6-month FPE 30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	659,640	608,818	590,886	398,215
Investment properties	2,495	2,440	2,499	2,353
Intangible assets	295,572	295,193	282,446	275,176
Investments in subsidiaries	-	-	-	-
Investments in associates	-	7,439	7,439	7,939
Investments in joint ventures and joint operations	68,967	66,081	53,794	55,296
Deferred tax assets	31,087	37,198	39,032	40,487
Trade and other receivables	1,125	335	226	319
Available-for-sale financial assets	104	104	170	170
<b>Total non-current assets</b>	<b>1,058,990</b>	<b>1,017,608</b>	<b>976,492</b>	<b>779,955</b>
<b>Current Assets</b>				
Inventories	241,526	213,324	181,434	149,807
Current tax assets	15,542	21,455	31,899	28,059
Trade and other receivables	1,243,021	1,109,618	1,082,244	1,106,212
Cash and bank balances	236,330	188,047	163,815	90,344
<b>Total current assets</b>	<b>1,736,419</b>	<b>1,532,444</b>	<b>1,459,392</b>	<b>1,374,422</b>
Assets classified as held for sale				143,471
<b>TOTAL ASSETS</b>	<b>2,795,409</b>	<b>2,550,052</b>	<b>2,435,884</b>	<b>2,297,848</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	156,864	191,751	636,582	636,582
Share premium	352,379	444,831	-	-
Treasury shares	(18,696)	(18,696)	(18,696)	(18,696)
Convertible bond reserves	106,471	-	-	-
Other reserves	(97,744)	(97,744)	(68,732)	(108,654)
Retained earnings	133,386	133,386	24,959	(17,207)
<b>Equity attributable to owners of Scomi</b>	<b>637,181</b>	<b>653,528</b>	<b>574,113</b>	<b>492,025</b>
NCI	536,598	537,002	502,147	464,347
<b>TOTAL EQUITY</b>	<b>1,173,779</b>	<b>1,190,530</b>	<b>1,076,260</b>	<b>956,372</b>



## INFORMATION ON SCOMI (CONT'D)

FYE 31 March	Restated 2015	2016	2017	6-month FPE 30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>Non-Current liabilities</b>				
Trade and other payables	5,682	5,684	7,374	2,923
Loans and borrowings	183,388	174,810	123,661	123,800
Provision for retirement benefits	6,644	7,359	10,800	8,419
Derivative financial liabilities	40,366	28,845	21,118	16,347
Deferred tax liabilities	7,982	8,602	18,510	18,508
<b>Total non-current liabilities</b>	<b>244,062</b>	<b>225,300</b>	<b>181,463</b>	<b>169,997</b>
<b>Current liabilities</b>				
Trade and other payables	560,045	482,652	467,401	494,783
Loans and borrowings	769,866	596,368	647,437	640,246
Derivative financial liabilities	11,784	15,247	23,145	6,408
Current tax liabilities	34,885	39,326	39,909	29,952
Deferred Government grant	988	629	269	90
<b>Total current liabilities</b>	<b>1,377,568</b>	<b>1,134,222</b>	<b>1,178,161</b>	<b>1,171,479</b>
<b>TOTAL LIABILITIES</b>	<b>1,621,630</b>	<b>1,329,522</b>	<b>1,359,624</b>	<b>1,341,476</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,795,409</b>	<b>2,550,052</b>	<b>2,435,884</b>	<b>2,297,848</b>

(Source: Annual Report of Scomi for FYE 2015, 2016, 2017 and unaudited quarterly report for 30 September 2017)

## 8. MATERIAL CHANGES IN THE FINANCIAL POSITION

There is no material change in the financial position of the Scomi Group subsequent to its latest audited financial statements for the FYE 2017.

## 9. ACCOUNTING POLICIES

Based on the audited statements of Scomi for FYE 2015, 2016 and 2017, the financial accounts have been prepared based on approved Malaysian accounting standards and there was no audit qualification of Scomi's financial statements for the respective years under review.

For the audited consolidated financial statements for FYE 2016, the comparatives for inventory balance as at 31 March 2015 and its corresponding effects on the income statement for the FYE 31 March 2015 was restated (as mentioned in Note 33 to the consolidated financial statements of Scomi for FYE 2016) as shown in Section 6 and Section 7, Appendix I of this Explanatory Statement.

[The rest of this page is intentionally left blank]

**INFORMATION ON SCOMI (CONT'D)****10. BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENTS****10.1 BORROWINGS**

Based on the latest unaudited consolidated financial statements of Scomi for the 6-month FPE 30 September 2017, Scomi's total outstanding borrowings of approximately RM764.05 million are as follows:

	<u>Amount</u> <u>(RM'000)</u>
Guaranteed serial bonds	103,233
Term loans	211,605
Revolving credits	293,460
Finance lease liabilities	42,980
Bank overdrafts	78,244
Bankers' acceptances	34,524
	<u>764,046</u>

**10.2 CONTINGENT LIABILITIES**

Save as disclosed below, as at the LPD, the Board of Scomi is not aware of any other contingent liabilities which, upon becoming enforceable, may have a material impact on the profits or NA of the Scomi Group:

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

**10.3 MATERIAL CAPITAL COMMITMENTS**

Save as disclosed below, as at the LPD, the Board of Scomi is not aware of any other material commitments for capital expenditure incurred or known to be incurred by the Scomi Group which, upon becoming enforceable, may have a material impact on the profits or NA of the Scomi Group:

	<u>Amount</u> <u>RM'000</u>
Property, plant and equipment (approved but not contracted for)	49,811
Others (approved but not contracted for)	1,982
Operating lease	15,837
	<u>67,630</u>

**11. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, save as the material litigation, claims or arbitration of Scomi Engineering Group disclosed under Section 11 of Appendix II of this Document, the Scomi Group are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may materially or adversely affect the financial position or business of the Scomi Group.

[The rest of this page is intentionally left blank]

**INFORMATION ON SCOMI (CONT'D)**

---

**12. MATERIAL CONTRACTS**

Save as disclosed below, neither Scomi nor its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years immediately preceding the date of the announcement of the Proposed Merger of Scomi Engineering by Scomi up to the LPD:

- (a) joint venture agreement dated 19 April 2017 between Scomi International Private Limited, South Asia Logistic Services Limited and Emir Equity Sdn Bhd in relation to Scomi Imartek Pte Ltd, a company incorporated in Singapore to carry on the business of engineering, procurement and construction of hydro plants, wind farms and port crane systems under any engineering, procurement and construction projects in Asia (including Turkey) and any other selected locations in India to be agreed between parties; and
- (b) shareholders agreement dated 15 May 2017 between Synergy Generated Sdn Bhd, Lembaga Tabung Angkatan Tentera and Scomi Group Bhd where the parties have agreed to incorporate a joint venture company to submit a bid to Suruhanjaya Tenaga for the development of a large scale solar PV Plant and to regulate their rights as shareholders of the joint venture company.

[The rest of this page is intentionally left blank]

**INFORMATION ON SCOMI ENGINEERING**

---

**1. HISTORY AND BUSINESS**

Scomi Engineering was incorporated in Malaysia under the Companies Act 1965 (and is deemed registered under the Act) on 15 December 1983 as a private limited company under the name of Bell & Order Engineering Sdn Bhd. It changed its name to Bell & Order Sdn Bhd on 20 November 1985. Subsequently, it was converted into a public company limited by shares and adopted the name Bell & Order Berhad on 28 April 1995. Scomi Engineering assumed its present name on 9 January 2006. Scomi Engineering was listed on the Main Board (now known as Main Market) of Bursa Securities on 28 April 1995.

The principal activities of our Company are investment holding, provision of management services to subsidiaries and the design, manufacture and supply of monorail trains and related services. Our subsidiaries are principally involved in:

- (a) development, design, manufacture and supply of monorail transportation infrastructure systems and equipment and services and engineering related support services; and
- (b) manufacturing, fabrication and assembly of commercial coaches and truck vehicle bodies and other related services.

**2. SHARE CAPITAL**

Pursuant to Section 74 of the Act, all shares have no par or nominal value. Accordingly, the authorised share capital of Scomi Engineering is no longer applicable.

As at the LPD, the share capital and number of issued shares of Scomi Engineering is RM388,684,503 comprising 342,079,503 Scomi Engineering Shares, respectively (inclusive of 121,800 Scomi Engineering Shares held by Scomi Engineering as treasury shares). Pursuant to Section 618 of the Act, the amount standing to the credit of Scomi Engineering's share premium account which amounted to RM46,605,000 became part of Scomi Engineering's share capital.

[The rest of this page is intentionally left blank]

## INFORMATION ON SCOMI ENGINEERING (CONT'D)

## 3. DIRECTORS AND THEIR SHAREHOLDINGS

As at the LPD, the directors of Scomi Engineering and their respective shareholdings in Scomi Engineering are as follows:

Name	Date of Appointment	Designation	Nationality	Direct		Indirect	
				No. of Scomi Engineering Shares	%	No. of Scomi Engineering Shares	%
Datuk Zainun Aishah Binti Ahmad	15 December 2005	Chairman, Independent Non-Executive Director	Malaysian	250,000	0.1	-	-
Dato' Ikmal Hijaz Bin Hashim	29 October 2013	Independent Non-Executive Director	Malaysian	-	-	-	-
Liew Willip	28 October 2015	Independent Non-Executive Director	Malaysian	-	-	-	-
Kanesan A/L Velupillai	1 March 2016	Non-Independent Non-Executive Director	Malaysian	-	-	-	-
Cyrus Eruch Daruwalla	23 May 2016	Non-Independent Non-Executive Director	Indian	-	-	-	-
Shah Hakim	15 December 2005	Non-Independent Executive Director	Malaysian	(1) 623,000	0.2	(2) 537,500	0.2

## Notes:

\* The percentage shareholdings have been computed net of treasury shares held by the Company as at the LPD.

(1) 123,000 Scomi Engineering Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin).

(2) Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Rentak Rimbum.

[The rest of this page is intentionally left blank]

**INFORMATION ON SCOMI ENGINEERING (CONT'D)**

**4. SUBSTANTIAL SHAREHOLDER**

As at the LPD, the substantial shareholder of Scomi Engineering and its shareholding in Scomi Engineering is as follows:

Name	Country of incorporation	Direct		Indirect	
		No. of Scomi Engineering Shares	( <sup>1</sup> ) %	No. of Scomi Engineering Shares	( <sup>1</sup> ) %
Scomi	Malaysia	247,350,058	72.3	-	-

Note:

(1) The percentage shareholding have been computed net of treasury shares held by the Company as at the LPD.

**5. SUBSIDIARIES**

As at the LPD, the subsidiaries of Scomi Engineering are as follows:

Name of company	Date / Place of incorporation	Share capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
<b>Subsidiaries of Scomi Engineering</b> Scomi Special Vehicles Sdn Bhd	30 August 1990 / Malaysia	21,920,878	100.0	Manufacture and fabrication of road transport equipment, material handling equipment and provision of related engineering support services
Scomi Transit Projects Sdn Bhd	19 July 2010 / Malaysia	100,000	100.0	Engaged in the business of development, manufacture and supply of monorail transportation infrastructure systems, equipment and services
Scomi Transportation Systems Sdn Bhd	5 March 2004 / Malaysia	26,000,002	100.0	Investment holding
Scomi Transit Projects Brazil (Sao Paulo) Sdn Bhd	5 July 2011 / Malaysia	100,000	100.0	Engaged in the business of development, manufacture and supply of monorail transportation infrastructure systems, equipment and services

## INFORMATION ON SCOMI ENGINEERING (CONT'D)

Name of company	Date / Place of incorporation	Share capital (RM, unless otherwise stated)	Effective interest (%)	Principal activities
Scomi Transit Projects Brazil Sdn Bhd	5 July 2011 / Malaysia	2	100.0	Engaged in the business of development, manufacture and supply of monorail transportation infrastructure systems, equipment and services
Urban Transit Private Limited	4 December 2008 / India	INR 861,379,260	100.0	Supply of transportation infrastructure systems, equipment and services
Urban Transit Servicos Do Brasil LTDA	21 December 2010 / Brazil	Brazilian Real ("BRL") 30,010,341	100.0	Supply of transportation infrastructure systems, equipment and services
Quark Fabricação De Equipamentos Ferroviários E Serviços De Engenharia LTDA	19 March 2012 / Brazil	( <sup>1</sup> ) Nil	80.0	Dormant
<b>Subsidiary of Scomi Special Vehicles Sdn Bhd</b> Scomi Trading Sdn Bhd	19 January 1994 / Malaysia	250,000	100.0	Marketing agent for the sale of road transport equipment and related products
<b>Subsidiaries of Scomi Transportation Systems Sdn Bhd</b> Scomi Rail Bhd	20 April 2004 / Malaysia	150,000,002	100.0	Design, manufacture and supply of monorail trains, provision of related engineering support services and engineering works involving the design, construction, installation, testing and commissioning of electrical and mechanical systems
Scomi Coach Sdn Bhd	9 October 1990 / Malaysia	20,000,000	100.0	Manufacturing, fabrication and assembly of commercial coaches and truck vehicle bodies and other related services
<b>Subsidiary of Scomi Coach Sdn Bhd</b> Scomi Coach Marketing Sdn Bhd	7 March 1996 / Malaysia	25,000	100.0	Undertake the business of management and marketing agent to purchase, take on lease, or otherwise acquire, maintain, repair of coaches and vehicles bodies

Note:

(1) The registered capital of this entity is BRL 1,000,000. The registered capital was not paid-up as at 31 March 2017.

**INFORMATION ON SCOMI ENGINEERING (CONT'D)**
**6. PROFIT AND DIVIDEND RECORD**

The following is a summary of the profit and dividend record of Scomi Engineering Group as extracted from the audited consolidated financial statements of Scomi Engineering Group for FYE 2015 to FYE 2017 and the unaudited consolidated financial statements of Scomi Engineering Group for the 6-month FPE 30 September 2017.

<b>FYE 31 March</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>6-month FPE 30 September 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	238,321	174,548	162,880	66,165
(LBT) / PBT	(2,048)	(11,880)	(11,645)	(30,719)
Tax credit / (expense)	2,426	10,037	(8,111)	(560)
<b>PAT/ (LAT)</b>	<b>378</b>	<b>(1,843)</b>	<b>(19,756)</b>	<b>(31,279)</b>
Share capital	342,080	342,080	388,685	388,685
Share premium	46,605	46,605	-	-
Reserves	(119,021)	(123,412)	(132,668)	(174,875)
<b>Total equity attributable to owners of Scomi Engineering</b>	<b>269,664</b>	<b>265,273</b>	<b>256,017</b>	<b>213,810</b>
No. of Scomi Engineering Shares in issue ('000)	341,958	341,958	341,958	341,958
Basic EPS/ (LPS)(sen)	0.11	(0.54)	(5.78)	(9.15)
NA per share (sen)	78.86	77.57	74.87	62.53
Net dividend per share (sen)	-	-	-	-
Exceptional items	-	-	-	-

*(Source: Annual Report of Scomi Engineering for FYE 2015, 2016 and 2017 and unaudited quarterly report for 30 September 2017)*

[The rest of this page is intentionally left blank]



**INFORMATION ON SCOMI ENGINEERING (CONT'D)**
**7. STATEMENT OF FINANCIAL POSITION**

The audited consolidated financial position of Scomi Engineering Group as at FYE 2015 to FYE 2017 as well as the unaudited consolidated financial position of Scomi Engineering Group as at FPE 30 September 2017 are as follows:

FYE 31 March	2015	2016	2017	6-month FPE 30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant and equipment	72,181	66,971	60,389	58,385
Intangible assets	158,922	156,463	153,693	153,693
Deferred tax assets	31,036	34,006	34,600	34,659
Available-for-sale financial assets	104	104	170	170
<b>Total non-current assets</b>	<b>262,243</b>	<b>257,544</b>	<b>248,852</b>	<b>246,907</b>
<b>Current Assets</b>				
Inventories	9,901	7,372	16,512	10,971
Current tax assets	2,845	4,077	4,619	1,855
Receivables, deposits and prepayments	688,959	660,419	797,617	811,067
Cash and bank balances	32,325	31,594	38,452	38,010
<b>Total current assets</b>	<b>734,030</b>	<b>703,462</b>	<b>857,200</b>	<b>861,903</b>
<b>TOTAL ASSETS</b>	<b>996,273</b>	<b>961,006</b>	<b>1,106,052</b>	<b>1,108,810</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	342,080	342,080	388,685	388,685
Share premium	46,605	46,605	-	-
Reserves	(119,021)	(123,412)	(132,668)	(174,875)
<b>TOTAL EQUITY</b>	<b>269,664</b>	<b>265,273</b>	<b>256,017</b>	<b>213,810</b>
<b>Non-Current Liabilities</b>				
Deferred tax liabilities	-	-	9,398	9,297
Loans and borrowings	13,669	71,486	74,159	76,781
Deferred income	-	-	1,681	1,581
Trade and other payables	55,141	59,521	78,582	88,607
<b>Total non-current liabilities</b>	<b>68,810</b>	<b>131,007</b>	<b>163,820</b>	<b>176,266</b>

[The rest of this page is intentionally left blank]

**INFORMATION ON SCOMI ENGINEERING (CONT'D)**

FYE 31 March	2015	2016	2017	6-month FPE 30 September 2017
	RM'000	RM'000	RM'000	RM'000
<b>Current Liabilities</b>				
Loans and borrowings	506,949	398,331	451,482	434,282
Deferred income	-	-	120	120
Trade and other payables	143,164	153,439	216,909	268,436
Current tax liabilities	6,698	12,327	17,435	15,805
Deferred government grant	988	629	269	90
<b>Total current liabilities</b>	<b>657,799</b>	<b>564,726</b>	<b>686,215</b>	<b>718,733</b>
<b>TOTAL LIABILITIES</b>	<b>726,609</b>	<b>695,733</b>	<b>850,035</b>	<b>894,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>996,273</b>	<b>961,006</b>	<b>1,106,052</b>	<b>1,108,809</b>

*(Source: Annual Report of Scomi Engineering for FYE 2015, 2016 and 2017 and unaudited quarterly report for 30 September 2017)*

**8. MATERIAL CHANGES IN THE FINANCIAL POSITION**

There is no material change in the financial position of Scomi Engineering Group subsequent to its latest audited financial statements for the FYE 2017.

**9. ACCOUNTING POLICIES**

Based on the audited financial statements of Scomi Engineering Group for FYE 2015, 2016 and 2017, the financial statements have been prepared in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia. Scomi Engineering Group's financial statements for the respective years under review were not subject to any qualification.

**10. BORROWINGS**

Based on the latest unaudited consolidated financial statements of Scomi Engineering for the 6-month FPE 30 September 2017, Scomi Engineering's total outstanding borrowings of approximately RM525.6 million are as follows:

	<b>Amount</b>
	<b>RM'000</b>
Bank overdrafts	76,152
Term loans	161,099
Revolving credits	244,886
Finance lease liabilities	42,925
Trust receipts	579
	<b>525,641</b>

[The rest of this page is intentionally left blank]

## INFORMATION ON SCOMI ENGINEERING (CONT'D)

---

### 11. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, save as disclosed below, neither Scomi Engineering nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may materially or adversely affect the financial position or business of the Scomi Engineering Group, and our Board is not aware of any proceedings, pending or threatened, or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of the Scomi Engineering Group:

(a) **Notice of Termination by PMB of the Kuala Lumpur Fleet Expansion Project (“Project”) Contract dated 3 June 2011 (as supplemented by the First Supplemental Agreement dated 16 April 2014 and the Second Supplemental Contract dated 15 April 2015) (collectively, the “Contract”)**

The Contract between PMB and Scomi Transit Projects Sdn Bhd (“STP”) relates to the Project which involves the upgrade of the stations and systems of the Kuala Lumpur Monorail and replaces the old trains with 12 new 4-car trains.

By way of written notice PMB purported to terminate the Contract on 9 June 2016. STP disputed the purported termination and applied to the Kuala Lumpur High Court on 20 June 2016 to restrain the termination of the Contract pending reference of dispute to arbitration (“**Termination Dispute**”).

STP filed a Notice of Arbitration against PMB in respect of the Termination Dispute on 21 July 2016 (“**Termination Dispute Arbitration**”). The Termination Dispute Arbitration is pending.

On 22 July 2016, the High Court dismissed STP’s action to restrain the purported termination of the Contract pending arbitration (“**High Court Decision**”). On 25 July 2016, STP filed an appeal against the High Court Decision which was initially fixed for hearing on 16 August 2016 (“**Appeal**”) but adjourned to 20 September 2016 to enable STP to obtain the grounds of judgment from the High Court. The hearing on 20 September 2016 was adjourned in light of parties’ negotiations to resolve the dispute over the purported termination. Pursuant to these negotiations, STP and PMB entered into a further contract i.e. a Third Supplemental Contract on 3 March 2017 (“**TSC**”) to, amongst others, facilitate the completion of the Project by STP (“**TSC Works**”). The Appeal proceeding resumed and was called for hearing on 28 August 2017. The hearing was adjourned and the matter is fixed for case management on 1 November 2017. At the case management held on 1 November 2017, the Court of Appeal fixed the appeal for further case management on 6 December 2017. On 6 December 2017, the Court of Appeal fixed the appeal for further case management on 12 March 2018.

The TSC was conditional upon fulfilment of various conditions precedent. PMB informed STP on 3 May 2017 that 1 condition precedent was not fulfilled. STP disputes PMB’s position, maintains that all conditions precedent under the TSC have been fulfilled and has commenced arbitration on 12 July 2017 in respect of this dispute (“**TSC Arbitration**”). The hearing for the TSC Arbitration commenced on 13 November 2017 and will continue on the next hearing dates which have been fixed on 3 January 2018, 22 February 2018 and 23 March 2018 respectively.

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

**INFORMATION ON SCOMI ENGINEERING (CONT'D)**

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

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

The solicitors for STP and the management of Scomi Engineering believe that STP has a fair chance of succeeding in the above claims.

**(b) Claims by PJSI Consultants Sdn Bhd ("PJSI") against Scomi Engineering and Scomi Rail Bhd ("SRB")**

PJSI, the claimant initiated arbitration proceedings against Scomi Engineering and SRB, the respondents to claim the sum of RM8,693,523.60 for the amount claimed for work and services done. The arbitration proceeding was suspended as Scomi Engineering and SRB refused to pay the arbitration deposits. On 3 March 2016, PJSI instituted a suit against Scomi Engineering and SRB in the High Court, alleging, inter alia, that given Scomi Engineering and SRB have not paid the arbitration deposit, they have waived their right to arbitration. Scomi Engineering and SRB entered appearance on 22 March 2016 and filed their defence on 5 April 2016, contending for the following:

- (i) the sum claimed by PJSI is exaggerated;
- (ii) final design drawings have not been fully delivered by PJSI;
- (iii) potential claims against SRB by Larsen and Toubro for delay and errors in design; and
- (iv) regulatory impact for failure to provide the design certification and design warranty.

Scomi Engineering and SRB filed an application to strike out the writ and statement of claims filed by PJSI on 5 April 2016 ("**Striking Out Application**"). Such Striking Out Application was allowed with costs on 31 May 2016. PJSI appealed to the Court of Appeal on 10 June 2016. A consent order was recorded on 30 November 2016, inter alia, that this suit is to be transferred or discontinued with the liberty to refile at the Construction Court of the High Court ("**Construction Court**").

**INFORMATION ON SCOMI ENGINEERING (CONT'D)**

On 15 December 2016, PJSI filed the writ and statement of claim at the Construction Court. The parties resolved the case amicably and a consent judgment was recorded on 19 July 2017 that a settlement sum of RM6,000,000.00 shall be paid by Scomi Engineering and SRB to PJSI by way of 18 monthly instalments of RM333,333.33 per instalment, commencing from 1 December 2017 and thereafter by the 7<sup>th</sup> day of every successive month until full and final payment of the agreed settlement sum. For the 8<sup>th</sup> instalment, Scomi Engineering and SRB agreed that if their finances permit, they will endeavour to pay an instalment of RM750,000.00 by 7 July 2018 and the sum payable for the remaining 9<sup>th</sup> to 18<sup>th</sup> instalments shall be adjusted to RM291,667.67 per month. Otherwise, the minimum instalment payment of RM333,333.33 per instalment will continue. Should Scomi Engineering and SRB default in payment of any 1 or more of the instalment payable, the entire amount claimed by PJSI in the sum of RM8,693,523.60 (less the total sum paid by Scomi Engineering and SRB together with an interest at a rate of 8% per annum from 15 December 2016 until realisation) shall be payable.

**(c) Enforcement of final award dated 3 April 2017 by the Singapore International Arbitration Centre (“Final Award”) by Molinari Rail Austria GmbH and Molinari Rail AG (“Molinari”, collectively) against SRB in the High Court**

Molinari instituted an action against SRB to enforce the Final Award whereby Molinari was awarded the sum of EUR 598,726.43 representing the amount claimed, EUR 94,287.28 representing interest, legal costs of EUR 982,850.62 and arbitration costs of SGD 478,051.55 to be paid by SRB. The next case management has been fixed on 10 October 2017. On 10 October 2017 during case management, the High Court directed SRB to file and serve its reply affidavit by 31 October 2017 and Molinari to file and serve its reply by 21 November 2017. The matter has been fixed for hearing on 6 March 2018.

The solicitors for SRB and the management of Scomi Engineering believe that SRB has a fair chance of succeeding in the above claims.

**12. MATERIAL CONTRACTS**

Neither Scomi Engineering nor its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years immediately preceding the date of the announcement of the Proposed Merger of Scomi Engineering by Scomi Engineering up to the date of the LPD.

**13. CONTINGENT LIABILITIES AND MATERIAL CAPITAL COMMITMENTS**

Based on the latest unaudited consolidated financial statements of Scomi Engineering for the 6-month FPE 30 September 2017, there are no contingent liabilities and material capital commitments incurred or known to be incurred by our Group, which upon becoming enforceable may have a material impact on the profits or NA of our Group.

[The rest of this page is intentionally left blank]

## DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

### 1. DISCLOSURE OF INTEREST IN SCOMI ENGINEERING SHARES

#### 1.1 By Scomi

As at the LPD, Scomi holds 247,350,058 Scomi Engineering Shares, representing 72.3% of the issued and paid-up share capital of Scomi Engineering. Save as disclosed above, Scomi does not have any interest, whether direct or indirect, in Scomi Engineering Shares as at the LPD.

#### 1.2 By Directors of Scomi

Save as disclosed below, the directors of Scomi does not have any interest, whether direct or indirect, in Scomi Engineering Shares as at the LPD:

Direct and/or indirect interests in Scomi Engineering	Direct		Indirect	
	No. of Scomi Engineering Shares	(1) %	No. of Scomi Engineering Shares	(1) %
Shah Hakim	(1) 623,000	0.2	(2) 537,500	0.2

Notes:

- (1) The percentage shareholdings have been computed net of treasury shares held by the Company as at the LPD.
- (2) 123,000 Scomi Engineering Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.
- (3) Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Rentak Rimbum.

#### 1.3 By the PACS

Save as disclosed below, the PACs do not have any interest, whether direct or indirect, in Scomi Engineering Shares as at the LPD:

Name	Direct		Indirect	
	No. of Scomi Engineering Shares	(1) %	No. of Scomi Engineering Shares	(1) %
Shah Hakim	(2) 623,000	0.2	(3) 537,500	0.2
Rentak Rimbum	(4) 537,500	(5) 0.0	-	-
Kaspadu	-	-	-	-
Onstream Marine	-	-	-	-

Notes:

- (1) The percentage shareholdings have been computed net of treasury shares held by the Company as at the LPD.
- (2) 123,000 Scomi Engineering Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin).
- (3) Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Rentak Rimbum.
- (4) 282,000 Scomi Engineering Shares held through KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbum (RE001).
- (5) Negligible.

#### 1.4 By persons who have irrevocably committed to vote in favour of the Scheme

As at LPD, Scomi and Scomi Engineering have not received any irrevocable undertaking from any Scheme Shareholders to vote in favour of the Scheme at the forthcoming CCM.

**DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES (CONT'D)****1.5 By a person with whom Scomi or the PACS have any arrangement**

As at LPD, Scomi and the PACs have not entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to the Scomi Engineering Shares which may be an inducement to deal or to refrain from dealing pursuant to the Proposed Merger of Scomi Engineering.

**1.6 By a person with whom Scomi or the PACS has borrowed or lent**

As at LPD, Scomi and the PACs have not borrowed or lent any Scomi Engineering Shares.

**2. DISCLOSURE OF INTEREST IN SCOMI SHARES****2.1 By Directors of Scomi**

Save as disclosed below, the directors of Scomi do not have any interest, whether direct or indirect, in Scomi Shares as at the LPD:

Name	Direct		Indirect	
	No. of Scomi Shares	(1) %	No. of Scomi Shares	(1) %
Shah Hakim	(2) 1,950,100	0.1	(3) 175,917,025	9.2
Foong Choong Hong	410,000	(4) 0.0	-	-

Notes:

- (1) The percentage shareholdings have been computed net of treasury shares held by Scomi as at the LPD.
- (2) 1,421,000 Scomi Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.
- (3) Deemed interested by virtue of Section 8(4) of the Act through his interest in Kaspadu, Rentak Rimbung and Onstream Marine.
- (4) Negligible.

**2.2 By the PACS**

Save as disclosed below, the PACs do not have any interest, whether direct or indirect, in Scomi Shares as at the LPD:

Name	Direct		Indirect	
	No. of Scomi Shares	(1) %	No. of Scomi Shares	(1) %
Shah Hakim	(2) 1,950,100	0.1	(3) 175,917,025	9.2
Kaspadu	(4) 171,149,685	9.0	(5) 1,125,340	0.1
Rentak Rimbung	(6) 3,642,000	0.2	-	-
Onstream Marine	1,125,340	0.1	-	-

Notes:

- (1) The percentage shareholdings have been computed net of treasury shares held by Scomi as at the LPD.
- (2) 1,421,000 Scomi Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim.
- (3) Deemed interested by virtue of Section 8(4) of the Act through his interest in Kaspadu, Rentak Rimbung and Onstream Marine.
- (4) 135,753,055 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd, EB Nominee (Tempatan) Sdn Bhd and UOB Kay Hian Nominees (Tempatan) Sdn Bhd.
- (5) Deemed interested by virtue of Section 8(4) of the Act through its shareholdings in Onstream Marine.
- (6) Held through KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbung (RE001).

**DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES (CONT'D)**

---

**2.3 By persons who have irrevocably committed to vote in favour of the Scheme**

As at the LPD, Scomi and Scomi Engineering have not received any irrevocable undertaking from any Scheme Shareholders to vote in favour of the Scheme at the forthcoming CCM.

**2.4 By a person with whom Scomi or the PACS have any arrangement**

As at the LPD, Scomi and the PACs have not entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to the Scomi Shares which may be an inducement to deal or to refrain from dealing pursuant to the Proposed Merger of Scomi Engineering.

**2.5 By a person with whom Scomi or the PACS has borrowed or lent**

As at the LPD, Scomi and the PACs have not borrowed or lent any Scomi Shares.

**3. DEALINGS IN SCOMI ENGINEERING SHARES****3.1 By Scomi**

Scomi has not dealt in Scomi Engineering Shares during the period commencing 6 months prior to the Announcement and up to the LPD.

**3.2 By Directors of Scomi**

The Directors of Scomi have not dealt in Scomi Engineering Shares during the period commencing 6 months prior to the Announcement and up to the LPD.

**3.3 By the PACs**

The PACs have not dealt in Scomi Engineering Shares during the period commencing 6 months prior to the Announcement and up to the LPD.

**3.4 By persons who have irrevocably committed to vote in favour of the Scheme**

As at LPD, Scomi and Scomi Engineering have not received any irrevocable undertaking from any Scheme Shareholders to vote in favour of the Scheme at the forthcoming CCM.

**3.5 By a person with whom Scomi or the PACS have any arrangement**

As at the LPD, Scomi and the PACs have not entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to Scomi Energy Shares which may be inducement to deal or to refrain from dealing pursuant to the Proposed Merger of Scomi Engineering.

**3.6 By a person with whom Scomi or the PACS has borrowed or lent**

As at the LPD, Scomi and the PACs have not borrowed or lent any Scomi Engineering Shares.

[The rest of this page is intentionally left blank]



**DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES (CONT'D)**

---

**4. DEALINGS IN SCOMI SHARES****4.1 By Scomi**

Scomi has not dealt in its own voting shares during the period commencing 6 months prior to the Announcement and up to the LPD.

**4.2 By Directors of Scomi**

The Directors of Scomi have not dealt in Scomi Shares during the period commencing 6 months prior to the Announcement and up to the LPD.

**4.3 By the PACs**

The PACs have not dealt in Scomi Shares during the period commencing 6 months prior to the Announcement and up to the LPD.

**4.4 By persons who have irrevocably committed to vote in favour of the Scheme**

As at the LPD, Scomi and Scomi Engineering have not received any irrevocable undertaking from any Scheme Shareholders to vote in favour of the Scheme at the forthcoming CCM.

**4.5 By a person with whom Scomi or the PACS have any arrangement**

As at the LPD, Scomi and the PACs have not entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to Scomi Shares which may be inducement to deal or to refrain from dealing pursuant to the Proposed Merger of Scomi Engineering.

**4.6 By a person with whom Scomi or the PACS has borrowed or lent**

As at the LPD, Scomi and the PACs have not borrowed or lent any Scomi Shares.

**5. GENERAL DISCLOSURES**

5.1 As at the LPD, there is no payment or other benefit which will be given to any of our director as compensation for loss of office or otherwise in connection with the Proposed Merger of Scomi Engineering.

5.2 As at the LPD, there is no agreement, arrangement or understanding between Scomi or any PACs and any of our directors or recent directors (being such person who was, during the 6 months prior to the Announcement, a director of our Company) holders or recent holders of our voting shares or voting rights (being such person who was, during the 6 months prior to the Announcement, a holder of voting shares or voting rights of our Company), having any connection with or dependence upon the Proposed Merger of Scomi Engineering.

5.3 As at the LPD, there is no agreement, arrangement or understanding entered into by Scomi and the PACs whereby any Scomi Engineering Shares acquired pursuant to the Proposed Merger of Scomi Engineering will be transferred to any other person within a foreseeable future from the date of this Document.

5.4 As at the LPD, there has not been, within the knowledge of the board of directors of Scomi, any material change in the financial position or prospects of our Group since 31 March 2017, being the date of the latest audited financial statements of our Group laid before our shareholders at our general meeting.

5.5 As at the LPD, there are no emoluments of Scomi's directors that will be affected by the Proposed Merger of Scomi Engineering.

**FURTHER INFORMATION**

---

**1. RESPONSIBILITY STATEMENT**

Our Board do hereby declare that they have seen and approved this Document and hereby collectively and individually accept full responsibility for the accuracy of the information contained in this Document, and confirm that, they have taken reasonable care to ensure that the facts stated and opinions expressed in this Document are fair and accurate and after having made all reasonable enquiries and to the best of their knowledge and belief, there are no facts, the omission of which would make any statement in this Document false or misleading.

All statements and information in relation to Scomi as disclosed in this Document were extracted from publicly available information and/or documents provided by the board of directors of Scomi and the Management of Scomi, who individually and collectively accepts full responsibility for the accuracy of information given herein. All statements and information on the PACs as disclosed in this Document were provided and has been confirmed by the respective PACs. The responsibility of our Board is limited to ensuring that such information is accurately reproduced in this Document.

**2. CONSENT****2.1 MIDF Investment**

MIDF Investment, our Principal Adviser for the Proposed Merger of Scomi Engineering, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Document.

**2.2 Astramina**

Astramina, our Financial Adviser for the Proposed Merger of Scomi Engineering, has given and has not subsequently withdrawn its written consent to the inclusion of its name all references thereto in the form and context in which it appears in this Document.

**2.3 Mercury Securities**

Mercury Securities, our Independent Adviser for the Proposed Merger of Scomi Engineering, has given and has not subsequently withdrawn its written consent to the inclusion of its name all references thereto in the form and context in which it appears in this Document.

**2.3 KAAP**

KAAP, our solicitors for the Proposed Merger of Scomi Engineering, has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Document and all references thereto, in the form and context in which it appears in this Document.

[The rest of this page is intentionally left blank]

## FURTHER INFORMATION (CONT'D)

---

### 3. CONFLICT OF INTEREST

#### 3.1 MIDF Investment

MIDF Investment has been appointed by our Company as its Principal Adviser for the Proposed Merger of Scomi Engineering. In addition, MIDF Investment is also the appointed Principal Adviser to Scomi Energy for the Proposed Merger of Scomi Energy. Any potential conflict of interest is mitigated by the following:

- (a) our Board and the board of directors Scomi Energy are fully informed of and aware of MIDF Investment's capacity as the Principal Adviser to these 2 companies;
- (b) our Board has appointed Mercury Securities as our Independent Adviser to advise our Board (save for the Common Directors) and the Scheme Shareholders in relation to the Proposed Merger of Scomi Engineering; and
- (c) the board of directors of Scomi Energy has appointed BDO as its independent adviser to advise the board of directors of Scomi Energy (save for Tan Sri Nik Mohamed Bin Nik Yaacob, Lee Chun Fai and Shah Hakim who are the common directors in Scomi Energy and Scomi) and the Scomi Energy Scheme Shareholders in relation to the Proposed Merger of Scomi Energy.

MIDF is the holding company of MIDF Investment. MIDF, MIDF Investment and other subsidiaries of MIDF (collectively referred to as "**MIDF Group**") and its related and associated companies are involved in diversified financial activities. The MIDF Group has engaged and may in the future, engage in transactions with and perform services for our Company, Scomi and Scomi Energy and its affiliates, in addition to MIDF Investment's role as the Principal Adviser for the Proposed Merger of Scomi Engineering and Proposed Merger of Scomi Energy. In addition, in the ordinary course of business, any member of the MIDF Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of our Company, Scomi and Scomi Energy, or any other entity or transactions for its own account or the account of its customer. This is a result of the business of the MIDF Group generally acting independent of each other and accordingly, there may be situations where parts of the MIDF Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest. Nonetheless, the MIDF Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require among others, segregation between dealing and advisory activities, and Chinese wall between different business divisions.

Ahlan Nasri Mohd Nasir ("**Ahlan**") is an Independent Non-Executive Director of MIDF Investment and is a partner at KAAP. KAAP has been appointed by our Company as its due diligence solicitors and as its solicitors on record in respect of the court process in undertaking the members' scheme of arrangement pursuant to Section 366 of the Act. In addition, KAAP is the appointed solicitors to Scomi for the Proposed Mergers, Proposed Share Consolidation and Proposed Issue of Warrants.

Our Board and the board of directors of Scomi are fully informed of and are aware of Ahlan's directorship as an Independent Non-Executive Director of MIDF Investment and sees no conflict in that position as Ahlan does not get involved in the day to day running of MIDF Investment and as such, will have no direct influence over how MIDF Investment discharges its duty as the Principal Adviser to our Company.

Save as disclosed above, MIDF Investment is not aware of any conflict of interest or of any circumstances which would or are likely to give rise to a possible conflict of interest in relation to the Proposed Merger of Scomi Engineering.

**FURTHER INFORMATION (CONT'D)**

---

**3.2 Astramina**

Astramina has been appointed by our Company as its Financial Adviser for the Proposed Merger of Scomi Engineering. In addition, Astramina is the appointed Financial Adviser to Scomi for the Proposed Mergers, Proposed Share Consolidation and Proposed Bonus Issue of Warrants. Astramina is also the appointed Financial Adviser to Scomi Energy for the Proposed Merger of Scomi Energy. The various roles undertaken by Astramina for our Company, Scomi and Scomi Energy in relation to the Proposed Mergers may potentially give rise to the conflict of interest but any such conflict of interest is mitigated by the following:

- (a) our Board and the board of directors of Scomi and Scomi Energy are fully informed of and aware of Astramina's capacity as our Financial Adviser and the Financial Adviser to Scomi and Scomi Energy respectively;
- (b) our Board has appointed Mercury Securities as our Independent Adviser to advise our Board (save for the Common Directors) and the non-interested Scheme Shareholders in relation to the Proposed Merger of Scomi Engineering; and
- (c) the board of directors of Scomi Energy has appointed BDO as its independent adviser to advise the board of directors of Scomi Energy (save for Tan Sri Nik Mohamed bin Nik Yaacob, Lee Chun Fai and Shah Hakim who are the common directors in Scomi Energy and Scomi) and the non-interested Scomi Energy Scheme Shareholders in relation to the Proposed Merger of Scomi Energy.

Save as disclosed above, Astramina is not aware of any conflict of interest or of any circumstances which would or are likely to give rise to a possible conflict of interest in relation to the Proposed Merger of Scomi Engineering.

**3.3 Mercury Securities**

Mercury Securities is not aware of any potential conflict of interest that exists or is likely to exist in respect of its role as our Independent Adviser for the Proposed Merger of Scomi Engineering.

**3.4 KAAP**

KAAP has been appointed by our Company as its due diligence solicitors and as its solicitors on record in respect of the court process in undertaking the members' scheme of arrangement pursuant to Section 366 of the Act. In addition, KAAP is the appointed solicitors to Scomi for the Proposals. KAAP is also appointed by Scomi Energy as the due diligence solicitors and solicitors on record in respect of the court process in undertaking the members' scheme of arrangement pursuant to Section 366 of the Act. Our Board and the board of directors of Scomi and the board of directors of Scomi Energy are fully informed of and aware of KAAP's capacity as the due diligence solicitors to these Scomi Engineering, Scomi and Scomi Energy, respectively.

Ahlan is 1 of the 2 partners of KAAP handling the engagement and he is also an Independent Non-Executive Director of MIDF Investment.

Our Board and the board of directors of Scomi are fully informed of and are aware of Ahlan's position in KAAP and directorship as an Independent Non-Executive Director of MIDF Investment and sees no conflict in that position based on the explanation as set out in Section 3.1 above.

**FURTHER INFORMATION (CONT'D)**

---

Save as disclosed above, KAAP is not aware of any conflict of interest or of any circumstances which would or are likely to give rise to a possible conflict of interest in relation to the Proposed Merger of Scomi Engineering.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents (or copies of the documents) are available for inspection at the registered office of our Company at Level 17, 1 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia during normal business hours on Mondays to Fridays (except public holidays) from the date of this Explanatory Statement up to and including the date of the CCM:

- (i) Memorandum and Articles of Association (Constitution) of our Company;
- (ii) audited consolidated financial statements of our Company for the past 3 FYEs 31 March 2015, 2016 and 2017, and the latest unaudited consolidated financial statements of our Company for the 6-month FPE 30 September 2017;
- (iii) audited consolidated financial statements of Scomi for the past 3 FYEs 31 March 2015, 2016 and 2017, and the latest unaudited consolidated financial statements of Scomi for the 6-month FPE 30 September 2017;
- (iv) Proposal Letter;
- (v) letters of consent referred to in Section 2 of this Appendix; and
- (vi) cause papers referred to in Section 11 of Appendix II.

[The rest of this page is intentionally left blank]

WA-24NCC-442-10/2017

Encl No. 5

72101 WA1317211322 22/11/2017 18:05:47

WA-24NCC-442-10/2017  
DALAM MAHKAMAH TINGGI MALAYA DI KUALA LUMPUR .....80.00 x 1  
(BAHAGIAN DAGANG) \*\*\*\*\*80.00

**SAMAN PEMULA NO.: WA-24NCC-442-10/2017**

Dalam perkara Scomi Engineering Bhd  
(No. Syarikat: 111633-M) ("Scomi  
Engineering");

Dan

Dalam perkara bagi suatu Cadangan  
Penggabungan di antara Scomi  
Engineering dengan Scomi Group Bhd  
untuk dijalankan melalui Skim Susunan  
ahli;

Dan

Dalam perkara Seksyen 366 Akta Syarikat  
2016.

Scomi Engineering Bhd  
(No. Syarikat: 111633-M)

...PEMOHON

**DI HADAPAN HAKIM**  
**NOORIN BINTI BADARUDDIN**  
**PADA 14 NOVEMBER 2017**

**DALAM KAMAR**

**PERINTAH**  
(Kandungan 1)

**ATAS PERMOHONAN** oleh Pemohon yang dinamakan di atas, Scomi  
Engineering Bhd **DAN SETELAH MEMBACA** Saman Pemula (Ex-Parte) bertarikh  
16.10.2017 dan Afidavit Sokongan Pemohon yang dilkrarkan oleh L. Joseph Nixon  
A/L S. Lourdesamy pada 16.10.2017, kesemuanya telah difallikan di sini **DAN**

1

**SETELAH MENDENGAR hujahan peguamcara Pemohon, Wong Kah Hul, ADALAH  
DENGAN INI DIPERINTAHKAN BAHAWA:**

1. Pemohon mengadakan mesyuarat ("**Mesyuarat Diarahkan Mahkamah**") selaras dengan Seksyen 366(1) Akta Syarikat 2016 untuk pemegang-pemegang saham Pemohon selain daripada Scomi Group Bhd ("**Scomi**") ("**Pemegang Saham Skim**"), bagi tujuan mempertimbangkan dan sekiranya difikirkan wajar meluluskan dengan atau tanpa pengubahsuaian terhadap satu skim susunan yang dicadangkan di antara Pemohon dengan Pemegang Saham Skim ("**Skim Susunan**"). Sesalinan kertas skim ("**Kertas Skim**") dilampirkan disini dan ditandakan sebagai **Lampiran A**;
2. Pemohon diberi kebebasan untuk menetapkan tarikh dan tempat untuk Mesyuarat Diarahkan Mahkamah dengan syarat bahawa Mesyuarat Diarahkan Mahkamah hendaklah diadakan di antara jam 9.00 a.m. hingga 5.00 p.m. pada mana-mana hari (kecuali Sabtu, Ahad dan cuti umum) dan mesyuarat itu hendaklah diadakan dalam tempoh masa seratus dua puluh (120) hari dari tarikh apa-apa perintah yang diberikan di sini;
3. Mesyuarat Diarahkan Mahkamah Pemohon dipanggil dengan memberi tidak kurang daripada dua puluh satu (21) hari notis ("**Notis Skim**") disitu dan Notis Skim tersebut hendaklah diberikan melalui cara yang berikut:
  - 3.1. Notis Skim dihantar melalui pos biasa prabayar ke alamat terakhir surat-menyurat bagi setiap Pemegang Saham Skim seperti yang dinyatakan di dalam Rekod Pendeposit yang akan diberikan oleh Bursa Malaysia Depository Sdn Bhd pada tarikh yang dapat dilaksanakan sejurus sebelum tarikh penghantaran Notis Skim;
  - 3.2. Notis Skim diiklankan sekali di dalam akhbar Bahasa Inggeris dalam akhbar New Straits Times dan sekali di dalam akhbar Bahasa Malaysia di dalam akhbar Berita Harian masing-masingnya ("**Pengiklanan Skim**"); dan

- 3.3. seterusnya bahawa Notis Skim tersebut akan dianggap sebagai telah disampaikan dengan sempurna setelah kedua-dua penghantaran (iaitu dengan menyerahkan kepada pejabat pos atau meletakkan ke dalam peti surat yang dikendalikan oleh pejabat pos) Notis Skim kepada Pemegang-Saham Skim dan setelah penyiaran Pengiklanan Skim;
4. Pemohon, melalui sendiri atau melalui ejen-ejennya, hendaklah:
  - 4.1. bersama-sama dengan Notis Skim, menghantar melalui pos prabayar, sesalinan Kertas Skim dan pernyataan penjelasan yang bersesuaian yang perlu diberikan menurut Seksyen 369(1)(a) Akta Syarikat 2016 bersama-sama dengan borang proksi (secara kolektif dirujuk sebagai "Dokumen Skim") kepada Pemegang Saham Skim;
  - 4.2. menyediakan kepada Pemegang Saham Skim, untuk pemeriksaan, salinan-salinan Dokumen Skim yang boleh diperolehi di pejabat berdaftar Pemohon di Tingkat 17, 1 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia; dan
  - 4.3. menyediakan kepada Pemegang Saham Skim, salinan-salinan lanjut Dokumen Skim yang boleh didapati daripada pendaftar saham Pemohon, Symphony Share Registrars Sdn Bhd di pejabatnya di Tingkat 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor Darul Ehsan, Malaysia di antara jam 9.00 a.m. dan 5.00 p.m. daripada hari Isnin hingga Jumaat (kecuali cuti umum) daripada tarikh perintah yang dibuat disini sehingga sedemikian tarikh sebelum hari yang telah ditetapkan untuk Mesyuarat Diarahkan Mahkamah;
5. Datuk Zainun Aishah Binti Ahmad (No. K/P: 460903-08-5314) atau sekiranya gagal dan/atau dalam ketidakhadirannya, Dato' Ikmal Hijaz Bin Hashim (No. K/P: 530201-01-5689), atau sekiranya gagal dan/atau dalam ketidakhadirannya, Mr. Kanesan A/L Velupillai (No. K/P: 600915-06-5259)



dilantik sebagai pengerusi Mesyuarat Diarahkan Mahkamah dan dlarahkan untuk melaporkan keputusan mesyuarat tersebut kepada Mahkamah Mulla Ini;

6. Pemohon adalah bebas untuk memohon kepada Mahkamah Mulla Ini; dan
7. Kos permohonan Ini ditanggung oleh Pemohon.

Bertarikh pada 14 November 2017.



AINUL AMIRAH BINTI ABDUL RAZAK  
Penolong Kanan Pendaftar  
Mahkamah Tinggi Malaya  
Kuala Lumpur

.....  
Penolong Kanan Pendaftar  
Mahkamah Tinggi Malaya  
Kuala Lumpur

*Perintah ini difalkan oleh Tetuan Kadir, Andri & Partners, peguamcara Pemohon yang dinamakan di atas, yang mempunyai alamat penyampalan di Tingkat 10, Menara BRDB, 285 Jalan Maarof, Bukit Bandaraya, 59000 Kuala Lumpur.*

**No. Tel.** : 03 - 2760 2888  
**No. Faks** : 03 - 2760 2833  
**Ruj.** : 20170128  
**Email** : [ijhashim@kaapl原因.com](mailto:ijhashim@kaapl原因.com); [ahlan@kaapl原因.com](mailto:ahlan@kaapl原因.com); [kahhui@kaapl原因.com](mailto:kahhui@kaapl原因.com)

**TERJEMAHAN  
(TRANSLATION)**

---

**KADIR ANDRI**  
**Advocates & Solicitors**

S/N 2j26bzzk0u72yXaYh38ww

\*\*Note : Serial number will be used to verify the originality of this document via eFILING portal

**IN THE HIGH COURT OF MALAYA AT KUALA LUMPUR  
(COMMERCIAL DIVISION)  
ORIGINATING SUMMONS NO: WA-24NCC-442-10/2017**

In the matter of Scomi Engineering Bhd  
(Company No.: 111633-M) ("Scomi  
Engineering");

And

In the matter of a Proposed Merger of  
Scomi Engineering with Scomi Group Bhd  
to be undertaken by way of a members'  
Scheme of Arrangement;

And

In the Matter of Section 366 of the  
Companies Act 2016.

**Scomi Engineering Bhd  
(Company No.: 111633-M)**

**...APPLICANT**

**BEFORE JUDGE  
NOORIN BINTI BADARUDDIN  
ON 14 NOVEMBER 2017**

**IN CHAMBERS**

**ORDER**  
(Enclosure 1)

**UPON THE APPLICATION of the above named Applicant, Scomi Engineering Bhd AND UPON READING the Originating Summons (Ex-Parte) dated 16.10.2017 and the Applicant's Affidavit In Support affirmed by L. Joseph Nixon A/L S. Lourdesamy on 16.10.2017, all filed herein AND UPON HEARING the submissions by the counsel for the Applicant, Wong Kah Hul, IT IS HEREBY ORDERED THAT:**

1. the Applicant do convene a meeting ("**Court Convened Meeting**") pursuant to Section 386(1) of the Companies Act 2016 of the Applicant's shareholders other than Scomi Group Bhd ("**Scomi**") ("**Scheme Shareholders**"), for the purpose of considering and if thought fit approving with or without modification a scheme of arrangement proposed between the Applicant and its Scheme Shareholders ("**Scheme of Arrangement**"). A copy of the scheme paper ("**Scheme Paper**") is annexed herewith as **Appendix A**;
2. the Applicant shall be at liberty to fix the date and venue of the Court Convened Meeting provided always that the Court Convened Meeting shall be held between the hours of 9.00 a.m. and 5.00 p.m on any day (except Saturday, Sunday and public holidays) and that the meeting shall be held within hundred and twenty (120) days of the date of any order given herein;
3. the Court Convened Meeting of the Applicant be summoned by giving not less than twenty-one (21) days' notice ("**Scheme Notice**") thereof and that such Scheme Notice shall be given in the following manner:
  - 3.1. the Scheme Notice be dispatched via pre-paid ordinary mail to the last known address of correspondences of each of the Scheme Shareholders as set out in the Record of Depositors to be provided by Bursa Malaysia Depository Sdn Bhd as at such practicable date immediately preceding the date of dispatch of the Scheme Notice;
  - 3.2. the Scheme Notice be advertised once in an English language newspaper in the New Straits Times newspaper and once in a Bahasa Malaysia language newspaper in the Berita Harian newspaper respectively ("**Scheme Advertisement**"); and
  - 3.3. further that the Scheme Notice shall be deemed to be duly served only upon both the posting (that is, by surrendering to the post office or putting in a post box operated by the post office) of the Scheme Notice to the

**Scheme Shareholders and after the publication of the Scheme Advertisement;**

- 4. the Applicant, by itself or through its agents, shall:**
  - 4.1. together with the Scheme Notice, send via a prepaid post, a copy of the Scheme Paper and the corresponding explanatory statement required to be furnished pursuant to Section 369(1)(a) of the Companies Act 2016 together with the form of proxy (collectively referred to as "Scheme Documents") to the Scheme Shareholders;**
  - 4.2. make available to the Scheme Shareholders, for inspection, copies of the Scheme Documents which may be obtained from the registered office of the Applicant at Level 17, 1 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia; and**
  - 4.3. make available to the Scheme Shareholders, further copies of the Scheme Documents which may be obtained from the share registrar of the Applicant, Symphony Share Registrars Sdn Bhd at its office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301, Petaling Jaya, Selangor Darul Ehsan, Malaysia between the hours of 9.00 a.m. and 5.00 p.m. from Monday to Friday (except public holidays) from the date of the order made herein until such date prior to the holding of the Court Convened Meeting;**
- 5. Datuk Zainun Alshah Binti Ahmad (NRIC No.: 460903-08-5314) or failing her and/or in her absence, Dato' Ikmal Hijaz Bin Hashim (NRIC No.: 530201-01-5689), or failing him and/or in his absence, Mr. Kanesan A/L Veluppillai (NRIC No.: 600915-06-5259) be appointed as chairman of the Court Convened Meeting and be directed to report the results of the said meeting to this Honourable Court;**
- 6. the Applicant be at liberty to apply to this Honourable Court; and**

7. the costs of this application be borne by the Applicant.

Dated this 14<sup>th</sup> day of November 2017.

.....  
Senior Assistant Registrar  
High Court of Malaya  
Kuala Lumpur

*This Order is filed by Messrs Kadir, Andri & Partners, solicitors for the abovenamed Applicant, whose address for service is at Level 10, Menara BRDB, 285 Jalan Maarof, Bukit Bandaraya, 59000 Kuala Lumpur.*

**Tel. No** : 03 - 2780 2888

**Fax. No** : 03 - 2780 2833

**Ref** : 20170128

**Email** : [jhashim@kaaplaw.com](mailto:jhashim@kaaplaw.com); [ahlan@kaaplaw.com](mailto:ahlan@kaaplaw.com); [kahhui@kaaplaw.com](mailto:kahhui@kaaplaw.com)

# LAMPIRAN A

S/N 2j26bzzgzk0u72yXaYh38ww

\*\*Note : Serial number will be used to verify the originality of this document via eFILING portal

## **SCHEME OF ARRANGEMENT**

**BETWEEN**

**SCOMI ENGINEERING BHD (Company No. 111633-M)  
("SEB")**

**AND**

**THE SCHEME SHAREHOLDERS (as defined below)**

This is the Scheme of Arrangement made between SEB and the Scheme Shareholders for the acquisition by Scomi Group Berhad ("SGB") and the transfer to SGB of all the SEB Scheme Shares (as defined below) at the SEB Offer Price (as defined below), to be satisfied by the issuance of the SEB Consideration Shares (as defined below) and the SEB Consideration Warrants (as defined below) and effected via a members scheme of arrangement to be sanctioned by an order of the High Court in Malaya pursuant to section 366 of the Companies Act, 2016.

### **PREAMBLE**

#### ***Corporate Information of SEB***

1. SEB was incorporated in Malaysia under the Companies Act, 1965 (and is deemed registered under the Act) on 15 December 1983 as a private limited company under the name of Bell & Order Engineering Sdn Bhd. The company changed its name to Bell & Order Sdn Bhd on 20 November 1985. Subsequently it was converted into a public company and adopted the name Bell & Order Berhad on 28 April 1995. It assumed its present name on 9 January 2006. SEB was listed on the Main Board (now known as Main Market) of Bursa Securities (as defined below) on 28 April 1995.
2. The objects for which SEB was established are set forth in its Memorandum of Association. The principal activities of SEB are investment holding, provision of



management services to its subsidiaries and the design, manufacture and supply of monorail trains and related services. Its subsidiaries and joint ventures are principally involved in the development, manufacture and supply of monorail transportation infrastructure systems, equipment and services and the manufacturing, fabrication and assembly of commercial coaches and truck vehicle bodies and other related services.

3. As at the date of this Scheme, the share capital and number of issued shares of SEB is RM388,684,503 comprising 342,079,503 SEB Shares. This includes 121,800 ordinary shares held by SEB as treasury shares as at the date of this Scheme.
4. As at 31.03.2017, which is the date of SEB's latest audited accounts, SEB has total group assets of RM1,106,052,000 and total group liabilities of RM850,035,000. As at 30.06.2017 which is the date of SEB's latest condensed consolidated statements of financial position, SEB's total group assets are RM1,115,701,000 and its total group liabilities are RM878,651,000.

#### ***Corporate Information of SGB***

5. SGB was incorporated in Malaysia under the Companies Act, 1965 (and is deemed registered under the Act) on 9 February 2002 as a public company under its current name. SGB was listed on the Second Board (now known as Main Market) of Bursa Securities on 13 May 2003.
6. The objects for which SGB was established are set forth in its Memorandum of Association. The principal activities of SGB are investment holding and provision of management services to its subsidiaries and associated companies.
7. As at the date of this Scheme, the share capital and number of issued shares of SGB is RM636,581,636 comprising 1,917,510,141 SGB Shares. This includes

14,427,200 ordinary shares held by SGB as treasury shares as at the date of this Scheme.

8. As at 31.03.2017, which is the date of SGB's latest audited accounts, SGB has total group assets of RM2,435,884,000 and total group liabilities of RM1,359,624,000. As at 30.06.2017 which is the date of SGB's latest available unaudited management accounts, SGB's total group assets are RM2,390,097,000 and its total group liabilities are RM1,385,847,000.

## **RECITALS & PRELIMINARY**

### **Definition**

9. In this Scheme of Arrangement, the following expressions shall, unless the context otherwise requires, bear the meanings set opposite thereto:

<b>"Act"</b>	:	<b>Companies Act, 2016 (Act 777) as amended from time to time and any re-enactment thereof;</b>
<b>"Bursa Depository"</b>	:	<b>Bursa Malaysia Depository Sdn Bhd (Company No. 165570-W) or its successor-in-title, or any other company approved by the Minister of Finance under section 5 of the Central Depositories Act to be central depository in lieu of the above named company;</b>
<b>"Bursa Securities"</b>	:	<b>Bursa Malaysia Securities Berhad (635998-W);</b>
<b>"CDS Account"</b>	:	<b>a central depository system securities account established by Bursa Depository</b>

		for a depositor pursuant to the Central Depositories Act and in accordance with the Rules of Bursa Depository;
<b>"Central Depositories Act"</b>	:	the Securities Industry (Central Depositories) Act 1991 and any statutory modification, amendment or re-enactment thereof and any and every other legislation for the time being in force made thereunder;
<b>"Consolidated Shares"</b>	:	ordinary shares in the capital of SGB after the completion of the Proposed Share Consolidation;
<b>"Court"</b>	:	High Court of Malaya;
<b>"Court Convened Meeting"</b>	:	means the meeting convened pursuant to an order of Court for the Scheme Shareholders to consider the Scheme of Arrangement;
<b>"Court Order"</b>	:	shall have the meaning of the order of the High Court under Sections 366 of the Act;
<b>"Effective Date"</b>	:	the date of lodgement of an office copy of the Court Order to the Registrar of Companies Malaysia;
<b>"Entitled Shareholders"</b>	:	Scheme Shareholders as at the Entitlement Date;

<b>"Entitlement Date"</b>	:	a date to be determined by the board of directors of SGB and communicated to SEB on which the Entitled Shareholders must be registered in SEB's Record of Depositors as at 5.00 p.m. to be entitled to the SEB Consideration Shares and the SEB Consideration Warrants pursuant to the Proposed Merger;
<b>"ES"</b>	:	means the explanatory statement to the Scheme Shareholders of SEB, dated [-];
<b>"Listing Requirements"</b>	:	Main Market Listing Requirements of Bursa Securities;
<b>"Parties"</b>	:	means collectively, SEB and SGB;
<b>"Proposed Bonus Issue of Warrants"</b>	:	the proposed bonus issue of up to 671,128,549 Warrants to the existing shareholders of SGB on the basis of seven (7) Warrants for every 10 Consolidated Shares held on an entitlement date to be determined and announced later;
<b>"Proposed Merger"</b>	:	the proposed merger of SEB with SGB by way of a members' scheme of arrangement pursuant to section 366 of the Act, whereby SGB will acquire all the

**Scheme Shares held by the Scheme Shareholders at the SEB Offer Price;**

- "Proposed Share Consolidation" :** the proposed shares consolidation of every two (2) existing ordinary shares in the capital of SGB into one (1) ordinary share on an entitlement date to be determined and announced later;
- "Record of Depositors" :** a record of securities holders provided by Bursa Depository pursuant to the rules of central depository as defined in the Central Depositories Act;
- "Rules of the Bursa Depository" :** the rules of Bursa Depository as issued pursuant to the Central Depositories Act;
- "SC" :** Securities Commission of Malaysia;
- "Scheme" or "Scheme of Arrangement" :** means this members' scheme of arrangement pursuant to section 366 of the Act between SEB and the Scheme Shareholders to implement the Proposed Merger, involving the acquisition by SGB and transfer of all the SEB Scheme Shares to SGB at the SEB Offer Price, to be satisfied by the issuance of the SEB Consideration Shares and the SEB Consideration Warrants, whereby upon its completion, SEB will become a wholly-owned subsidiary of SGB;

<b>"Scheme Shareholders"</b>	:	means all the shareholders of SEB other than SGB whose holding of SEB ordinary shares are to be acquired by and transferred to SGB pursuant to the Scheme;
<b>"Scheme Shares"</b>	:	means all SEB Shares held by the Scheme Shareholders which are to be acquired by SGB and transferred from the Scheme Shareholders pursuant to the Scheme;
<b>"SEB Shares"</b>	:	the ordinary shares in SEB;
<b>"SGB Shares"</b>	:	the ordinary shares in SGB; and
<b>"Take-Overs Rules"</b>	:	Rules on Take-overs, Mergers and Compulsory Acquisition.

10. This Scheme Paper shall be interpreted in the following way.

- i. Words denoting the singular shall include the plural and vice-versa, words denoting the masculine gender only shall include the feminine gender and vice-versa;
- ii. Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, modified, extended, re-enacted or consolidated and all statutory instruments, orders, regulations, proclamations, ordinances, by-laws, published rulings, statement of policy or guidelines issued under or in relation to that statute;

- iii. All reference to parts, clauses, appendices and schedules refer to the parts, clauses of and the appendices and schedules in and to this Scheme; and
- iv. The Scheme of Arrangement set out herein should be read in conjunction with the ES as an integral document. In the event of any inconsistency between the Scheme of Arrangement as set out herein and the ES, the scheme of Arrangement shall be read and construed in accordance with the ES.

## **THE SCHEME OF ARRANGEMENT**

### ***The Proposed Merger***

- 11. The Intention of this Scheme of Arrangement is to implement and give effect to the Proposed Merger. The Proposed Merger was first initiated by SGB via its letter dated 21 August 2017 to the board of directors of SEB ("Board"), wherein SGB had proposed, for the consideration of the Board, the Proposed Merger, to be implemented via the Scheme. The Board (save for the common directors identified in the SGB letter dated 21 August 2017), after having considered all aspects of the Proposed Merger including the rationale, effects and terms and conditions of the Proposed Merger and the views of the Independent Adviser, had announced on 10 October 2017 that it has resolved to present this Scheme to the Scheme Shareholders for approval at the Court Convened Meeting to be held.
- 12. On the Effective Date, this Scheme of Arrangement may take effect and therefore be ready for implementation. The Proposed Merger shall take place as soon as practicable after the Effective Date whereupon SGB shall acquire, and transfer by SEB to SGB, all the Scheme Shares held by the Scheme Shareholders on the Entitlement Date at the offer price of RM0.30 for each Scheme Share ("SEB Offer Price"), which shall be satisfied in the following manner:

- (i) a share swap where for every 7 SEB Scheme Shares held, 10 new Consolidated Shares ("SEB Consideration Shares") shall be issued at an issue price of RM0.21 per Consolidated Share; and**
- (ii) the issuance of 1 Warrant for every 10 SEB Consideration Shares issued ("SEB Consideration Warrants").**

**Scheme Shareholders holding less than 100 Scheme Shares per Central Depository System account will be paid the SEB Offer Price entirely in cash;**

**13. The SEB Offer Price shall be adjusted under the following circumstances:-**

- (i) If SEB declares, makes or pays any dividends or other distributions on or after 21 August 2017 but prior to the completion of the Proposed Merger, and a Scheme Shareholder is entitled to such dividends or distributions, SGB will accordingly adjust the SEB Offer Price by the quantum of net dividends or distributions per SEB Share which such Scheme Shareholder is entitled to; and**
- (ii) If SGB declares, make or pay any dividends or other distributions before the SEB Consideration Shares are issued, and a Scheme Shareholder is not entitled to such dividends or distributions, SGB will accordingly adjust the SEB Offer Price, the SEB Consideration Shares and SEB Consideration Warrants to be issued by the quantum of the net dividends or distributions per SGB Share which such Scheme Shareholder is not entitled to.**

**14. Once the Entitlement Date has been determined by the board of directors of SGB and communicated to SEB, the board of directors of SEB shall announce and send a notice which sets out the Entitlement Date and the implementation procedure to each of the Entitled Shareholders.**



15. **SEB and SGB will jointly take steps to procure that the CDS Accounts of the Entitled Shareholders will be credited with the SEB Consideration Shares and the SEB Consideration Warrants, in consideration for the acquisition by SGB of the Scheme Shares as soon as practicable after the Effective Date, and SGB shall issue the requisite notices of allotment in respect of the new SEB Consideration Shares and the SEB Consideration Warrants by post to the respective Entitled Shareholders in accordance with the provisions of the Listing Requirements. As the SEB Consideration Shares and the SEB Consideration Warrants will be scripless securities, no physical certificates will be issued.**
16. **It is the intention of SGB not to maintain the listing status of SEB and accordingly, subject to completion of the Proposed Merger, SEB's shares will be delisted and removed from the Official List of Bursa Securities, subject to Bursa Securities' approval.**
17. **At the conclusion of this Scheme of Arrangement, SEB shall become a wholly-owned subsidiary of the SGB. The corporate structure of SEB before and after the Proposed Merger is set out in Appendix 1.**

## **APPROVAL, CONDITIONS AND INTERCONDITIONALITIES**

### ***Approvals***

18. **This Scheme of Arrangement can only be implemented upon and is therefore subject to the following approvals being obtained:**
  - (i) **a ruling or direction being given by the SC pursuant to Note (1) to Paragraphs 11.02, 11.03 and 11.04 of Rule 11, Part C of the Take-Overs Rules and Paragraph 5 of Schedule 3 of the Take-Overs Rules for an extension of time to dispatch the Scheme together with the ES and an independent advice letter (collectively be referred to as "Scheme Documents") ("EOT Application"). In this respect, SEB had obtained the**

approval from SC vide its letter dated 3 October 2017 for an extension of time to dispatch the Scheme Documents;

- (ii) approval of the non-Interested Scheme Shareholders of the Scheme by way of a poll by at least a majority in number of the non-Interested Scheme Shareholders and 75% in value of the total disinterested Scheme Shares, present and voting, either in person or by proxy at the Court Convened Meeting, provided that the value of votes cast against the resolution to approve the Scheme at the Court Convened Meeting are not more than 10% of the votes attaching to all the disinterested Scheme Shares of the total voting shares of SEB;
- (iii) approval of the shareholders of SGB for the Proposed Merger, the Proposed Share Consolidation and the Proposed Bonus Issue of Warrants at an EGM to be convened;
- (iv) approval of the shareholders of SGB for the Issuance and specific allotment of the Consideration Shares and Consideration Warrants to certain directors, major shareholder or chief executive of SGB and persons connected to them who are also the Scheme Shareholders at an EGM of SGB to be convened unless a waiver is obtained from Bursa Securities from having to comply with Paragraph 6.06(1) of the Listing Requirements. In this connection, Bursa Securities had approved the aforesaid waiver vide its letter date 14 September 2017;
- (v) approval of Bursa Securities for:
  - (a) the Proposed Share Consolidation;
  - (b) the admission of the Warrants to the Official List of Bursa Securities;
  - (c) the listing of and quotation for the Warrants on the Main Market of Bursa Securities;

- (d) the listing of and quotation for the new Consolidated Shares to be issued upon the exercise of the Warrants on the Main Market of Bursa Securities; and
  - (e) the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;
- (vi) sanction of the Scheme by the High Court under Section 366 of the Act and the lodgement of the office copy of the sealed Court's order obtained pursuant thereto with the Registrar of Companies Malaysia;
- (vii) approval, waiver and/or consent of any other relevant authorities and/or parties, if required.

***Conditions and Inter-conditionalities***

19. This Scheme of Arrangement and the Proposed Merger is conditional upon the implementation by SGB of the Proposed Share Consolidation and the Proposed Bonus Issue of Warrants.

**MISCELLANEOUS**

20. This Scheme of Arrangement shall become operative upon the date of lodgement of an office copy of the Court Order to the Registrar of Companies Malaysia or such earlier date as the Court may determine and as may be specified in the Court Order.
21. SEB shall be at liberty to apply to the Court to amend any provision of this Scheme of Arrangement under Order 20 Rule 11 of the Rules of Court 2012 or to apply for the extension of the time limited herein for doing or carrying out of any act of deed.

22. SEB may, with the consent of SGB, modify or vary the terms of this Scheme of Arrangement provided that any such modification or variation shall not materially prejudice or affect the interests of the shareholder of SEB.
23. All actual costs and expenses incurred or to be incurred by SEB, namely for payment of fees and disbursement payable to SEB's agents or advisors, or representatives of such advisors, consultants and valuers who are involved in advising SEB in relation to the Scheme of Arrangement and the carrying of the same into effect shall be borne by SEB.

Dated this                      day of                      2017

*This Scheme of Arrangement is taken out by Messrs. Kadir Andri & Partners, solicitors for the Applicant herein whose address for service is at 10<sup>th</sup> Floor, Menara BRDB, 285 Jalan Maarof, Bukit Bandaraya, 59000 Kuala Lumpur.*

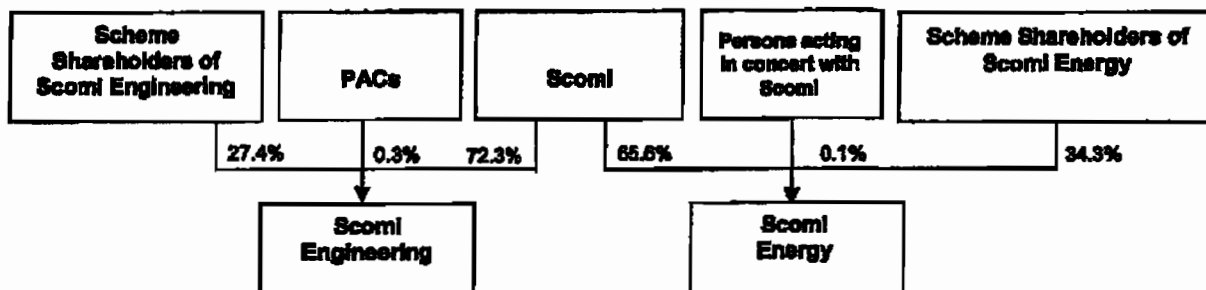
*Tel No.:            03-2780 2888*

*Fax No.:            03-2780 2833*

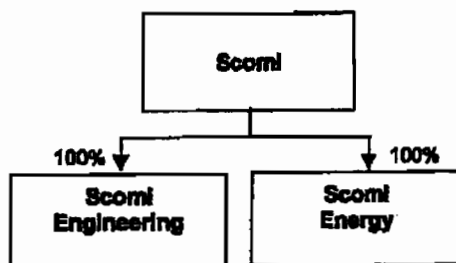
*Ref:                20170128/JH/AN*

**APPENDIX 1**

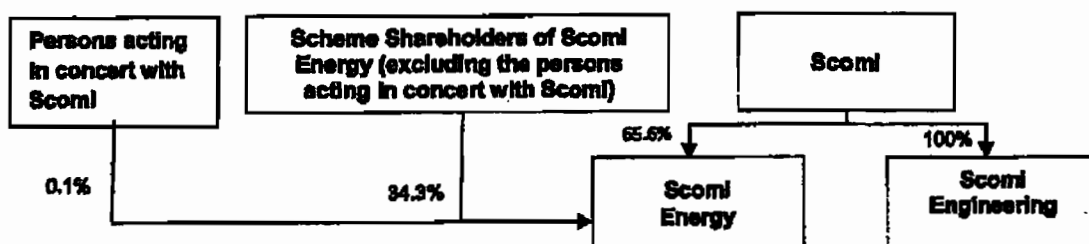
**Before the Proposed Mergers**



**Scenario 1: After the Proposed Share Consolidation, Proposed Bonus Issue of Warrants and Proposed Mergers (before the exercise of Warrants)**



**Scenario 2: After the Proposed Share Consolidation, Proposed Bonus Issue of Warrants and Proposed Merger (Assuming only the Proposed Merger go through) (before the exercise of Warrants)**



# Scomi

**SCOMI ENGINEERING BHD**

*(Company No. 111633-M)*

*(Incorporated in Malaysia)*

**IN THE HIGH COURT OF MALAYA AT KUALA LUMPUR  
(COMMERCIAL DIVISION)  
ORIGINATING SUMMONS NO: WA-24NCC-442-10/2017**

In the matter of Scomi Engineering Bhd  
(Company No.: 111633-M) ("**Scomi  
Engineering**");

And

In the matter of a Proposed Merger of Scomi  
Engineering with Scomi Group Bhd to be  
undertaken by way of a members' Scheme of  
Arrangement;

And

In the Matter of Section 366 of the Companies Act  
2016.

**Scomi Engineering Bhd**  
**(Company No.: 111633-M)**

**...APPLICANT**

**NOTICE OF MEETING SUMMONED PURSUANT TO THE ORDER OF THE HIGH COURT OF  
MALAYA AT KUALA LUMPUR IN RESPECT OF A PROPOSED MERGER OF SCOMI  
ENGINEERING BHD ("SCOMI ENGINEERING" OR "COMPANY") WITH SCOMI GROUP BHD  
("SCOMI") TO BE UNDERTAKEN BY WAY OF A MEMBERS' SCHEME OF ARRANGEMENT**

**NOTICE IS HEREBY GIVEN** that by the Order of the High Court under section 366 of the Companies Act 2016 given on 14 November 2017 in respect of the above matter ("**Court Order**"), the High Court has directed that a meeting ("**Court Convened Meeting**") be convened for the shareholders of Scomi Engineering other than Scomi ("**Scheme Shareholders**"), for the purpose of considering and, if thought fit, approving (with or without modification) a members' scheme of arrangement made

pursuant to Section 366 of the Companies Act 2016 between Scomi Engineering and the Scheme Shareholders ("**Scheme of Arrangement**") in the form of the following resolution :

*"THAT subject to the sanction of the High Court of Malaya and the approval of any other relevant authorities/persons (if required), approval be and is hereby given for the implementation of a members' scheme of arrangement made between Scomi Engineering Bhd ("**Scomi Engineering**") and its shareholders other than Scomi Group Bhd ("**Scomi**") ("**Scheme Shareholders**"), which involves the acquisition by Scomi, and transfer by Scomi Engineering of all the ordinary shares in Scomi Engineering held by the Scheme Shareholders ("**Scheme Shares**") ("**Scheme of Arrangement**") to Scomi at a price of RM0.30 for each Scheme Share ("**Scomi Engineering Offer Price**"), which shall be satisfied in the following manner:*

- (i) a share swap where for every 7 Scheme Shares held, 10 new Consolidated Shares of Scomi shall be issued at an issue price of RM0.21 per Consolidated Share; and*
- (ii) the issuance of 1 Warrant for every 10 Consideration Shares issued.*

*AND THAT Scheme Shareholders holding less than 100 Scheme Shares per Central Depository System account will be receiving Consideration Shares and Consideration Warrants in accordance with the share swap ratio of the Proposed Merger of Scomi Engineering. In addition, the entitlement of the Scheme Shareholders to the Consideration Shares or Consideration Warrants will also be rounded down to the nearest whole new Consideration Share and new Consideration Warrant;*

*The full details of the Scheme of Arrangement including the definition of the terms Consolidated Shares, Consideration Shares and Warrant shall be as set out in the Explanatory Statement which has been circulated together with the notice convening this meeting.*

*AND FURTHER THAT the Directors of Scomi Engineering be and are hereby authorised to do all such acts, deeds and things, including preparing and executing such documents as may be necessary to give full effect to and to complete the Scheme of Arrangement with full power to assent to any conditions, modifications, variations and/or amendments as the Directors may, in their absolute discretion, deem fit and expedient in the best interests of Scomi Engineering."*

The Court Convened Meeting will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia on Friday, 5 January 2018 at 2:30 p.m. or any adjournment thereof, at which place and time the Scheme Shareholders are requested to attend.

A copy of the Explanatory Statement (with the Scheme of Arrangement enclosed therein) and the Independent Advice Letter required to be furnished pursuant to Section 369 of the Companies Act 2016 are enclosed herewith. Further copies of the Explanatory Statement (with the Scheme of Arrangement enclosed therein) may be obtained from 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 ("**Share Registrar**") during normal business hours on any day (except Saturday, Sunday and public holidays) prior to the day appointed for the Court Convened Meeting.

The Scheme Shareholders may vote in person at the said Court Convened Meeting or they may, subject to the provisions of the Companies Act 2016, appoint a proxy or proxies, whether a member of the Company or not, to attend and to vote on a poll instead of him. A Form of Proxy is enclosed in the Explanatory Statement.

It is requested that forms appointing proxies be lodged with the Share Registrar not less than 24 hours before the time appointed for the said Court Convened Meeting. The lodgment of a Form of Proxy will not preclude a Scheme Shareholder from attending and voting in person at the Court Convened Meeting should he/she subsequently wish to do so.

Should the Scheme Shareholders subsequently decide to attend and vote in person at the Court Convened Meeting, the Scheme Shareholders are requested to rescind the earlier appointment of proxy(ies), and notify the Share Registrar, of his/her intention, as soon as practicable.

By the said Court Order, the Court has appointed Datuk Zainun Aishah Binti Ahmad (NRIC No.: 460903-08-5314) of No.4, Jalan 11/3, 40000 Shah Alam, Selangor Darul Ehsan, or failing her and/or in her absence, Dato' Ikmal Hijaz Bin Hashim (NRIC No.: 530201-01-5689) of No.15, Jalan Teratak, U8/95C, Bukit Jelutong, 40150 Shah Alam, Selangor Darul Ehsan, or failing him and/or in his absence, Mr. Kanesan A/L Veluppillai (NRIC No.: 600915-06-5259) of No. 8, Lorong 5/10A, 46000 Petaling Jaya, Selangor Darul Ehsan to act as the chairman of the said Court Convened Meeting ("**Chairman**") and has directed the said Chairman to report the results thereof to the Court.

The said Scheme of Arrangement will be subject to the approval of the High Court.

Date: 12 December 2017

.....  
Messrs Kadir, Andri & Partners  
Solicitors for Scomi Engineering Bhd



#### **Notes to Notice of CCM**

1. A member of the Company who is entitled to attend and vote at any general meeting of the Company is entitled to appoint any person as his/her proxy or proxies (but not more than 2) to attend and vote in his / her behalf. There shall be no restriction as to the qualification of the proxy.
2. Where a member of the Company who is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, 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.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. The instrument appointing 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 appointing 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 PJU1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for the Court Convened Meeting ("CCM") or at any adjournment thereof, 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 CCM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 57 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 29 December 2017. Only a depositor whose name appears on the General Meeting Record of Depositors as at 29 December 2017 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 CCM 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 CCM (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the CCM (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.

# Scomi

SCOMI ENGINEERING BHD

(Company No. 111633-M)

(Incorporated in Malaysia)

## FORM OF PROXY

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 Engineering Bhd ("Scomi Engineering" or "the Company"), 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 Court Convened Meeting of Scomi Engineering to be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia on Friday, 5 January 2018 at 2:30 p.m., or any adjournment thereof.

No.	Ordinary Resolution	For	Against
Resolution 1	Proposed Merger of Scomi Engineering		

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  
.....2017/2018

Signature/Seal .....

### Notes:

1. A member of the Company who is entitled to attend and vote at any general meeting of the Company is entitled to appoint any person as his/her proxy or proxies (but not more than 2) to attend and vote in his/her behalf. There shall be no restriction as to the qualification of the proxy.
2. Where a member of the Company who is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, 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.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
4. The instrument appointing 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 appointing 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 PJU1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time appointed for the Court Convened Meeting ("CCM") or at any adjournment thereof, 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 CCM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 57 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 29 December 2017. Only a depositor whose name appears on the General Meeting Record of Depositors as at 29 December 2017 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 CCM and any adjournment thereof, the member accepts and agrees to the personal data privacy terms as set out in the Notice of CCM dated 12 December 2017.



Fold this flap for sealing

---

Then fold here

---

Scomi Engineering Bhd (111633-M)

AFFIX  
STAMP

**The Share Registrar of Scomi Engineering 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

1st fold here

---