THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Scomi

SCOMI GROUP BHD
(Company No. 571212-A)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:

(I) PROPOSED CONSOLIDATION OF EVERY 2 EXISTING ORDINARY SHARES IN THE SHARE CAPITAL OF SCOMI GROUP BHD ("SCOMI") INTO 1 ORDINARY SHARE IN THE SHARE CAPITAL OF SCOMI ("CONSOLIDATED SHARE") ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED AT A LATER DATE;

(II) PROPOSED BONUS ISSUE OF UP TO 671,128,549 WARRANTS IN SCOMI ("WARRANTS") 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;

(III) PROPOSED MERGER OF SCOMI ENERGY SERVICES BHD ("SCOMI ENERGY") WITH SCOMI TO BE UNDERTAKEN BY WAY OF A MEMBERS' SCHEME OF ARRANGEMENT PURSUANT TO SECTION 366 OF THE COMPANIES ACT 2016 ("ACT") AT AN OFFER PRICE OF RM0.126 FOR EACH SCHEME SHARE HELD IN SCOMI ENERGY; AND

(IV) PROPOSED MERGER OF SCOMI ENGINEERING BHD ("SCOMI ENGINEERING") WITH SCOMI TO BE UNDERTAKEN BY WAY OF A MEMBERS' SCHEME OF ARRANGEMENT PURSUANT TO SECTION 366 OF THE ACT AT AN OFFER PRICE OF RM0.30 FOR EACH SCHEME SHARE HELD IN SCOMI ENGINEERING

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

HongLeong Investment Bank

Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

Financial Adviser

ASTRAMINA ADVISORY

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

The Notice of Extraordinary General Meeting ("**EGM**") and the Form of Proxy are enclosed in this Circular. The details of the EGM are as follows:

Date and time of the EGM	:	Thursday, 4 January 2018 at 10.00 a.m. or any adjournment thereof
Venue of the EGM	:	Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia
Last date and time for lodging the Form of Proxy	:	Wednesday, 3 January 2018 at 10.00 a.m.

If you are unable to attend and vote at the EGM, 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 Scomi, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time set for the EGM 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 EGM should you subsequently decide to do so.

This Circular is dated 12 December 2017

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

"Act"	:	Companies Act 2016
"Astramina"	:	Astramina Advisory Sdn Bhd (810705-K)
"Board"	:	Board of Directors of Scomi
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"Circular"	:	This circular as dated above in relation to the Proposals
"CMSA"	:	Capital Markets and Services Act 2007
"Consideration Shares"	:	Scomi Energy Consideration Shares and Scomi Engineering Consideration Shares, collectively
"Consideration Warrants"	:	Scomi Energy Consideration Warrants and Scomi Engineering Consideration Warrants, collectively
"Consolidated Shares"	:	Ordinary shares in the share capital of Scomi after the completion of the Proposed Share Consolidation
"Court"	:	High Court of Malaya
"Court Convened Meetings"	:	Scomi Energy Court Convened Meeting and Scomi Engineering Court Convened Meeting, collectively
"Deed Poll"	:	Deed poll constituting the Warrants to be executed by our Company
"EGM"	:	Extraordinary general meeting
"EPS"	:	Earnings per Share or per Consolidated Share, as the case may be
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended or ending, as the case may be
"HLIB"	:	Hong Leong Investment Bank Berhad (10209-W)
"Interested Directors"	:	Tan Sri Nik Mohamed Bin Nik Yaacob, Lee Chun Fai, Shah Hakim, Cyrus Eruch Daruwalla and Liew Willip, collectively
"Kaspadu"	:	Kaspadu Sdn Bhd (259131-V)
"Last Trading Day"	:	16 August 2017, being the last full trading day prior to the suspension in the trading of Scomi Shares on 17 August 2017
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	6 December 2017, being the latest practicable date prior to the printing of this Circular
"Minimum Scenario"	:	The scenario based on the assumption that both the Proposed Merger of Scomi Energy and the Proposed Merger of Scomi Engineering are not implemented in which event the Proposed Bonus Issue of Warrants shall be implemented on the basis of 1 Warrant for every 2 Consolidated Shares held by our shareholders

"Maximum Scenario"	:	The scenario based on the assumption that both the Proposed Merger of Scomi Energy and the Proposed Merger of Scomi Engineering are implemented in which event the Proposed Bonus Issue of Warrants shall be implemented on the basis of 7 Warrants for every 10 Consolidated Shares held by our shareholders
"NA"	:	Net assets
"Onstream Marine"	:	Onstream Marine Sdn Bhd (246310-T)
"OPEC"	:	Organization of the Petroleum Exporting Countries
"PACs"	:	Pursuant to Section 216(3) of the CMSA, persons acting in concert with our Company in relation to: (a) the Proposed Merger of Scomi Energy are Scomi Energy Sdn Bhd (623415-W), Kaspadu, Shah Hakim, Rentak Rimbun and Onstream Marine; and (b) the Proposed Merger of Scomi Engineering are Kaspadu, Shah Hakim, Rentak Rimbun and Onstream Marine
"Proposals"	:	Proposed Share Consolidation, Proposed Bonus Issue of Warrants and Proposed Mergers, collectively
"Proposed Bonus Issue of Warrants"	:	Proposed bonus issue of up to 671,128,549 Warrants 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 Merger of Scomi Energy"	:	Proposed merger of Scomi Energy with our Company to be undertaken by way of the Scomi Energy Scheme
"Proposed Merger of Scomi Engineering"	:	Proposed merger of Scomi Engineering with our Company to be undertaken by way of the Scomi Engineering Scheme
"Proposed Mergers"	:	Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering, collectively
"Proposed Share Consolidation"	:	Proposed consolidation of every 2 Shares into 1 Consolidated Share on an entitlement date to be determined and announced at a later date
"Record of Depositors"	:	Record of securities holders established by Bursa Malaysia Depository Sdn Bhd (165570-W) under the Rules of Bursa Malaysia Depository Sdn Bhd issued under the Securities Industry (Central Depositories) Act 1991
"Rentak Rimbun"	:	Rentak Rimbun Sdn Bhd (625630-M)
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"Rules"	:	Rules on Take-overs, Mergers and Compulsory Acquisitions
"Scheme Shares"	:	Scomi Energy Scheme Shares and Scomi Engineering Scheme Shares, collectively
"Scomi" or "Company"	:	Scomi Group Bhd (571212-A)

"Scomi Energy"	:	Scomi Energy Services Bhd (397979-A), our 65.6% owned subsidiary
"Scomi Energy Consideration Shares"	:	Up to 482,869,633 new Consolidated Shares to be issued pursuant to the Proposed Merger of Scomi Energy
"Scomi Energy Consideration Warrants"	:	Up to 53,652,181 Warrants to be issued pursuant to the Proposed Merger of Scomi Energy
"Scomi Energy Court Convened Meeting"	:	Court convened meeting of Scomi Energy pursuant to the order of the Court to be made under Section 366 of the Act, at which the Scomi Energy Scheme will be considered and, if deemed fit, voted upon by the non-interested Scomi Energy Scheme Shareholders
"Scomi Energy Group"	:	Scomi Energy and its subsidiaries, collectively
"Scomi Energy Implied Offer Price"	:	RM0.134 for each Scomi Energy Scheme Share
"Scomi Energy Offer Price"	:	RM0.126 for each Scomi Energy Scheme Share
"Scomi Energy Scheme"	:	Members' scheme of arrangement between Scomi Energy, our Company and all the Scomi Energy Scheme Shareholders pursuant to Section 366 of the Act, involving the acquisition by our Company and transfer of all the Scomi Energy Scheme Shares to our Company at the Scomi Energy Offer Price, to be satisfied by the issuance of Scomi Energy Consideration Shares and Scomi Energy Consideration Warrants
"Scomi Energy Scheme Shareholders"	:	Shareholders of Scomi Energy other than our Company
"Scomi Energy Scheme Shares"	:	Scomi Energy Shares held by the Scomi Energy Scheme Shareholders
"Scomi Energy Shares"	:	Ordinary shares in the share capital of Scomi Energy
"Scomi Engineering"	:	Scomi Engineering Bhd (111633-M), our 72.3% owned subsidiary
"Scomi Engineering Consideration Shares"	:	Up to 135,327,778 new Consolidated Shares to be issued pursuant to the Proposed Merger of Scomi Engineering
"Scomi Engineering Consideration Warrants"	:	Up to 13,532,777 Warrants to be issued pursuant to the Proposed Merger of Scomi Engineering
"Scomi Engineering Court Convened Meeting"	:	Court convened meeting of Scomi Engineering pursuant to the order of the Court to be made under Section 366 of the Act, at which the Scomi Engineering Scheme will be considered and, if deemed fit, voted upon by the non-interested Scomi Engineering Scheme Shareholders
"Scomi Engineering Group"	:	Scomi Engineering and its subsidiaries, collectively
"Scomi Engineering Implied Offer Price"	:	RM0.316 for each Scomi Engineering Scheme Share
"Scomi Engineering Offer Price"	:	RM0.30 for each Scomi Engineering Scheme Share

"Scomi Engineering Scheme"	:	Members' scheme of arrangement between Scomi Engineering, our Company and all the Scomi Engineering Scheme Shareholders pursuant to Section 366 of the Act, involving the acquisition by our Company and transfer of all the Scomi Engineering Scheme Shares to our Company at the Scomi Engineering Offer Price, to be satisfied by the issuance of Scomi Engineering Consideration Shares and Scomi Engineering Consideration Warrants
"Scomi Engineering Scheme Shareholders"	:	Shareholders of Scomi Engineering other than our Company
"Scomi Engineering Scheme Shares"	:	Scomi Engineering Shares held by the Scomi Engineering Scheme Shareholders
"Scomi Engineering Shares"	:	Ordinary shares in the share capital of Scomi Engineering
"Scomi Group" or "Group"	:	Scomi and our subsidiaries, collectively
"Scomi Shares" or "Shares"	:	Ordinary shares in the share capital of Scomi prior to the completion of the Proposed Share Consolidation
"Shah Hakim"	:	Shah Hakim @ Shahzanim Bin Zain
"TAEL One Partners"	:	TAEL One Partners Ltd (acting in its capacity as the general partner of The Asian Entrepreneur Legacy One, L.P.)
"USD"	:	United States Dollar
"VWAMP"	:	Volume weighted average market price
"Warrants"	:	Up to 738,313,507 warrants in Scomi to be issued pursuant to the Proposed Bonus Issue of Warrants and Proposed Mergers

All references to "our Company" in this Circular are to Scomi and references to "our Group" are to the Scomi Group. All references to "we", "us" and "our" in this Circular are to Scomi and where the context requires, shall include our subsidiaries.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise stated.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

All references to the time of day in this Circular are references to Malaysian time, unless otherwise stated.

Unless otherwise stated, the exchange rate of USD1.00 : RM4.0730, being the middle rate prevailing at 5.00 p.m. on the LPD, as published by Bank Negara Malaysia, have been applied in this Circular for illustration purposes, where applicable.

TABLE OF CONTENTS

SCOMI GROUP BHD
(Company No. 571212-A)
(Incorporated in Malaysia)

Registered Office:

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

12 December 2017

Board of Directors:

Dato' Mohammed Azlan Bin Hashim (*Chairman, Independent Non-Executive Director*)
Tan Sri Nik Mohamed Bin Nik Yaacob (*Independent Non-Executive Director*)
Dato' Sreesanthan A/L Eliathamby (*Non-Independent Non-Executive Director*)
Dato' Abdul Hamid Bin Sh Mohamed (*Independent Non-Executive Director*)
Foong Choong Hong (*Non-Independent Non-Executive Director*)
Lee Chun Fai (*Non-Independent Non-Executive Director*)
Cyrus Eruch Daruwalla (*Non-Independent Non-Executive Director*)
Liew Willip (*Independent Non-Executive Director*)
Shah Hakim @ Shahzanim Bin Zain (*Non-Independent Executive Director/Chief Executive Officer*)

To: Our Shareholders

Dear Sir/Madam,

(I) PROPOSED SHARE CONSOLIDATION
(II) PROPOSED BONUS ISSUE OF WARRANTS
(III) PROPOSED MERGER OF SCOMI ENERGY
(IV) PROPOSED MERGER OF SCOMI ENGINEERING

---

1. INTRODUCTION

On 21 August 2017, HLIB and Astramina jointly announced, on behalf of our Board, that our Company had on the same day submitted formal proposals to the Board of Directors of Scomi Energy in respect of the Proposed Merger of Scomi Energy and the Board of Directors of Scomi Engineering in respect of the Proposed Merger of Scomi Engineering for their consideration.

In conjunction with the Proposed Mergers, our Company also proposed to undertake the Proposed Share Consolidation and Proposed Bonus Issue of Warrants.

On 15 September 2017, HLIB and Astramina jointly announced, on behalf of our Board, that Bursa Securities had, vide its letter dated 14 September 2017, approved our application for a waiver from complying with Paragraph 6.06(1) of the Listing Requirements in respect of the requirement for our Company to seek shareholders' approval for the issuance and specific allotment of the Consideration Shares and Consideration Warrants to the director, major shareholder or chief executive of Scomi and persons connected to them who are also the Scomi Energy Scheme Shareholders and/or Scomi Engineering Scheme Shareholders.

On 10 October 2017, HLIB and Astramina jointly announced, on behalf of our Board, that our Board had on the same day received letters respectively from Scomi Energy and Scomi Engineering stating that the Board of Directors of Scomi Energy and the Board of Directors of Scomi Engineering (save for the interested directors of Scomi Energy and Scomi Engineering) had deliberated on the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering, and had resolved and agreed to present the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering to the Scomi Energy Scheme Shareholders and Scomi Engineering Scheme Shareholders, respectively for their consideration and approval at the respective Court Convened Meetings to be held.

On 7 November 2017, HLIB and Astramina jointly announced, on behalf of our Board, that our Company had on the same day, by way of exchange of letters with Scomi Energy and Scomi Engineering, agreed to a variation to the terms of the Proposed Mergers. Following the variation, the 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 Mergers, instead of receiving the entire offer price in cash.

On 16 November 2017, the Securities Commission Malaysia gave its consent under Paragraph 19.01 of the Rules for the proposed transfer of all 350,000 Scomi Energy Shares held by Scomi Energy Sdn Bhd, our wholly-owned subsidiary, to our Company, which is intended to be completed prior to the implementation of the Proposed Merger of Scomi Energy.

On 30 November 2017, HLIB and Astramina jointly announced, on behalf of our Board, that Bursa Securities had, vide its letter dated 30 November 2017, resolved to approve our applications for the following:

(i) Proposed Share Consolidation;

(ii) admission to the Official List of Bursa Securities and listing of 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;

(iii) listing of up to 618,197,411 Consideration Shares to be issued pursuant to the Proposed Mergers;

(iv) listing of up to 671,128,549 new Consolidated Shares to be issued arising from the full exercise of the Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants; and

(v) listing of up to 67,184,958 new Consolidated Shares to be issued arising from the full exercise of the Consideration Warrants to be issued pursuant to the Proposed Mergers,

subject to the conditions set out in Section 8(ii) of this Circular.

The purpose of this Circular is to provide you with the details of the Proposals and to seek your approvals for the resolutions pertaining to the Proposals to be tabled at our forthcoming EGM. The Notice of EGM and the Form of Proxy are enclosed in this Circular.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Share Consolidation

2.1.1 Basis and number of Consolidated Shares to be issued

Prior to the implementation of the Proposed Bonus Issue of Warrants and Proposed Mergers, our Company intends to undertake the Proposed Share Consolidation which will involve the consolidation of every 2 Shares held by our shareholders, whose names appear in our Record of Depositors on an entitlement date to be determined and announced at a later date, into 1 Consolidated Share.

As at the LPD, our issued share capital is RM636,581,636 comprising 1,917,510,141 Shares (including 14,427,200 Shares held as treasury shares). Upon completion of the Proposed Share Consolidation, the 1,917,510,141 Shares will be consolidated into 958,755,070 Consolidated Shares (including 7,213,600 Consolidated Shares held as treasury shares). Our issued share capital after the Proposed Share Consolidation will however, remain unchanged at RM636,581,636.

The Proposed Share Consolidation will result in an adjustment to the reference price of our Shares listed and quoted on the Main Market of Bursa Securities, but will not have any impact on the total market value of the Consolidated Shares held by our shareholders. For illustration purposes, based on the last transacted market price of our Shares as at the LPD, the theoretical adjusted reference price of the Consolidated Shares after the Proposed Share Consolidation will be as follows:

	Assumed no. of Shares/ Consolidated Shares	Market price/ Reference price	Total market value
		RM	RM
As at the LPD	1,000	0.130	130
After the Proposed Share Consolidation	500	(1)0.260	130

Note:

(1) Theoretical adjusted reference price is calculated by multiplying the last transacted market price of our Shares as at the LPD and the ratio of the Proposed Share Consolidation of 2 times (2 Shares into 1 Consolidated Share) as follows:

$$\textit{Theoretical adjusted reference price} = \textit{Market price} \times \frac{\textit{Number of Shares before the Proposed Share Consolidation}}{\textit{Number of Consolidated Shares after the Proposed Share Consolidation}}$$

$$= RM0.130 \times \frac{2}{1}$$

$$= RM0.260$$

Fractional entitlements arising from the Proposed Share Consolidation, if any, shall be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interests of our Company.

2.1.2 Ranking of the Consolidated Shares

Upon allotment and issue, the Consolidated Shares will rank equally in all respects with each other.

2.1.3 Procedures for implementation of the Proposed Share Consolidation

No suspension will be imposed on the trading of our Shares on Bursa Securities for the purpose of implementing the Proposed Share Consolidation. The Consolidated Shares will be listed and quoted on the Main Market of Bursa Securities on the next market day after the entitlement date of the Proposed Share Consolidation.

The notices of allotment of the Consolidated Shares will be issued and despatched to our entitled shareholders for the Proposed Share Consolidation within 4 market days after the listing of and quotation for the Consolidated Shares on the Main Market of Bursa Securities, or such other period as may be determined by Bursa Securities.

2.2 Proposed Bonus Issue of Warrants

2.2.1 Basis and number of Warrants to be issued

Upon completion of the Proposed Share Consolidation, our Company intends to undertake the Proposed Bonus Issue of Warrants on a provisional basis of 7 Warrants for every 10 Consolidated Shares held by our shareholders, whose names appear in our Record of Depositors on an entitlement date to be determined and announced at a later date.

Based on our issued share capital as at the LPD and after the completion of the Proposed Share Consolidation of RM636,581,636 comprising 958,755,070 Consolidated Shares (including 7,213,600 Consolidated Shares held as treasury shares), and assuming that all the treasury shares are resold prior to the entitlement date of the Proposed Bonus Issue of Warrants, the Proposed Bonus Issue of Warrants will entail the issuance of up to 671,128,549 Warrants.

The actual number of Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants will depend on the total number of Consolidated Shares (excluding treasury shares) as at the entitlement date of the Proposed Bonus Issue of Warrants, after taking into consideration the number of Consideration Shares and Consideration Warrants to be issued pursuant to the Proposed Mergers. In the event that the Proposed Mergers are not implemented, the basis for the Proposed Bonus Issue of Warrants will be adjusted 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 our Company (excluding treasury shares and before the exercise of the said Warrants) at all times. The final basis for the Proposed Bonus Issue of Warrants will be determined and fixed by our Board at a later date after receipt of all relevant approvals but before the announcement of the entitlement date of the Proposed Bonus Issue of Warrants.

In the event that either one or both the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering are not implemented, the basis for the Proposed Bonus Issue of Warrants will be adjusted by our Board. For illustration purposes, we set out below the scenarios and examples of the adjustments in the basis for the Proposed Bonus Issue of Warrants:

Scenario	Basis for the Proposed Bonus Issue of Warrants
Assuming **ONLY** the Proposed Merger of Scomi Energy is implemented	3 Warrants for every 5 Consolidated Shares held by our shareholders
Assuming **ONLY** the Proposed Merger of Scomi Engineering is implemented	1 Warrant for every 2 Consolidated Shares held by our shareholders
Assuming the Proposed Mergers are not implemented	1 Warrant for every 2 Consolidated Shares held by our shareholders

Fractional entitlements arising from the Proposed Bonus Issue of Warrants, if any, shall be disregarded and dealt with by our Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interests of our Company.

The Proposed Bonus Issue of Warrants will be implemented in a single issuance.

2.2.2 Basis of determining the issue price and exercise price of the Warrants

The Warrants will be issued at no cost to our entitled shareholders for the Proposed Bonus Issue of Warrants.

The exercise price of the Warrants has been fixed at RM0.21 per Warrant, based on the 5-day VWAMP of our Shares up to and including the Last Trading Day, and after adjusting for the Proposed Share Consolidation, of RM0.21 per Consolidated Share. The exercise price of the Warrants was determined after taking into consideration, among others, the following:

(i) the 5-day VWAMP of our Shares up to the Last Trading Day, after adjusting for the Proposed Share Consolidation;

(ii) the historical market prices of our Shares; and

(iii) the Warrants will be issued free to our entitled shareholders for the Proposed Bonus Issue of Warrants.

Please refer to Section 3.3 of this Circular for further information on the historical market prices of our Shares.

2.2.3 Ranking of the Warrants and new Consolidated Shares to be issued pursuant to the exercise of the Warrants

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

The new Consolidated Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank equally in all respects with the existing Consolidated Shares in issue, save and except that such new Consolidated Shares shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment and issuance of such new Consolidated Shares.

2.2.4 Listing of and quotation for the Warrants and new Consolidated Shares to be issued pursuant to the exercise of the Warrants

The approval of Bursa Securities has been obtained vide its letter dated 30 November 2017 for the admission of the Warrants to the Official List of Bursa Securities and the listing of and quotation for up to 671,128,549 Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants and up to 671,128,549 new Consolidated Shares to be issued arising from the exercise of the Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants on the Main Market of Bursa Securities, subject to the conditions set out in Section 8(ii) of this Circular.

2.2.5 Utilisation of proceeds

The Proposed Bonus Issue of Warrants will not raise any funds as the Warrants will be issued free to our entitled shareholders for the Proposed Bonus Issue of Warrants. The exact amount of proceeds that may be raised by our Company from the exercise of the Warrants will depend upon the actual number of Warrants exercised during the tenure of the Warrants. As such, the exact time frame for utilisation of proceeds as and when the Warrants are exercised cannot be determined at this juncture.

For illustration purposes, assuming a full exercise of up to 738,313,507 Warrants (comprising total number of Warrants to be issued pursuant to the Proposed Bonus Issue of Warrants and Proposed Mergers) at the exercise price of RM0.21 per Warrant, our Company expects to raise gross proceeds of up to approximately RM155.0 million. The said proceeds to be raised from the exercise of the Warrants will be utilised as our Group's working capital for our business operations.

2.2.6 Indicative salient terms of the Warrants

The Warrants will be issued in a 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 our 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 to 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 our share capital, 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 our Company as set out in the Deed Poll, and/or offer of further securities in our Company 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 our Company	:	Where a resolution has been passed for a members' voluntary winding-up of our Company, 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 our Company or the amalgamation of our Company 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 our Company or 6 weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his/her Warrants to our Company, 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 our Company 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 our Company 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 Malaysia Depository Sdn Bhd.
Governing law	:	The Warrants and the Deed Poll shall be governed by the laws and regulations of Malaysia.

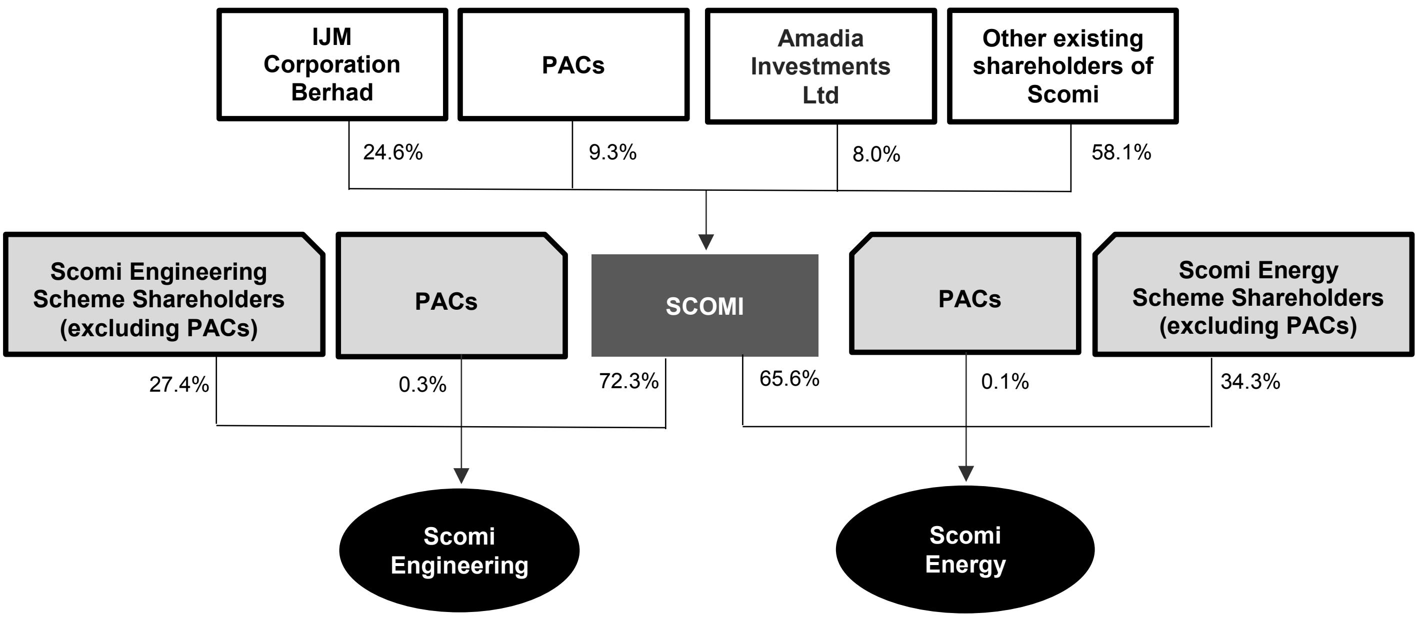
2.3 Proposed Mergers

On 21 August 2017, our Company had submitted formal proposals to the Board of Directors of Scomi Energy in respect of the Proposed Merger of Scomi Energy and the Board of Directors of Scomi Engineering in respect of the Proposed Merger of Scomi Engineering respectively for their consideration. On 10 October 2017, the Board of Directors of Scomi Energy and the Board of Directors of Scomi Engineering (save for the interested directors of Scomi Energy and Scomi Engineering) had respectively resolved and agreed to present the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering to the Scomi Energy Scheme Shareholders and Scomi Engineering Scheme Shareholders, respectively, for their consideration and approval at the respective Court Convened Meetings to be held.

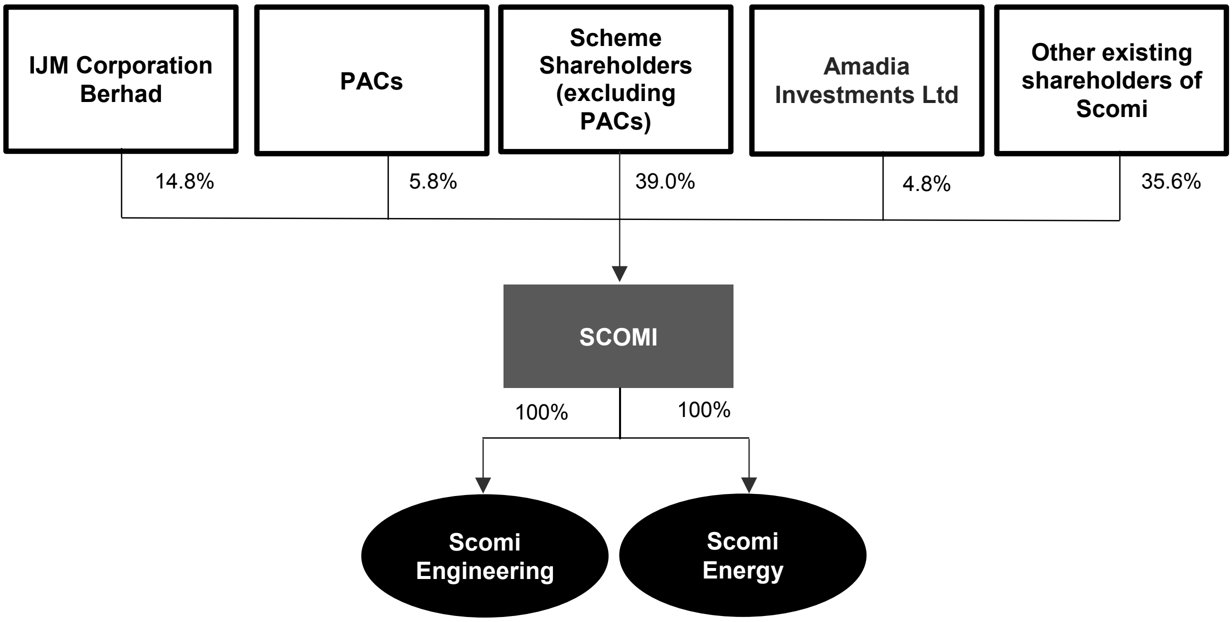
For information purposes, the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering are not inter-conditional with each other. Upon completion of the Proposed Mergers, Scomi Energy and Scomi Engineering will respectively become our wholly-owned subsidiaries. It is our intention not to maintain the listing statuses of both Scomi Energy and Scomi Engineering and accordingly, the Scomi Energy Shares and Scomi Engineering Shares will be delisted from the Main Market of Bursa Securities after the completion of the Proposed Mergers, subject to Bursa Securities' approval.

To illustrate, the diagrams depicting the shareholding structure of Scomi, Scomi Energy and Scomi Engineering before and after the Proposed Mergers, and upon the full exercise of the Warrants are as follows:

<u>Before the Proposed Mergers</u>

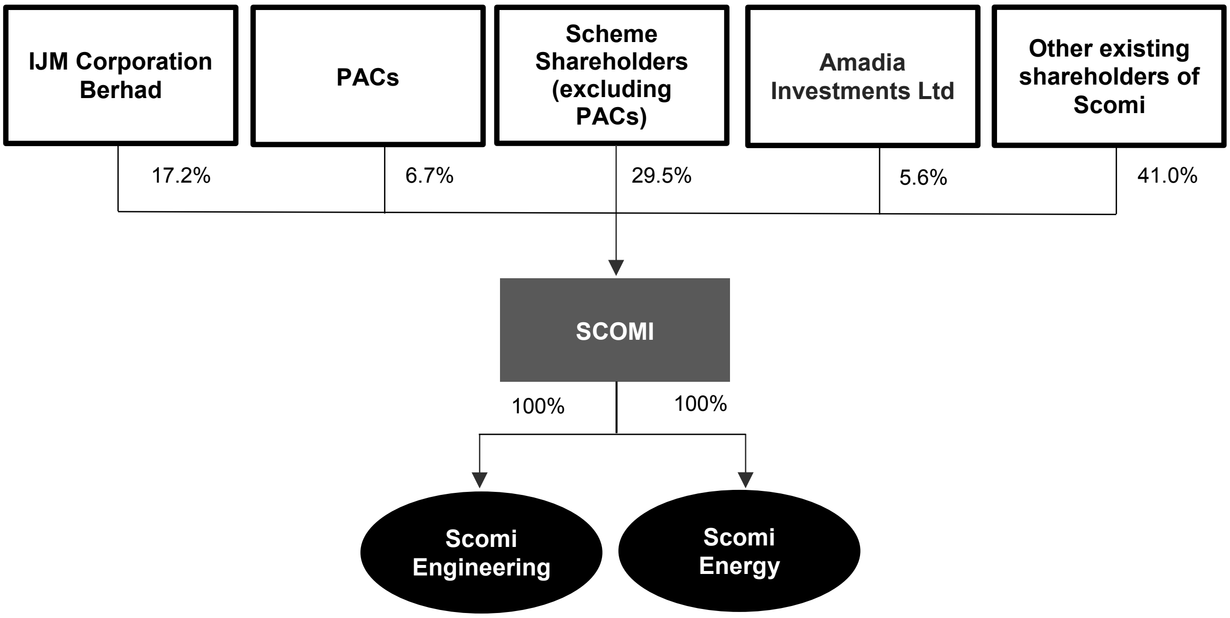


After the Proposed Mergers



Note: The diagram above depicts the shareholding structure of Scomi, Scomi Energy and Scomi Engineering on the assumption that the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering are both respectively completed in accordance with their terms.

After full exercise of the Warrants



2.3.1 Information on Scomi Energy

Scomi Energy was incorporated in Malaysia under the Companies Act 1965 (and is deemed registered under the Act) on 14 August 1996 as a private limited company under the name of Dekad Gemilang Sdn Bhd. It changed its name to Habib Corporation Sdn Bhd on 4 January 1997 and subsequently converted into a public company limited by shares under the name of Habib Corporation Berhad on 18 January 1997. It then changed its name to Scomi Marine Bhd on 27 September 2005 before it assumed its present name on 28 February 2013. Scomi Energy was listed on the Second Board (now known as Main Market) of Bursa Securities on 25 March 1998 and later transferred to the Main Board (now known as Main Market) of Bursa Securities on 30 November 2001.

The principal activities of Scomi Energy are investment holding, coal transportation and provision of management services to its subsidiaries and associated companies. Its subsidiaries, associated companies and joint ventures are principally involved in:

(i) supply and manufacturing of equipment, supply of a wide range of specialised chemicals and provision of services;

(ii) provision of transportation of bulk aggregates for the coal industry and other shipping related services; and

(iii) provision of services in development and management of marginal hydrocarbon assets, services encompass preparing and execution of field development plan and supplying and operations and maintenance of offshore oil and gas facilities.

As at the LPD, Scomi Energy is our 65.6% owned subsidiary.

Please refer to Appendix I of this Circular for further information on Scomi Energy.

2.3.2 Information on 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. It changed its name to Bell & Order Sdn Bhd on 20 November 1985 and subsequently converted into a public company limited by shares under the name of Bell & Order Berhad on 28 April 1995. It assumed its present name on 9 January 2006. It was listed on the Main Board (now known as Main Market) of Bursa Securities on 28 April 1995.

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

(i) development, design, manufacture and supply of monorail transportation infrastructure systems and equipment, and engineering related support services; and

(ii) manufacturing, fabrication and assembly of commercial coaches and truck vehicle bodies and other related services.

As at the LPD, Scomi Engineering is our 72.3% owned subsidiary.

Please refer to Appendix II of this Circular for further information on Scomi Engineering.

2.3.3 Proposed Merger of Scomi Energy

The Proposed Merger of Scomi Energy will be undertaken by way of the Scomi Energy Scheme. The Scomi Energy Scheme Shares shall include the Scomi Energy Shares held by the PACs.

In consideration of the acquisition by our Company and the transfer of each Scomi Energy Scheme Share from the Scomi Energy Scheme Shareholders to our Company pursuant to the Proposed Merger of Scomi Energy, our Company will pay the Scomi Energy Offer Price of RM0.126 for each Scomi Energy Scheme Share, which shall be wholly satisfied via a share swap where for every 5 Scomi Energy Scheme Shares held:

(i) 3 Scomi Energy Consideration Shares shall be issued at an issue price of RM0.21 per Scomi Energy Consideration Share; and

(ii) the issuance of 1 Scomi Energy Consideration Warrant for every 9 Scomi Energy Consideration Shares issued.

For illustrative purposes, a Scomi Energy Scheme Shareholder holding 1,000 Scomi Energy Scheme Shares is entitled to receive 600 Scomi Energy Consideration Shares and 66 Scomi Energy Consideration Warrants.

The Scomi Energy Consideration Warrants are the same class as the Warrants to be issued under the Proposed Bonus Issue of Warrants. Please refer to Section 2.2.6 of this Circular for the indicative salient terms of the Warrants.

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

(i) the historical volatility of our Shares for the past 5 years and up to the Last Trading Day of 60.57%;

(ii) the expected risk-free interest rate up to the Last Trading Day of 3.62%, based on the yield of 5-year Malaysian Government Securities as at the Last Trading Day;

(iii) the exercise price of the Scomi Energy Consideration Warrants of RM0.21;

(iv) the time to maturity of the Scomi Energy Consideration Warrants of 5 years; and

(v) the 5-day VWAMP of our Shares up to and including the Last Trading Day, and after adjusting for the Proposed Share Consolidation, of RM0.21 per Consolidated Share.

The implied offer price for the Scomi Energy Scheme Shares, after taking into consideration the theoretical fair value of the Scomi Energy Consideration Warrants, is RM0.134 per Scomi Energy Scheme Share.

Based on the 804,628,623 Scomi Energy Scheme Shares held by the Scomi Energy Scheme Shareholders as at the LPD, and assuming that all the 154,100 Scomi Energy Shares held as treasury shares as at the LPD are resold, the Proposed Merger of Scomi Energy will entail the issuance of up to 482,869,633 Scomi Energy Consideration Shares and up to 53,652,181 Scomi Energy Consideration Warrants. The total consideration for the Scomi Energy Scheme Shares based on the Scomi Energy Offer Price is up to approximately RM101.4 million.

If Scomi Energy declares, makes or pays any dividends or other distributions on or after 21 August 2017 but prior to the completion of the Proposed Merger of Scomi Energy, and a Scomi Energy Scheme Shareholder is entitled to such dividends or distributions, we will accordingly adjust the Scomi Energy Offer Price by the quantum of net dividends or distributions per Scomi Energy Share which such Scomi Energy Scheme Shareholder is entitled to.

If we declare, make or pay any dividends or other distributions before the Scomi Energy Consideration Shares are issued, and a Scomi Energy Scheme Shareholder is not entitled to such dividends or distributions, we will accordingly adjust the Scomi Energy Offer Price and the corresponding Scomi Energy Consideration Shares to be issued by the quantum of the net dividends or distributions per Share which such Scomi Energy Scheme Shareholder is not entitled to.

We will not allot and issue fractions of a Scomi Energy Consideration Share and Scomi Energy Consideration Warrant to any Scomi Energy Scheme Shareholder. The entitlement of the Scomi Energy Scheme Shareholders to the Scomi Energy Consideration Shares and Scomi Energy Consideration Warrants will be rounded down to the nearest whole new Consolidated Share and Warrant respectively.

2.3.4 Terms of the Proposed Merger of Scomi Energy

(a) Ranking of the Scomi Energy Consideration Shares, Scomi Energy Consideration Warrants and new Consolidated Shares to be issued pursuant to the exercise of the Scomi Energy Consideration Warrants

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

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

The new Consolidated Shares to be issued pursuant to the exercise of the Scomi Energy Consideration Warrants shall, upon allotment and issue, rank equally in all respects with the existing Consolidated Shares in issue, save and except that such new Consolidated Shares shall not be entitled to any dividends, rights, allotments, other distributions and/or the Proposed Bonus Issue of Warrants, the entitlement date of which is prior to the date of allotment and issuance of such new Consolidated Shares.

(b) Free from encumbrances

We will acquire the Scomi Energy Scheme Shares:

(i) free from all moratoriums, claims, charges, liens, pledges, encumbrances, options, rights of pre-emption, third party rights and equities from the date of approval of the Proposed Merger of Scomi Energy; and

(ii) with all the rights, benefits and entitlements attached thereto, including the right to all distributions declared, made or paid on or after 21 August 2017, subject to the adjustments to be made.

All costs and stamp duties (if any) relating to the bulk transfer of the Scomi Energy Scheme Shares to Scomi will be borne by us. We will not be responsible for any other cost, expense or outlay incurred by the Scomi Energy Scheme Shareholders in respect of the Proposed Merger of Scomi Energy.

(c) Listing of and quotation for the Scomi Energy Consideration Shares, Scomi Energy Consideration Warrants and new Consolidated Shares to be issued pursuant to the exercise of the Scomi Energy Consideration Warrants

The approval of Bursa Securities has been obtained vide its letter dated 30 November 2017 for the listing of and quotation for up to 482,869,633 Scomi Energy Consideration Shares, up to 53,652,181 Scomi Energy Consideration Warrants and up to 53,652,181 new Consolidated Shares to be issued arising from the full exercise of the Scomi Energy Consideration Warrants on the Main Market of Bursa Securities, subject to the conditions set out in Section 8(ii) of this Circular.

(d) Liabilities to be assumed

There are no quantifiable liabilities, including contingent liabilities and guarantees, to be assumed by us pursuant to the Proposed Merger of Scomi Energy.

(e) Financial commitment

We do not expect to incur any material financial commitment to put the Scomi Energy Group on-stream as it is an operating entity.

2.3.5 Proposed Merger of Scomi Engineering

The Proposed Merger of Scomi Engineering will be undertaken by way of the Scomi Engineering Scheme. The Scomi Engineering Scheme Shares shall include the Scomi Engineering Shares held by the PACs.

In consideration of the acquisition by our Company and the transfer of each Scomi Engineering Scheme Share from the Scomi Engineering Scheme Shareholders to our Company pursuant to the Proposed Merger of Scomi Engineering, our Company will pay the Scomi Engineering Offer Price of RM0.30 for each Scomi Engineering Scheme Share, which shall be wholly satisfied via a share swap where for every 7 Scomi Engineering Scheme Shares held:

(i) 10 Scomi Engineering Consideration Shares shall be issued at an issue price of RM0.21 per Scomi Engineering Consideration Share; and

(ii) the issuance of 1 Scomi Engineering Consideration Warrant for every 10 Scomi Engineering Consideration Shares issued.

For illustrative purposes, a Scomi Engineering Scheme Shareholder holding 1,000 Scomi Engineering Scheme Shares is entitled to receive 1,428 Scomi Engineering Consideration Shares and 142 Scomi Engineering Consideration Warrants.

The Scomi Engineering Consideration Warrants are the same class as the Warrants to be issued under the Proposed Bonus Issue of Warrants. Please refer to Section 2.2.6 of this Circular for the indicative salient terms of the Warrants.

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

(i) the historical volatility of our Shares for the past 5 years and up to the Last Trading Day of 60.57%;

(ii) the expected risk-free interest rate up to the Last Trading Day of 3.62%, based on the yield of 5-year Malaysian Government Securities as at the Last Trading Day;

(iii) the exercise price of the Scomi Engineering Consideration Warrants of RM0.21;

(iv) the time to maturity of the Scomi Engineering Consideration Warrants of 5 years; and

(v) the 5-day VWAMP of our Shares up to and including the Last Trading Day, and after adjusting for the Proposed Share Consolidation, of RM0.21 per Consolidated Share.

The implied offer price for the Scomi Engineering Scheme Shares, after taking into consideration the theoretical fair value of the Scomi Engineering Consideration Warrants, is RM0.316 per Scomi Engineering Scheme Share.

Based on the 94,607,645 Scomi Engineering Scheme Shares held by the Scomi Engineering Scheme Shareholders as at the LPD, and assuming that all the 121,800 Scomi Energy 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 Scomi Engineering Consideration Shares and up to 13,532,777 Scomi Engineering 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.

If Scomi Engineering declares, makes or pays any dividends or other distributions on or after 21 August 2017 but prior to the completion of the Proposed Merger of Scomi Engineering, and a Scomi Engineering Scheme Shareholder is entitled to such dividends or distributions, we will accordingly adjust the Scomi Engineering Offer Price by the quantum of net dividends or distributions per Scomi Engineering Share which such Scomi Engineering Scheme Shareholder is entitled to.

If we declare, make or pay any dividends or other distributions before the Scomi Engineering Consideration Shares are issued, and a Scomi Engineering Scheme Shareholder is not entitled to such dividends or distributions, we will accordingly adjust the Scomi Engineering Offer Price and the corresponding Scomi Engineering Consideration Shares to be issued by the quantum of the net dividend or distribution per Share which such Scomi Engineering Scheme Shareholder is not entitled to.

We will not allot and issue fractions of a Scomi Engineering Consideration Share and Scomi Engineering Consideration Warrant to any Scomi Engineering Scheme Shareholder. The entitlement of the Scomi Engineering Scheme Shareholders to the Scomi Engineering Consideration Shares and Scomi Engineering Consideration Warrants will be rounded down to the nearest whole new Consolidated Share and Warrant respectively.

2.3.6 Terms of the Proposed Merger of Scomi Engineering

(a) Ranking of the Scomi Engineering Consideration Shares, Scomi Engineering Consideration Warrants and new Consolidated Shares to be issued pursuant to the exercise of the Scomi Engineering Consideration Warrants

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

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

The new Consolidated Shares to be issued pursuant to the exercise of the Scomi Engineering Consideration Warrants shall, upon allotment and issue, rank equally in all respects with the existing Consolidated Shares in issue, save and except that such new Consolidated Shares shall not be entitled to any dividends, rights, allotments, other distributions and/or the Proposed Bonus Issue of Warrants, the entitlement date of which is prior to the date of allotment and issuance of such new Consolidated Shares.

(b) Free from encumbrances

We will acquire the Scomi Engineering Scheme Shares:

(i) free from all moratoriums, claims, charges, 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

(ii) with all the rights, benefits and entitlements attached thereto, including the right to all distributions declared, made or paid on or after 21 August 2017, subject to the adjustments to be made.

All costs and stamp duties (if any) relating to the bulk transfer of the Scomi Engineering Scheme Shares to Scomi will be borne by us. We will not be responsible for any other cost, expense or outlay incurred by the Scomi Engineering Scheme Shareholders in respect of the Proposed Merger of Scomi Engineering.

(c) Listing of and quotation for the Scomi Engineering Consideration Shares, Scomi Engineering Consideration Warrants and new Consolidated Shares to be issued pursuant to the exercise of the Scomi Engineering Consideration Warrants

The approval of Bursa Securities has been obtained vide its letter dated 30 November 2017 for the listing of and quotation for up to 135,327,778 Scomi Engineering Consideration Shares, up to 13,532,777 Scomi Engineering Consideration Warrants and up to 13,532,777 new Consolidated Shares to be issued arising from the full exercise of the Scomi Engineering Consideration Warrants on the Main Market of Bursa Securities, subject to the conditions set out in Section 8(ii) of this Circular.

(d) Liabilities to be assumed

There are no quantifiable liabilities, including contingent liabilities and guarantees, to be assumed by us pursuant to the Proposed Merger of Scomi Engineering.

(e) Financial commitment

We do not expect to incur any material financial commitment to put the Scomi Engineering Group on-stream as it is an operating entity.

3. BASIS AND JUSTIFICATION FOR THE SCOMI ENERGY OFFER PRICE, SCOMI ENGINEERING OFFER PRICE AND ISSUE PRICE OF THE CONSIDERATION SHARES

3.1 Scomi Energy Offer Price

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

(a) the historical market prices of Scomi Energy Shares prior to 21 August 2017;

(b) audited consolidated NA of RM0.32 per Scomi Energy Share as at 31 March 2017;

(c) Scomi Energy's consolidated loss before interest, taxation, depreciation and amortisation of RM10.6 million for the FYE 31 March 2017; and

(d) the discount of the issue price of the Scomi Energy Consideration Shares to the historical market prices of our Shares.

The Scomi Energy Offer Price was determined based on a premium of 20.0% over the closing price of Scomi Energy Shares on the Last Trading Day.

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

		Scomi Energy Offer Price		**Scomi Energy Implied Offer Price**	
	***Share price**	**Premium / (Discount)**		**Premium / (Discount)**	
	RM	**RM**	**%**	**RM**	**%**
Closing price of Scomi Energy Shares on the Last Trading Day	0.105	0.021	20.0	0.029	27.6
5-day VWAMP of Scomi Energy Shares up to the Last Trading Day	0.106	0.020	18.9	0.028	26.4
1-month VWAMP of Scomi Energy Shares up to the Last Trading Day	0.118	0.008	6.8	0.016	13.6
3-month VWAMP of Scomi Energy Shares up to the Last Trading Day	0.137	(0.011)	(8.0)	(0.003)	(2.2)
6-month VWAMP of Scomi Energy Shares up to the Last Trading Day	0.190	(0.064)	(33.7)	(0.056)	(29.5)
1-year VWAMP of Scomi Energy Shares up to the Last Trading Day	0.197	(0.071)	(36.0)	(0.063)	(32.0)

Note:

* *Source: Bloomberg*

In justifying the Scomi Energy Offer Price, our Board has taken into consideration, among others, the following:

(i) based on precedent take-over transactions in Malaysia where the offerors do not intend to maintain the listing status of the target company, for the past 1 year prior to the Last Trading Day, the premiums or discounts represented by the Scomi Energy Offer Price based on the historical market prices of Scomi Energy Shares falls within the range of premiums offered based on last traded price and 5-day VWAMP as well as lower than the range of premiums offered based on 1-month VWAMP, 3-month VWAMP, 6-month VWAMP and 1-year VWAMP, as follows:

Target company	**Announcement date**	**Offer price**	**Premium based on last traded price**		**Premium based on 5-day VWAMP**		**Premium based on 1-month VWAMP**		**Premium based on 3-month VWAMP**		**Premium based on 6-month VWAMP**		**Premium based on 1-year VWAMP**	
		RM	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**	**%**
Hwang Capital (Malaysia) Berhad	30.06.2017	2.940	0.300	11.4	0.313	11.9	0.332	12.7	0.335	12.9	0.414	16.4	0.512	21.1
Wing Tai Malaysia Berhad	23.05.2017	1.800	0.620	52.5	0.578	47.3	0.604	50.5	0.660	58.0	0.754	72.0	0.753	71.9
Ekowood International Berhad	30.11.2016	0.400	0.210	110.5	0.210	110.5	0.207	107.4	0.204	104.5	0.201	100.6	0.192	92.2
The Store Corporation Berhad	28.11.2016	3.700	0.800	27.6	0.808	28.0	0.765	26.1	0.536	16.9	0.554	17.6	0.667	22.0
Stemlife Berhad	10.11.2016	0.575	0.055	10.6	0.062	12.0	0.062	12.1	0.057	11.0	0.068	13.4	0.128	28.7
Huat Lai Resources Berhad	24.10.2016	5.000	0.340	7.3	0.237	5.0	0.382	8.3	0.603	13.7	0.709	16.5	0.644	14.8
PJ Development Holdings Berhad	30.08.2016	1.500	0.120	8.7	0.140	10.3	0.160	11.9	0.160	11.9	0.140	10.3	0.010	0.7
Low				7.3		5.0		8.3		11.0		10.3		0.7
High				110.5		110.5		107.4		104.5		100.6		92.2
Average				32.7		32.1		32.7		32.7		35.3		35.9
Adjusted average*				19.7		19.1		20.3		20.7		24.4		26.5
Scomi Energy Offer Price		**0.126**		**20.0**		**18.9**		**6.8**		**(8.0)**		**(33.7)**		**(36.0)**
Scomi Energy Implied Offer Price		**0.134**		**27.6**		**26.4**		**13.6**		**(2.2)**		**(29.5)**		**(32.0)**

(Source: Bloomberg)

Note:
* *Excluding Ekowood International Berhad as it is deemed as an outlier.*

Although the target companies above are not directly comparable to Scomi Energy in terms of, among others, principal activities and market capitalisation, our Board is of the view that the analysis on recent precedent take-over transactions in Malaysia provides a fair indication of market expectation in respect of the premium generally offered in a privatisation exercise; and

(ii) the Scomi Energy Offer Price represents a steep discount of RM0.194 or about 60.6% to the audited consolidated NA of RM0.32 per Scomi Energy Share as at 31 March 2017.

3.2 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 21 August 2017;

(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 Scomi Engineering Consideration Shares to the historical market prices of our Shares.

The Scomi Engineering Offer Price was determined based on a premium of 20.0% over the closing price of Scomi Engineering Shares on the Last Trading Day and rounded down to facilitate the share swap ratio of 10 Scomi Engineering Consideration 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:

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

Note:

* *Source: Bloomberg*

In justifying the Scomi Engineering Offer Price, our Board has taken into consideration, among others, the following:

(i) based on precedent take-over transactions in Malaysia where the offerors do not intend to maintain the listing status of the target company, for the past 1 year prior to the Last Trading Day, the premiums or discounts represented by the Scomi Engineering Offer Price based on the historical market prices of Scomi Engineering Shares falls within the range of premiums offered based on last traded price, 5-day VWAMP and 1-month VWAMP as well as lower than the range of premiums offered based on 3-month VWAMP, 6-month VWAMP and 1-year VWAMP, as follows:

Target company	**Announcement date**	**Offer price**	**Premium based on last traded price**		**Premium based on 5-day VWAMP**		**Premium based on 1-month VWAMP**		**Premium based on 3-month VWAMP**		**Premium based on 6-month VWAMP**		**Premium based on 1-year VWAMP**	
		RM	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**	**%**	**RM**	**%**
Hwang Capital (Malaysia) Berhad	30.06.2017	2.940	0.300	11.4	0.313	11.9	0.332	12.7	0.335	12.9	0.414	16.4	0.512	21.1
Wing Tai Malaysia Berhad	23.05.2017	1.800	0.620	52.5	0.578	47.3	0.604	50.5	0.660	58.0	0.754	72.0	0.753	71.9
Ekowood International Berhad	30.11.2016	0.400	0.210	110.5	0.210	110.5	0.207	107.4	0.204	104.5	0.201	100.6	0.192	92.2
The Store Corporation Berhad	28.11.2016	3.700	0.800	27.6	0.808	28.0	0.765	26.1	0.536	16.9	0.554	17.6	0.667	22.0
Stemlife Berhad	10.11.2016	0.575	0.055	10.6	0.062	12.0	0.062	12.1	0.057	11.0	0.068	13.4	0.128	28.7
Huat Lai Resources Berhad	24.10.2016	5.000	0.340	7.3	0.237	5.0	0.382	8.3	0.603	13.7	0.709	16.5	0.644	14.8
PJ Development Holdings Berhad	30.08.2016	1.500	0.120	8.7	0.140	10.3	0.160	11.9	0.160	11.9	0.140	10.3	0.010	0.7
Low				7.3		5.0		8.3		11.0		10.3		0.7
High				110.5		110.5		107.4		104.5		100.6		92.2
Average				32.7		32.1		32.7		32.7		35.3		35.9
Adjusted average*				19.7		19.1		20.3		20.7		24.4		26.5
Scomi Engineering Offer Price		**0.300**		**17.6**		**12.4**		**16.3**		**9.1**		**(22.3)**		**(21.5)**
Scomi Engineering Implied Offer Price		**0.316**		**23.9**		**18.4**		**22.5**		**14.9**		**(18.1)**		**(17.3)**

(Source: Bloomberg)

Note:

* *Excluding Ekowood International Berhad as it is deemed as an outlier.*

Although the target companies above are not directly comparable to Scomi Engineering in terms of, among others, principal activities and market capitalisation, our Board is of the view that the analysis on recent precedent take-over transactions in Malaysia provides a fair indication of market expectation in respect of the premium generally offered in a privatisation exercise; and

(ii) the Scomi Engineering Offer Price represents a steep discount of RM0.45 or 60.0% over the audited consolidated NA of RM0.75 per Scomi Engineering Share as at 31 March 2017.

3.3 Issue price of the Consideration Shares

The issue price of the Consideration Shares of RM0.21 was arrived at after taking into consideration the 5-day VWAMP of Scomi Shares up to the Last Trading Day, after adjusting for the Proposed Share Consolidation, of RM0.21 per Consolidated Share.

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

	*Share price	Theoretical share price of Consolidated Shares	Discount	
	RM	RM	RM	%
Closing price of Scomi Shares on Last Trading Day	0.110	0.220	(0.010)	(4.5)
5-day VWAMP of Scomi Shares up to the Last Trading Day	0.105	0.210	-	-
1-month VWAMP of Scomi Shares up to the Last Trading Day	0.117	0.234	(0.024)	(10.3)
3-month VWAMP of Scomi Shares up to the Last Trading Day	0.136	0.272	(0.062)	(22.8)
6-month VWAMP of Scomi Shares up to the Last Trading Day	0.177	0.354	(0.144)	(40.7)
1-year VWAMP of Scomi Shares up to the Last Trading Day	0.166	0.332	(0.122)	(36.7)

Note:

* *Source: Bloomberg*

In justifying the issue price of the Consideration Shares, our Board has taken into consideration the following:

(i) the 5-day VWAMP of our Shares up to the Last Trading Day, after adjusting for the Proposed Share Consolidation, would represent the fair market value for the Consideration Shares to be issued; and

(ii) the Proposed Mergers involve a share swap and any premium accorded to the issue price of the Consideration Shares to the 5-day VWAMP of our Shares up to the Last Trading Day, after adjusting for the Proposed Share Consolidation, would reduce the number of Consideration Shares to be issued and the total value to be received by the Scomi Energy Scheme Shareholders and Scomi Engineering Scheme Shareholders respectively under the Proposed Mergers.

4. RATIONALE FOR AND BENEFITS OF THE PROPOSALS

4.1 Proposed Share Consolidation

The Proposed Share Consolidation will rationalise the share capital of our Company by reducing the number of Shares issued and could potentially reduce the volatility in the market price of our Shares as a result of the higher theoretical share price.

4.2 Proposed Bonus Issue of Warrants

The Proposed Bonus Issue of Warrants serves to reward our shareholders for their continuous support by providing an opportunity for them to participate in the securities of our Company without incurring any cost upfront, and to increase their equity participation in our Company at a predetermined exercise price during the tenure of the Warrants. In addition, the Proposed Bonus Issue of Warrants will provide our Group with additional working capital when the Warrants are exercised.

4.3 Proposed Mergers

The Proposed Mergers are in line with our intention to obtain full control of Scomi Energy and Scomi Engineering, and would provide greater flexibility for our Company to plan and decide on the business strategic planning across existing geographical locations of the merged group. On the assumption that both the Proposed Merger of Scomi Energy and the Proposed Merger of Scomi Engineering are completed, the Proposed Mergers will pave the way for integration of business activities of Scomi Energy and Scomi Engineering, enabling 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 we are familiar with.

Further, the Proposed Mergers present an opportunity for the Scomi Energy Scheme Shareholders and/or Scomi Engineering Scheme Shareholders to unlock their investment in Scomi Energy Shares and/or Scomi Engineering Shares at the Scomi Energy Offer Price and/or Scomi Engineering Offer Price respectively, which are at a premium over their historical market prices as set out in Sections 3.1 and 3.2 of this Circular, while continuing to participate in the future growth of the 2 companies via their shareholdings in our Company.

In addition, participation of Scomi Energy Scheme Shareholders and/or Scomi Engineering Scheme Shareholders in our Company will provide us with a broader base and better spread of shareholders, while de-listing of Scomi Energy and Scomi Engineering after the Proposed Mergers is expected to eliminate any overlap of administrative efforts and costs associated with maintaining the listing statuses of the said companies, and allow our Company to re-divert resources towards our business operations.

5. OUTLOOK AND PROSPECTS

5.1 Economic overview and outlook

(i) 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 gross domestic product (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)

(ii) 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)

5.2 Overview and outlook for the oil, gas and energy industry

(i) 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 170th (Extraordinary) Meeting of the OPEC conference and then in Vienna (30 November 2016) at the 171st 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 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)

(ii) 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)

5.3 Overview and outlook for the rail industry

(i) Overview and outlook of the global rail industry

Compared to the last study two 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 two 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 five 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 our 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)

(ii) 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.

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)

5.4 Prospects of our Group

The prospect of our Group is not expected to change materially as a consequence of the Proposed Mergers.

Amid the present low oil price environment, our Group had responded proactively in restructuring and realigning our energy business segment. While we continue to streamline operations across our existing businesses, our 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, our Group continues to achieve progress on our existing monorail projects in Brazil and India in terms of stages of completion, and we are also working in concerted effort with our client to resolve various issues that have previously delayed the progress of our projects, such as delayed completion of civil works and revision in project milestones.

While navigating through the current challenging operating conditions, our 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. Our Group will continue to operate within the oil and gas sector, albeit with a different approach that will allow us to remain sustainable amid the present low oil price environment such as, among others, promoting the sale of our Group’s chemicals with green technology which are developed in-house, that will help with overall efficiencies of drilling program for our Group’s customers, and focusing on rolling out production chemicals.

(i) Prospects and viability of the Scomi Energy Group's business

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 decisions 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 6.1 and 6.3 of this Circular, 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)

(ii) Prospects and viability of the Scomi Engineering Group's business

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 year 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, 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 6.2 and 6.3 of this Circular, 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)

The Proposed Mergers are not expected to immediately contribute to the earnings of our Group. Upon completion of the Proposed Mergers, it is our 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 our intention to focus on strengthening our Group's financial fundamentals as well as to implement cash realisation initiatives to raise at least USD50.0 million (or approximately RM203.7 million) by disposing of and/or streamlining our Group's existing assets, including the existing assets of the Scomi Energy Group and the Scomi Engineering Group.

(Source: Management of Scomi)

6. RISK FACTORS

The Proposed Mergers are subject to completion risk as there can be no assurance that the Proposed Mergers will be successful in view that they are conditional upon approvals being obtained from the relevant authorities, and the non-interested Scomi Energy Scheme Shareholders and the non-interested Scomi Engineering Scheme Shareholders respectively, as set out in Section 8 of this Circular.

The Proposed Mergers are not expected to give rise to new risks which our Company is not already exposed to, as Scomi Energy and Scomi Engineering are currently our 65.6%-owned and 72.3%-owned subsidiaries respectively. Notwithstanding this, the risks which could have a material adverse effect on our 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:

(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 our Group's revenue and loss after tax attributable to the owners of our Company, based on our latest audited consolidated financial statements for the FYE 31 March 2017 as well as our latest unaudited consolidated financial statements for the 6-month FPE 30 September 2017, 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 our Company (RM'000)**	**%**	**Revenue (RM'000)**	**%**	**(Loss)/ Profit after tax attributable to the owners of our Company (RM'000)**	**%**
Scomi Energy Group	664,012	80.3	(82,986)	77.3	321,451	82.9	(25,126)	59.6

	FYE 31 March 2017				6-month FPE 30 September 2017			
	Revenue (RM'000)	%	(Loss) after tax attributable to the owners of our Company (RM'000)	%	Revenue (RM'000)	%	(Loss)/ Profit after tax attributable to the owners of our Company (RM'000)	%
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)
Our Group	**826,892**	**100.0**	**(107,405)**	**100.0**	**387,616**	**100.0**	**(42,166)**	**100.0**

As set out in Section 7.4 of this Circular, 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 our 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 our 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 our Group would negatively affect our 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 our 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 our 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 our non-controlling interests in both Scomi Energy and Scomi Engineering will be directly recognised in the equity attributable to the owners of our Company.

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.

6.1 Risks relating to Scomi Energy

The risks currently faced by Scomi Energy include:

(i) 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 our 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 our Group.

Taking into consideration the challenging external environment, our Group continues to explore to remain capex and asset light via disposal of our Group's existing non-core assets and/or streamline operations across our 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 our Group.

(ii) 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 our 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 our 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 our Group. In mitigating such risks, our 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.

6.2 Risk relating to Scomi Engineering

The risk currently faced by Scomi Engineering includes an ongoing legal dispute with Prasarana Malaysia Berhad, further details of which are set out in Section 8(i) of Appendix II of this Circular.

Based on the latest audited consolidated financial statements of Scomi Engineering for the FYE 31 March 2017, the billed and unbilled receivables due from Prasarana Malaysia Berhad amounted to about RM210.1 million as at 31 March 2017. Failure to fully recover these outstanding receivables, which are outside of our 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 our Group. Further, if the Scomi Engineering Group fails to recover the above receivables, our Group may not be able to generate sufficient cash flows to fulfil our debt obligations and this would adversely affect our Group's business operations upon completion of the Proposed Merger of Scomi Engineering.

6.3 Risks relating to Scomi Energy and Scomi Engineering

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

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

The Scomi Energy Group and the Scomi Engineering Group have 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 our Group's control, could materially and adversely affect the business operations of the Scomi Energy Group and Scomi Engineering Group, and in turn, the results of operations of our Group.

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

Our Company's exposure to credit risk arises principally from loans and advances to our subsidiaries, and financial guarantees given to banks for credit facilities granted to our subsidiaries. Our 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 respectively, representing 24.7% and 277.5% of the NA of the Scomi Energy Group and Scomi Engineering Group, respectively. A significant amount of indebtedness could, among others:

(a) impair our Group's ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes on favourable terms, if at all;

(b) require our Group to use a substantial portion of our cash from operations to make principal and interest payments on our debt, reducing the funds that would otherwise be available for operations; and

(c) limit our Group's flexibility in responding to changing business and economic conditions.

The ability of our Group to service our indebtedness will depend upon, among others, our 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 our Group's control. If our Group's operating cash flows are not sufficient to service our indebtedness, our Group will be forced to take action such as seeking additional equity capital or reducing or delaying investments or capital expenditures.

(iii) 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 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 their 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 our Group.

(iv) Loss of qualified skilled personnel

The businesses of the Scomi Energy Group and the 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, their competitiveness.

(v) Foreign exchange risk

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

In addition, the Scomi Energy Group and the 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 their business operations which span multiple countries, the Scomi Energy Group and the 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 our Group.

7. EFFECTS OF THE PROPOSALS

7.1 Issued share capital

The pro forma effects of the Proposals on the issued share capital of our Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares/ Consolidated Shares	Share capital	No. of Shares/ Consolidated Shares	Share capital
	'000	RM'000	'000	RM'000
Issued share capital as at the LPD	(1)1,917,510	636,582	(1)1,917,510	636,582
Issued share capital after the Proposed Share Consolidation	(2)958,755	636,582	(2)958,755	636,582
To be issued pursuant to the Proposed Bonus Issue of Warrants	-	-	-	-
	958,755	636,582	958,755	636,582
To be issued pursuant to the Proposed Merger of Scomi Energy	-	-	482,870	(3)101,403
	958,755	636,582	1,441,625	737,985
To be issued pursuant to the Proposed Merger of Scomi Engineering	-	-	135,328	(3)28,419
	958,755	636,582	*1,576,952	*766,403
To be issued assuming full exercise of the Warrants	479,378	100,669	738,314	(4)162,638
Enlarged issued share capital	**1,438,133**	**737,251**	**2,315,266**	**929,041**

Notes:

* *Difference between the amount listed and the total is due to rounding.*

(1) *Including 14,427,200 Shares held as treasury shares.*

(2) *Including 7,213,600 Consolidated Shares held as treasury shares.*

(3) *For purposes of computing the fair value of the Consideration Shares, we have adopted the issue price of the Consideration Shares of RM0.21.*

(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.*

7.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposals on the shareholdings of the substantial shareholders of our Company as at the LPD are as follows:

Minimum Scenario

					(I)				(II)			
	As at the LPD				After the Proposed Share Consolidation				[10]After (I) and the Proposed Bonus Issue of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial Shareholders	No. of Shares ('000)	[1]%	No. of Shares ('000)	[1]%	No. of Consolidated Shares ('000)	[1]%	No. of Consolidated Shares ('000)	[1]%	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%
IJM Corporation Berhad	467,983	24.6	-	-	233,991	24.6	-	-	233,991	24.4	-	-
Kaspadu	[2]171,150	9.0	[3]1,125	0.1	85,575	9.0	[3]563	0.1	85,575	8.9	[3]563	0.1
Shah Hakim	[4]1,950	0.1	[5]175,917	9.2	975	0.1	[5]87,959	9.2	975	0.1	[5]87,959	9.2
Tan Sri Dato' Kamaluddin Bin Abdullah	-	-	[6]172,275	9.1	-	-	[6]86,138	9.1	-	-	[6]86,138	9.0
Amadia Investments Ltd	[7]151,637	8.0	-	-	75,819	8.0	-	-	75,819	7.9	-	-
TAEL One Partners	-	-	[8]151,637	8.0	-	-	[8]75,819	8.0	-	-	[8]75,819	7.9
United Overseas Bank Limited	-	-	[9]151,637	8.0	-	-	[9]75,819	8.0	-	-	[9]75,819	7.9

	(III)			
	After (II) and the full exercise of the Warrants			
	Direct		Indirect	
Substantial Shareholders	**No. of Consolidated Shares ('000)**	**%**	**No. of Consolidated Shares ('000)**	**%**
IJM Corporation Berhad	350,987	24.4	-	-
Kaspadu	128,362	8.9	[(3)]844	0.1
Shah Hakim	1,463	0.1	[(5)]131,938	9.2
Tan Sri Dato' Kamaluddin Bin Abdullah	-	-	[(6)]129,206	9.0
Amadia Investments Ltd	113,728	7.9	-	-
TAEL One Partners	-	-	[(8)]113,728	7.9
United Overseas Bank Limited	-	-	[(9)]113,728	7.9

Maximum Scenario

Substantial Shareholders	As at the LPD				(I) After the Proposed Share Consolidation				(II) [10]After (I) and the Proposed Bonus Issue of Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	[1]%	No. of Shares ('000)	[1]%	No. of Consolidated Shares ('000)	[1]%	No. of Consolidated Shares ('000)	[1]%	No. of Consolidated Shares ('000)	%	No. of Consolidated Shares ('000)	%
IJM Corporation Berhad	467,983	24.6	-	-	233,991	24.6	-	-	233,991	24.4	-	-
Kaspadu	[2]171,150	9.0	[3]1,125	0.1	85,575	9.0	[3]563	0.1	85,575	8.9	[3]563	0.1
Shah Hakim	[4]1,950	0.1	[5]175,917	9.2	975	0.1	[5]87,959	9.2	975	0.1	[5]87,959	9.2
Tan Sri Dato' Kamaluddin Bin Abdullah	-	-	[6]172,275	9.1	-	-	[6]86,138	9.1	-	-	[6]86,138	9.0
Amadia Investments Ltd	[7]151,637	8.0	-	-	75,819	8.0	-	-	75,819	7.9	-	-
TAEL One Partners	-	-	[8]151,637	8.0	-	-	[8]75,819	8.0	-	-	[8]75,819	7.9
United Overseas Bank Limited	-	-	[9]151,637	8.0	-	-	[9]75,819	8.0	-	-	[9]75,819	7.9

	(III)				(IV)				(V)			
	After (II) and the Proposed Merger of Scomi Energy				After (III) and the Proposed Merger of Scomi Engineering				After (IV) and the full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial Shareholders	**No. of Consolidated Shares ('000)**	**%**	**No. of Consolidated Shares ('000)**	**%**	**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	16.2	-	-	233,991	14.8	-	-	397,785	17.2	-	-
Kaspadu	85,575	5.9	(3)563	*	85,575	5.4	(3)563	*	145,477	6.3	(3)957	*
Shah Hakim	2,240	0.2	(5)87,993	6.1	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	6.0	-	-	(6)86,138	5.5	-	-	(6)146,434	6.3
Amadia Investments Ltd	75,819	5.3	-	-	75,819	4.8	-	-	128,892	5.6	-	-
TAEL One Partners	-	-	(8)75,819	5.3	-	-	(8)75,819	4.8	-	-	(8)128,892	5.6
United Overseas Bank Limited	-	-	(9)75,819	5.3	-	-	(9)75,819	4.8	-	-	(9)128,892	5.6

Notes:

* *Negligible.*

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

(2) *135,753,055 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 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 Rimbun and Onstream Marine.*

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

(7) *Held through UOBM Nominees (Asing) Sdn Bhd for TAEL One Partners 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 TAEL One Partners.*

(9) *Deemed interested by virtue of its investment in TAEL One Partners.*

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

7.3 NA and gearing

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

Minimum Scenario

	As at 31 March 2017	Pro forma I	Pro forma II	Pro forma III
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share capital	636,582	636,582	636,582	737,251
Treasury shares	(18,696)	(18,696)	[2]-	-
Other reserves[1]	(68,732)	(68,732)	(68,732)	(68,732)
Retained earnings	24,959	24,959	[2]7,778	[3]4,278
NA	**574,113**	**574,113**	**575,628**	**672,797**
No. of Shares/Consolidated Shares in issue (excluding treasury shares) ('000)	1,903,083	951,541	958,755	1,438,133
NA per Share/Consolidated Share (RM)	0.30	0.60	0.60	0.47
Total borrowings	771,098	771,098	771,098	771,098
Gearing (times)	1.34	1.34	1.34	1.15

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 assuming full exercise of the Warrants*

Notes:

(1) *Other reserves comprise translation reserve and hedging reserve.*

(2) *Assuming that all the treasury shares are resold on Bursa Securities at the 5-day VWAMP of our Shares up to and including the Last Trading Day, 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) *After deducting estimated expenses in relation to the Proposals amounting to RM3.5 million.*

Maximum Scenario

	As at 31 March 2017	Pro forma I	Pro forma II	Pro forma III	Pro forma IV	Pro forma V
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share capital	636,582	636,582	636,582	(3)737,985	(3)766,403	929,041
Treasury shares	(18,696)	(18,696)	(2)-	-	-	-
Warrant reserve	-	-	-	(3)6,063	(3)7,592	-
Other reserves(1)	(68,732)	(68,732)	(68,732)	(4)259,675	(5)296,002	296,002
Retained earnings	24,959	24,959	(2)7,778	(6)4,278	4,278	4,278
NA	**574,113**	**574,113**	**575,628**	**1,008,000**	**1,074,275**	**1,229,321**
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

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*

Notes:

(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 our Shares up to and including the Last Trading Day, 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, we have 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 our Company's non-controlling interest in Scomi Energy of approximately RM435.9 million as at 31 March 2017 and the total fair value of the Scomi Energy Consideration Shares and Scomi Energy Consideration Warrants of approximately RM107.5 million, which will be directly recognised in the equity attributable to the owners of our Company due to the Proposed Merger of Scomi Energy being accounted as common control transaction.

(5) *After adjusting for the difference between the book value of our Company's non-controlling interest in Scomi Engineering of approximately RM66.3 million as at 31 March 2017 and the total fair value of the Scomi Engineering Consideration Shares and Scomi Engineering Consideration Warrants of approximately RM29.9 million, which will be directly recognised in the equity attributable to the owners of our Company due to the Proposed Merger of Scomi Engineering being accounted as common control transaction.*

(6) *After deducting estimated expenses in relation to the Proposals amounting to RM3.5 million.*

7.4 Earnings and EPS

The Proposed Share Consolidation will not have any effect on the earnings of our Group for the FYE 31 March 2018. However, the EPS of our 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 Bonus Issue of Warrants is not expected to have any material effect on the earnings of our Group for the FYE 31 March 2018. However, going forward, the EPS of our Group may be diluted as a result of the increase in the number of ordinary 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 our Group will depend upon, among others, the number of Warrants exercised at any point in time and the returns generated by our Group from the utilisation of proceeds raised from the exercise of the Warrants.

For illustration purposes, the pro forma effects of the Proposed Mergers on the earnings of our Group 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:

	RM'000
Audited loss of our Group attributable to the owners of our Company for the FYE 31 March 2017[(1)]	(110,905)
Net loss of Scomi Energy attributable to non-controlling interest	(52,780)
Net loss of Scomi Engineering attributable to non-controlling interest	(5,466)
Pro forma loss of our Group attributable to the owners of our Company after the Proposed Mergers	**(169,151)**
Weighted average number of Consolidated Shares in issue[(2)] ('000)	2,315,266
Pro forma loss per Consolidated Share (sen)	(7.31)
Basic loss per Share 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 Consideration Shares to be issued pursuant to the Proposed Mergers and 738,313,507 new Consolidated Shares to be issued upon full exercise of the Warrants.*

7.5 Convertible securities

As at the LPD, we do not have any outstanding convertible securities in issue.

7.6 Public shareholding spread

Based on the Record of Depositors of our Company as at the LPD, the public shareholding spread of our Company is about 57.4%. For illustrative purposes, the public shareholding spread of our Company is expected to increase to about 72.4% assuming the Proposed Mergers are completed and to about 68.8% assuming all the Warrants are fully exercised, each of which is in compliance with the minimum public shareholding spread requirement of 25% under Paragraph 8.02(1) of the Listing Requirements.

8. APPROVALS REQUIRED/OBTAINED

The Proposals are subject to the following approvals being obtained:

(i) the approval of Securities Commission Malaysia 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 for an extension of time to despatch the scheme documents by Scomi Energy and Scomi Engineering;

In this connection, Scomi Energy and Scomi Engineering had obtained the approvals of the Securities Commission Malaysia vide its letters dated 3 October 2017;

(ii) the 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) listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities;

which was obtained vide its letter dated 30 November 2017, subject to the following conditions:

Conditions imposed	Status of Compliance
(i) HLIB is required to make the relevant announcements pursuant to Paragraph 13.10(2) of the Listing Requirements;	To be complied.
(ii) Scomi and HLIB must fully comply with the provisions under the Listing Requirements pertaining to the implementation of the Proposals;	To be complied.
(iii) Scomi and HLIB to inform Bursa Securities upon the completion of the Proposals;	To be complied.
(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	To be complied.

Conditions imposed	Status of Compliance
(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.	To be complied.

(iii) approval of our shareholders for the Proposals at our forthcoming EGM;

(iv) approval of our shareholders for the issuance and specific allotment of the Consideration Shares and Consideration Warrants to certain director, major shareholder or chief executive of Scomi, and persons connected to them who are also the Scomi Energy Scheme Shareholders and/or Scomi Engineering Scheme Shareholders at an EGM 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;

(v) approval of the non-interested Scomi Energy Scheme Shareholders of the Proposed Merger of Scomi Energy by way of a poll by at least a majority in number of the non-interested Scomi Energy Scheme Shareholders holding 75% in value of the total disinterested Scomi Energy Scheme Shares present and voting either in person or by proxy at the Scomi Energy Court Convened Meeting, provided that the value of votes cast against the resolution to approve the Proposed Merger of Scomi Energy at the Scomi Energy Court Convened Meeting is not more than 10% of the votes attaching to all the disinterested Scomi Energy Scheme Shares held by the non-interested Scomi Energy Scheme Shareholders;

(vi) approval of the non-interested Scomi Engineering 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 Scomi Engineering Scheme Shareholders holding 75% in value of the total disinterested Scomi Engineering Scheme Shares present and voting either in person or by proxy at the Scomi Engineering Court Convened Meeting, provided that the value of votes cast against the resolution to approve the Proposed Merger of Scomi Engineering at the Scomi Engineering Court Convened Meeting is not more than 10% of the votes attaching to all the disinterested Scomi Engineering Scheme Shares held by the non-interested Scomi Engineering Scheme Shareholders;

(vii) sanction of the Proposed Merger of Scomi Energy by the 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;

(viii) sanction of the Proposed Merger of Scomi Engineering by the 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

(ix) 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 Mergers are not inter-conditional with each other.

The Proposals are not conditional upon any other corporate exercises undertaken by our Company.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save for their respective entitlements as our shareholders under the Proposed Share Consolidation and the Proposed Bonus Issue of Warrants, the entitlements of which are similarly available to the other shareholders of our Company, none of our directors and/or major shareholders and/or persons connected with them have any interest in the Proposed Share Consolidation and the Proposed Bonus Issue of Warrants.

As at the LPD, Scomi Energy and Scomi Engineering are our 65.6%-owned and 72.3%-owned subsidiaries respectively. Save as disclosed below, none of our directors and/or major shareholders and/or persons connected with them have any interest, direct or indirect, in Scomi Energy and/or Scomi Engineering under the Proposed Mergers.

As at the LPD, the details of our directors and/or major shareholders, including their direct and indirect interests in Scomi Energy and/or Scomi Engineering, are as follows:

(i) Tan Sri Nik Mohamed Bin Nik Yaacob is our Independent Non-Executive Director. He is also the Chairman, Independent Non-Executive Director of Scomi Energy;

(ii) Lee Chun Fai is a Non-Independent Non-Executive Director of our Company and Scomi Energy;

(iii) Shah Hakim is our Non-Independent Executive Director/Chief Executive Officer and substantial shareholder. He is also a Non-Independent Executive Director/Chief Executive Officer and a shareholder of Scomi Energy, and a Non-Independent Executive Director and a shareholder of Scomi Engineering;

(iv) Cyrus Eruch Daruwalla is a Non-Independent Non-Executive Director of our Company and Scomi Engineering; and

(v) Liew Willip is an Independent Non-Executive Director of our Company and Scomi Engineering.

	Direct		Indirect	
Direct and/or indirect interests in Scomi Energy	**No. of Scomi Energy Shares ('000)**	**(1)%**	**No. of Scomi Energy Shares ('000)**	**(1)%**
Shah Hakim	(2)2,108	0.1	(3)57	< 0.1

	Direct		Indirect	
Direct and/or indirect interests in Scomi Engineering	**No. of Scomi Engineering Shares ('000)**	**(1)%**	**No. of Scomi Engineering Shares ('000)**	**(1)%**
Shah Hakim	(4)623	0.2	(5)538	0.2

Notes:

(1) The percentage shareholdings have been computed net of treasury shares.

(2) 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 Rimbun held through KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbun (RE001).

(4) *123,000 Scomi Engineering Shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin).*

(5) *Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Rentak Rimbun and 282,000 Scomi Engineering Shares held KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbun (RE001).*

The Interested Directors and persons connected with them (if any) will abstain from all deliberations and voting pertaining to the Proposed Mergers at the relevant board meetings of Scomi Energy and Scomi Engineering. The Interested Directors and persons connected with them (if any) will also abstain from voting in respect of their direct and/or indirect shareholdings in Scomi Energy and/or Scomi Engineering (if any), on the resolutions pertaining to the Proposed Mergers to be tabled at the Court Convened Meetings.

The Proposed Mergers are not deemed related party transactions pursuant to Paragraph 10.08(11)(c) of the Listing Requirements as none of the directors of our Company has any interest in Scomi Energy or Scomi Engineering which exceeds 5% other than through our Company. Further, the directors of our Company do not receive any interest such as commission or other kinds of benefit in relation to the Proposed Mergers.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

Our Board, having considered all aspects of the Proposals (including but not limited to the rationale, prospects, effects and risk factors) is of the opinion that the Proposals are in the best interests of our Company and our shareholders.

Accordingly, our Board recommends that you vote in favour of the resolutions in relation to the Proposals to be tabled at our forthcoming EGM.

11. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the tentative timetable in relation to the Proposals is as follows:

Event	**Tentative date**
EGM for the Proposals	4 January 2018
Scomi Energy Court Convened Meeting	4 January 2018
Scomi Engineering Court Convened Meeting	5 January 2018
Completion of the Proposed Share Consolidation	Mid January 2018
Extraction of the sealed copy of the Court's orders for the Scomi Energy Scheme and Scomi Engineering Scheme	Early February 2018
Lodgement of an office copy of the Court's orders for the Scomi Energy Scheme and Scomi Engineering Scheme with the Registrar of Companies Malaysia	Mid February 2018
Completion of the Proposed Bonus Issue of Warrants and Proposed Mergers	End February 2018
Delisting of Scomi Energy and Scomi Engineering	End February 2018

12. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there are no other corporate exercises which have been announced but have yet to be completed as at the LPD.

13. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of our Shares traded on Bursa Securities for the past 12 months from December 2016 to November 2017 are as follows:

	High (RM)	Low (RM)
2016		
December	0.125	0.090
2017		
January	0.175	0.115
February	0.200	0.155
March	0.215	0.155
April	0.205	0.170
May	0.180	0.150
June	0.150	0.125
July	0.140	0.105
August	0.160	0.100
September	0.210	0.105
October	0.185	0.140
November	0.165	0.140
The last transacted market price of our Shares immediately before the announcement of the Proposals on 17 August 2017		0.115
The last transacted market price of our Shares as at the LPD		0.130

(Source: Bloomberg)

14. EGM

The EGM will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur, Malaysia, on Thursday, 4 January 2018 at 10.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions to give effect to the Proposals. You are advised to refer to the Notice of EGM and the Form of Proxy which are enclosed in this Circular.

If you are unable to attend and vote at the EGM, 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 PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than 24 hours before the time set for the EGM 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 EGM should you subsequently decide to do so.

15. FURTHER INFORMATION

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

Yours faithfully
For and on behalf of the Board
SCOMI GROUP BHD

DATO' MOHAMMED AZLAN BIN HASHIM
Chairman, Independent Non-Executive Director

1. HISTORY AND BUSINESS

Scomi Energy was incorporated in Malaysia under the Companies Act 1965 (and is deemed registered under the Act) on 14 August 1996 as a private limited company under the name of Dekad Gemilang Sdn Bhd. It changed its name to Habib Corporation Sdn Bhd on 4 January 1997 and subsequently converted into a public company limited by shares under the name of Habib Corporation Berhad on 18 January 1997. It then changed its name to Scomi Marine Bhd on 27 September 2005 before it assumed its present name on 28 February 2013. Scomi Energy was listed on the Second Board (now known as Main Market) of Bursa Securities on 25 March 1998 and later transferred to the Main Board (now known as Main Market) of Bursa Securities on 30 November 2001.

The principal activities of Scomi Energy are investment holding, coal transportation and provision of management services to its subsidiaries and associated companies. Its subsidiaries, associated companies and joint ventures are principally involved in:

(i) supply and manufacturing of equipment, supply of a wide range of specialised chemicals and provision of services;

(ii) provision of transportation of bulk aggregates for the coal industry and other shipping related services; and

(iii) provision of services in development and management of marginal hydrocarbon assets, services encompass preparing and execution of field development plan and supplying and operations and maintenance of offshore oil and gas facilities.

For the FYE 31 March 2017, revenue of the Scomi Energy Group was derived from the following principal markets:

	RM'000	%
Malaysia	171,868	25.9
Indonesia	163,317	24.6
Turkmenistan	82,594	12.4
Russia	74,574	11.2
Thailand	45,900	6.9
Others	125,759	18.9
	664,012	**100.0**

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 Energy is no longer applicable.

As at the LPD, the share capital and number of Scomi Energy Shares is RM1,053,798,945.75 comprising 2,341,775,435 Scomi Energy Shares (including 154,100 Scomi Energy Shares held by Scomi Energy as treasury shares).

The issued share capital of RM1,053,798,945.75 is reconciled to the carrying amount of Scomi Energy's share capital of RM1,005,535,967.10 as follows:

		RM'000
Issued share capital		1,053,799
Less:	Issuance of Scomi Energy Shares at RM0.42 each (RM0.03 below the then par value of RM0.45 each), based on quoted market price at the completion date of the acquisition by Scomi Energy of Eastern Hemisphere Entities of the oilfield services segment of Scomi in FYE 31 March 2013	(48,263)
Carrying amount of share capital at fair value		**1,005,536**

3. DIRECTORS OF SCOMI ENERGY

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

			Direct		Indirect	
Name	**Designation**	**Nationality**	**No. of Scomi Energy Shares**	**[(1)]%**	**No. of Scomi Energy Shares**	**[(1)]%**
Tan Sri Nik Mohamed Bin Nik Yaacob	Chairman, Independent Non-Executive Director	Malaysian	-	-	-	-
Dato' Sri Meer Sadik Bin Habib Mohamed	Independent Non-Executive Director	Malaysian	42,783,996	1.8	[(2)]547,404	#
Dato' Jamelah Binti Jamaluddin	Independent Non-Executive Director	Malaysian	-	-	-	-
Ravinder Singh Grewal A/L Sarbjit S	Independent Non-Executive Director	Malaysian	-	-	-	-
Lee Chun Fai	Non-Independent Non-Executive Director	Malaysian	-	-	-	-
Stephen Fredrick Bracker	Non-Independent Non-Executive Director	Australian	-	-	-	-
Shah Hakim	Non-Independent Executive Director/Chief Executive Officer	Malaysian	[(3)]2,108,000	0.1	[(4)]56,900	#

Notes:

\# *Negligible.*

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

(2) *Deemed interested by virtue of Section 59(11)(c) of the Act through his spouse, Datin Zarida Binti Noordin's shareholding in Scomi Energy.*

(3) *Held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim (Margin).*

(4) *Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Rentak Rimbun, held through KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbun (RE001).*

4. SUBSTANTIAL SHAREHOLDER

The substantial shareholder of Scomi Energy and its shareholdings in Scomi Energy as at the LPD is as follows:

		Direct		Indirect	
Name	**Country of incorporation**	**No. of Scomi Energy Shares**	**(1)%**	**No. of Scomi Energy Shares**	**(1)%**
Scomi	Malaysia	(2)1,536,992,712	65.6	(3)350,000	#

Notes:

\# *Negligible.*

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

(2) *Includes 206,041,600 Scomi Energy Shares held through Maybank Nominees (Tempatan) Sdn Bhd, 173,983,800 Scomi Energy Shares held through UOBM Nominees (Tempatan) Sdn Bhd and 90,000,000 Scomi Energy Shares held through Affin Hwang Nominees (Tempatan) Sdn Bhd pledged Securities Account.*

(3) *Deemed interested by virtue of Section 8(4) of the Act through its shareholding in Scomi Energy Sdn Bhd, a wholly-owned subsidiary of Scomi, which in turn is interested in Scomi Energy.*

5. SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

As at the LPD, the subsidiaries, associated companies and joint ventures of Scomi Energy are as follows:

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
Direct subsidiaries of Scomi Energy				
Scomi D&P Sdn Bhd	8 October 2012 / Malaysia	2	100.0	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	USD25,245,314	100.0	Investment holding
Scomi Argentina Sociedad Anonima	16 November 2016 / Argentina	Argentine Pesos 200,000	70.0	Currently not operating actively but will be principally involved in the supply of chemicals, drilling fluids, drilling waste management, production chemicals, and other drilling related product and services in Argentina
Trans Advantage Sdn Bhd	17 August 2006 / Malaysia	1,000,000	100.0	Dormant
Scomi Marine Services Pte Ltd	27 July 2005 / Singapore	Singapore Dollar (SGD) 100,000	100.0	Investment holding
Scomi Sosma Sdn Bhd	16 August 1997 / Malaysia	500,000	100.0	Distribution of chemical products and services
Scomi KMC Sdn Bhd	30 January 2007 / Malaysia	2,600,0000	52.0	Provision of engineering services, sale of a wide range of specialised chemicals and support services to the oil and gas industry

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
Direct joint ventures of Scomi Energy				
Transenergy Shipping Management Sdn Bhd	3 December 2013 / Malaysia	2	50.0	Provision of marine transportation
Transenergy Shipping Pte Ltd	1 July 2013 / Labuan	USD600,000	50.0	Provision of marine transportation
Marineco Limited	9 November 2004 / Labuan	USD500,000	51.0	Ship chartering
Gemini Sprint Sdn Bhd	18 April 2006 / Malaysia	250,000	51.0	(i) Leasing of marine vehicles; (ii) Chartering of marine vessels and provision of offshore marine services; and (iii) Ship management of marine vessels
Associated companies of Scomi Energy				
Emerald Logistics Sdn Bhd	28 February 2008 / Malaysia	1,000,000	49.0	Ship chartering and ship management
Southern Petroleum Transportation Joint Stock Company	11 April 2008 / Vietnam	Vietnamese Dong 582,565,080,000	13.8	Owner and operator of tankers
Associated company of Scomi D&P Sdn Bhd				
Ophir Production Sdn Bhd	18 December 2013 / Malaysia	3,200,000	30.0	Development and production of crude oil for Ophir field

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
Subsidiaries of Scomi Marine Services Pte Ltd				
PT Rig Tenders Indonesia Tbk	1 April 1974 / Indonesia	Indonesian Rupiah (IDR) 60,913,000,000	80.5	Ship owning and chartering
Rig Tenders Marine Pte Ltd	28 January 2010 / Singapore	SGD100	80.5	Ship chartering
CH Ship Management Pte Ltd	8 March 1972 / Singapore	SGD500,000	80.5	Provision of management services
Grundtvig Marine Pte Ltd	24 December 1982 / Singapore	SGD350,000	80.5	Investment holding
CH Logistics Pte Ltd	20 January 1981 / Singapore	SGD250,000	80.5	Investment holding
Associated company of Scomi Marine Services Pte Ltd				
King Bridge Enterprises Limited (BVI)	18 October 2007 / British Virgin Islands	USD100	49.0	Investment holding
Subsidiary of Grundtvig Marine Pte Ltd				
PT Batuah Abadi Lines	26 May 2003 / Indonesia	USD6,700,000	76.5	Ship owning and chartering

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
Subsidiary of PT Batuah Abadi Lines				
Scomi Vessels Pte Ltd	21 August 2014 / Labuan	USD100	76.5	Dormant
Subsidiary of Scomi Sosma Sdn Bhd				
Scomi Anticor S.A.S	10 August 1992 / France	Euro (EUR) 90,000	100.0	Design and field deployment of various oil and gas production chemicals
Associated company of Scomi Sosma Sdn Bhd				
Sosma (B) Sdn Bhd	6 October 2003 / Brunei	Brunei Dollar 2	50.0	Dormant and under members' voluntary liquidation
Subsidiaries of Scomi Oilfield Limited				
Scomi Oiltools Sdn Bhd	27 February 1982 / Malaysia	8,082,000	100.0	(i) Sale of a wide range of specialised chemicals and related engineering services; (ii) Provision of rental equipment and support services to the oil and gas industry; and (iii) Provision of management services to its related companies
Scomi Oiltools Pty Ltd	6 August 1982 / Australia	Australian Dollar 25,000	100.0	Provision of oilfield equipment, supplies and services
KMCOB Capital Berhad	7 September 2006 / Malaysia	2	100.0	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

INFORMATION ON SCOMI ENERGY *(Cont'd)*

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
Scomi Oiltools Ltd	14 April 1981 / Cayman Islands	USD100	100.0	Provision of oilfield equipment, supplies and services in Pakistan and Myanmar
Scomi Equipment Inc	1 August 2012 / Texas, United States of America	USD1	100.0	Research and development and the provision of engineering services to support the drilling waste management operations of Scomi Group globally
Scomi Oiltools (Thailand) Ltd	27 October 1982 / Thailand	(1)Thai Baht (THB) 93,000,000	100.0	Provision of oilfield equipment, supplies and services
Scomi Oiltools Oman LLC	1 May 1991 / Oman	Rial Omani 150,000	51.0	Provision of oilfield equipment, supplies and services
Scomi Oiltools (Cayman) Ltd	29 December 1977 / Cayman Islands	USD500,000	100.0	Provision of oilfield equipment, supplies and services to Qatar and United Arab Emirates
Scomi Oiltools (S) Pte Ltd	21 October 2004 / Singapore	SGD100,000	100.0	Investment holding and provision of treasury function
Scomi Oiltools (Africa) Limited	Incorporated in Jersey on 15 May 1981 and re-domiciled to Cayman Islands on 1 April 2011 / Cayman Islands	British Pound (GBP) 48,004	100.0	Investment holding and provision of oilfield equipment, supplies and services to Congo and Nigeria

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
Associated company of Scomi Oilfield Limited				
Vibratherm Limited	16 August 2011 / England & Wales	GBP10,000	50.0	Development of microwave thermal treatment equipment
Subsidiaries of Scomi Oiltools (S) Pte Ltd				
KMC Oiltools India Pte Ltd	6 July 2005 / India	Indian Rupee 43,030,860	100.0	Provision of oilfield equipment, supplies and services
PT Scomi Oiltools	23 December 2004 / Indonesia	USD500,000	95.0	Provision of oilfield equipment, supplies and services
PT Multi Jaya Persada	14 June 2005 / Indonesia	IDR770,000,000	95.0	Dormant
PT Inti Jatam Pura	11 February 1981 / Indonesia	IDR770,000,000	95.0	Dormant
Scomi Oiltools (RUS) LLC	11 March 2008 / Russia	Russian Ruble 1,000,000	100.0	Provision of oilfield equipment, supplies and services
Subsidiary of Scomi Oiltools (Africa) Limited				
Wasco Oil Service Company Nigeria Limited	6 May 1985 / Nigeria	[2]Nigerian Naira (NGN) 5,000,000	60.0	Provision of oilfield equipment, supplies and services

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
Associated companies of Scomi Oiltools Sdn Bhd				
Global Oilfield Products Sdn Bhd	28 July 2015 / Malaysia	400,000	25.0	Manufacture of oilfield supplies
Scomi Platinum Sdn Bhd	21 April 2014 / Malaysia	1,350,000	50.0	Manufacture of palm based oleochemical products

Notes:

(1) THB93,000,000 comprises of:

(a) 24,000 Class A shares of THB100 each of which all are fully paid-up;
(b) 906,000 Class B shares of THB100 each of which:
- 23,000 Class B shares are fully paid-up; and
- 883,000 Class B shares, THB25 of each share has been paid-up.

(2) NGN5,000,000 of NGN1.00 each comprise of 500,000 shares which are fully paid-up and 4,500,000 shares which are subject to call.

6. FINANCIAL INFORMATION

A summary of the historical financial performance of the Scomi Energy Group based on its audited consolidated financial statements for the 3 FYEs 31 March 2015 to 31 March 2017 as well as its latest unaudited consolidated financial statements for the 6-month FPE 30 September 2017 is set out below:

	FYE 31 March 2015	**FYE 31 March 2016**	**FYE 31 March 2017**	**6-month FPE 30 September 2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	1,560,239	1,208,784	664,012	321,451
Profit /(Loss) before tax	107,399	11,996	(126,637)	(33,003)
Profit /(Loss) after tax attributable to owners of the company	69,289	(2,734)	(126,406)	(38,273)
Share capital	1,005,535	1,005,535	1,005,535	1,005,535
Weighted average no. of shares ('000)	2,341,630	2,341,626	2,341,621	2,341,621
Gross earnings/(loss) per share attributable to owners of the company[(1)] (sen)	4.59	0.51	(5.41)	(1.41)
Net earnings/(loss) per share attributable to owners of the company[(2)] (sen)	2.96	(0.12)	(5.40)	(1.63)
NA	773,598	808,565	740,255	665,906
Total borrowings	431,089	300,372	245,057	252,754
NA per share[(3)] (sen)	0.33	0.35	0.32	0.28
Current ratio[(4)] (times)	1.41	1.52	1.36	1.66
Gearing ratio[(5)] (times)	0.56	0.37	0.33	0.38

Notes:

(1) Computed based on profit/(loss) before tax divided by weighted average number of Scomi Energy Shares.

(2) Computed based on profit/(loss) after tax divided by weighted average number of Scomi Energy Shares.

(3) Computed based on NA divided by weighted average number of Scomi Energy Shares less any treasury shares held.

(4) Computed based on current assets divided by current liabilities.

(5) Computed based on total borrowings divided by NA.

Commentary

FYE 31 March 2016 compared to FYE 31 March 2015

The Scomi Energy Group recorded lower revenue of RM1.2 billion for the FYE 31 March 2016, compared to revenue of RM1.6 billion for the previous financial year, with oilfield services segment contributing 84% to the revenue, while the balance was derived from marine services.

The lower revenue was mainly due to a slowdown in the oil and gas sector against a backdrop of volatile crude oil prices, ample production and moderate demand, leading to oil and gas majors and national oil companies reducing capital expenditure and operating expenditure in response to the low oil price environment.

Nevertheless, the Scomi Energy Group managed to secure contracts for its oilfield services in Asia Pacific, West Africa, Turkmenistan and the Middle East, valued at over USD140 million (or approximately RM587.8 million) during the financial year. In addition, the Scomi Energy Group also made significant progress with its new products. PlatDrill R, a green base oil was successfully tested in an offshore field in Myanmar, and could be introduced further into other drilling campaigns in Myanmar and other regions.

Meanwhile, the Scomi Energy Group's marine services unit continued to be impacted by the weakened oil, gas and coal markets. The slowdown affected the unit's offshore vessels operations with lower drilling activity in Malaysia and Indonesia.

During the financial year, the Scomi Energy Group recorded a lower profit before tax of RM12.0 million (FYE 31 March 2015: profit before tax of RM107.4 million) due mainly to a few exceptional and non-recurring items such as foreign exchange loss, inventory adjustments, and impairment of vessels and goodwill and accelerated amortisation of dry-docking costs in the marine services unit, amounting to RM41.1 million.

FYE 31 March 2017 compared to FYE 31 March 2016

The Scomi Energy Group recorded lower revenue of RM664.0 million for the FYE 31 March 2017, representing a decrease of RM544.8 million or 45.1% compared to revenue of RM1.2 billion for the previous financial year.

The decline in revenue for the FYE 31 March 2017 was mainly due to lower revenue of RM487.7 million (FYE 31 March 2016: RM1.0 billion) from drilling services, which is the biggest revenue contributor to the Scomi Energy Group. The substantial decrease in revenue from drilling services was reflective of the weak conditions within the global oil and gas sector. Business activities in all geographical markets declined during the year, with the exception of Russia, leading to earnings being directly impacted. This is mainly due to slower drilling activities, coupled with fixed direct cost, which affected margins.

Revenue from the marine services segment decreased 10.2% to RM175.0 million (FYE 31 March 2016: RM194.9 million) during the financial year, despite activity picking up in the later part of FYE 31 March 2016 on the back of favourable coal prices. The lower revenue for the FYE 31 March 2017 was mainly due to lower coal affreightment contract revenue from Malaysia. This was despite the higher vessel utilisation and tonnage carried for coal in Indonesia. The Scomi Energy Group's offshore support vessels remained largely idle during the financial year which mirrored the weak oil and gas exploration and production market.

During the financial year, the Scomi Energy Group introduced various cost-reduction initiatives which had resulted in operational expenditure decreasing by 20%. Notwithstanding the cost cutting efforts, the Scomi Energy Group still recorded an overall loss before tax of RM126.6 million for the year (2016: profit before tax of RM12.0 million).

6-month FPE 30 September 2017 compared to 6-month FPE 30 September 2016

The Scomi Energy Group recorded lower revenue of RM321.5 million for the 6-month FPE 30 September 2017, representing a decrease of RM28.6 million or 8.2% compared to revenue of RM350.1 million for the 6-month FPE 30 September 2016.

The decline in revenue was mainly due to lower activities in drilling services in most countries with the exception of Russia and Turkmenistan as well as lower tonnage carried under marine services for the coal affreightment contract in Malaysia.

During the financial period, the Scomi Energy Group continued with its cost-reduction initiatives which had resulted in operational expenditure decreasing by 7.4%. Notwithstanding the cost cutting efforts, the Scomi Energy Group still recorded an overall loss before tax of RM33.0 million for the 6-month FPE 30 September 2017 due to the lower revenue and fixed costs in place.

Accounting policies and audit qualification

There was no specific accounting policies adopted which are peculiar to the Scomi Energy Group because of the nature of its business or the industry it is involved in. There has been no audit qualification on the Scomi Energy Group's financial statements during the financial years under review.

7. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

7.1 Material commitments

Save as disclosed below, based on the latest unaudited consolidated financial statements of Scomi Energy for the 6-month FPE 30 September 2017, there are no material commitments incurred or known to be incurred by the Scomi Energy Group which, upon becoming enforceable, may have a material impact on the profits or NA of the Scomi Energy Group:

	RM'000
Plant and machinery (approved but not contracted for)	6,605
Vessels (approved but not contracted for)	36,746
Others (approved but not contracted for)	1,982
Total	**45,333**

The future minimum lease payments under non-cancellable operating leases as at 30 September 2017 are as follows:

	RM'000
Less than 1 year	5,329
Between 1 and 5 years	7,890
Total	**13,219**

7.2 Contingent liabilities

Save as disclosed below, based on the latest unaudited consolidated financial statements of Scomi Energy for the 6-month FPE 30 September 2017, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on the profits or NA of the Scomi Energy Group:

	RM'000
Contingent liabilities arising from tax matters	2,200

8. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, neither Scomi Energy nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which may materially or adversely affect the business and financial position of the Scomi Energy Group, and the Board of Directors of Scomi Energy are 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 business and financial position of the Scomi Energy Group.

9. MATERIAL CONTRACTS

As at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Scomi Energy Group within 2 years immediately preceding the date of this Circular.

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 and subsequently converted into a public company limited by shares under the name of Bell & Order Berhad on 28 April 1995. It assumed its present name on 9 January 2006. It was listed on the Main Board (now known as Main Market) of Bursa Securities on 28 April 1995.

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

(a) development, design, manufacture and supply of monorail transportation infrastructure systems and equipment, and engineering related support services; and

(b) manufacturing, fabrication and assembly of commercial coaches and truck vehicle bodies and other related services.

For the FYE 31 March 2017, revenue of the Scomi Engineering Group was derived from the following principal markets:

	RM'000	%
Malaysia	51,593	31.7
India	68,444	42.0
Brazil	42,843	26.3
	162,880	**100.0**

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 Scomi Engineering Shares is RM388,684,503 comprising 342,079,503 Scomi Engineering Shares (including 121,800 Scomi Engineering Shares held by Scomi Engineering as treasury shares).

3. DIRECTORS OF SCOMI ENGINEERING

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

			Direct		Indirect	
Name	Designation	Nationality	No. of Scomi Engineering Shares	[1]%	No. of Scomi Engineering Shares	[1]%
Datuk Zainun Aishah Binti Ahmad	Independent Non-Executive Chairman	Malaysian	250,000	0.1	-	-
Dato' Ikmal Hijaz Bin Hashim	Independent Non-Executive Director	Malaysian	-	-	-	-
Liew Willip	Independent Non-Executive Director	Malaysian	-	-	-	-
Kanesan A/L Veluppillai	Non-Independent Non-Executive Director	Malaysian	-	-	-	-
Cyrus Eruch Daruwalla	Non-Independent Non-Executive Director	Indian	-	-	-	-
Shah Hakim	Non-Independent Executive Director	Malaysian	[2]623,000	0.2	[3]537,500	0.2

Notes:

(1) The percentage shareholdings have been computed net of treasury shares held by Scomi Engineering 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 Rimbun and 282,000 Scomi Engineering Shares held through KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbun (RE001).

4. SUBSTANTIAL SHAREHOLDER

The substantial shareholder of Scomi Engineering and its shareholdings in Scomi Engineering as at the LPD is as follows:

		Direct		Indirect	
Name	Country of incorporation	No. of Scomi Engineering Shares	[(1)]%	No. of Scomi Engineering Shares	[(1)]%
Scomi	Malaysia	247,350,058	72.3	-	-

Note:

(1) The percentage shareholdings have been computed net of treasury shares held by Scomi Engineering 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
Direct Subsidiaries of Scomi Engineering				
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

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
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
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	Indian Rupee 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 Ferroviårios E Serviços De Engenharia LTDA	19 March 2012 / Brazil	[(1)]Nil	80.0	Dormant
Subsidiary of Scomi Special Vehicles Sdn Bhd				
Scomi Trading Sdn Bhd	19 January 1994 / Malaysia	250,000	100.0	Marketing agent for the sale of road transport equipment and related products
Subsidiaries of Scomi Transportation Systems Sdn Bhd				
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

Name of company	Date / Place of incorporation	Share capital (RM) (unless otherwise stated)	Effective interest (%)	Principal activities
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
Subsidiary of Scomi Coach Sdn Bhd				
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 BRL1,000,000. The registered capital was not paid-up as at 31 March 2017.

6. FINANCIAL INFORMATION

A summary of the historical financial performance of Scomi Engineering based on its audited consolidated financial statements for the 3 FYEs 31 March 2015 to 31 March 2017 as well as its latest unaudited consolidated financial statements for the 6-month FPE 30 September 2017 is set out below:

	FYE 31 March 2015	FYE 31 March 2016	FYE 31 March 2017	6-month FPE 30 September 2017
	RM'000	RM'000	RM'000	RM'000
Revenue	238,321	174,548	162,880	66,165
Profit /(Loss) before tax	(2,048)	(11,880)	(11,645)	(30,719)
Profit/(Loss) after tax attributable to owners of the company	378	(1,843)	(19,756)	(31,279)
Share capital	(1)342,080	(1)342,080	(2)388,685	(2)388,685
Weighted average no. of shares ('000)	342,080	341,958	341,958	341,958
Gross earnings/(loss) per share attributable to owners of the Company(3) (sen)	(0.60)	(3.47)	(3.41)	(8.98)
Net earnings/(loss) per share attributable to owners of the Company(4) (sen)	0.11	(0.54)	(5.78)	(9.15)
NA	269,664	265,273	256,017	213,810
Total borrowings	520,618	469,817	525,641	511,063
NA per share(5) (sen)	0.79	0.78	0.75	0.68
Current ratio(6) (times)	1.12	1.25	1.25	1.20
Gearing ratio(7) (times)	1.93	1.77	2.05	2.39

Notes:

(1) Excluding share premium.

(2) Including amount standing to the credit of the share premium account which becomes part of share capital pursuant to the transition provisions under Section 618(2) of the Act.

(3) Computed based on profit/(loss) before tax divided by weighted average number of Scomi Engineering Shares.

(4) Computed based on profit/(loss) after tax divided by weighted average number of Scomi Engineering Shares.

(5) Computed based on NA divided by weighted average number of Scomi Engineering Shares less any treasury shares held.

(6) Computed based on current assets divided by current liabilities.

(7) Computed based on total borrowings divided by NA.

Commentary

FYE 31 March 2016 compared to FYE 31 March 2015

The Scomi Engineering Group recorded lower revenue of RM174.5 million for the FYE 31 March 2016, representing a decrease of RM63.8 million or 26.8% compared to revenue of RM238.3 million for the previous financial year, mainly due to the subdued global economy, delay in projects including Phase 2 of the Mumbai Monorail project, and volatile Brazilian and India currencies.

During the financial year, the Scomi Engineering Group registered a loss after tax of RM1.8 million (FYE 31 March 2015: profit after tax of RM0.4 million) due primarily due to impairments on receivables, in particular from the Manaus project in Brazil, as well as provisions for one-off expenses.

FYE 31 March 2017 compared to FYE 31 March 2016

The Scomi Engineering Group recorded lower revenue of RM162.9 million for the FYE 31 March 2017, representing a decrease of RM11.6 million or 6.7% compared to revenue of RM174.5 million for the previous financial year, due mainly very challenging business and operating conditions.

During the Scomi Engineering Group posted an operating profit of RM1.5 million (FYE 31 March 2016: operating loss of RM7.2 million) mainly due to unrealised foreign exchange gains arising from translation of unbilled receivables for both Mumbai and Brazil monorail projects as a result of strengthening of the Indian Rupee and Brazilian Real against the Ringgit Malaysia.

However, due to significant increase in finance costs and deferred tax liabilities recognised during the year, the Scomi Engineering Group posted a loss after tax of RM19.8 million for the year (2016: loss after tax of RM1.8 million).

6-month FPE 30 September 2017 compared to 6-month FPE 30 September 2016

The Scomi Engineering Group recorded higher revenue of RM66.2 million for the 6-month FPE 30 September 2017, representing an increase of RM2.7 million or 4.3% compared to revenue of RM63.5 million for the 6-month FPE 30 September 2016, due to higher revenue generated from its commercial vehicles segment with higher work done on the Mass Rapid Transit (MRT) feeder bus project.

However, the Scomi Engineering Group recorded a loss after tax of RM31.3 million as compared to a loss after tax of RM0.3 million for the 6-month FPE 30 September 2016 mainly due to unrealised foreign exchange losses arising from translation of accrued receivables for both Mumbai and Brazil Monorail projects as a result of weakening of the Indian Rupee and Brazilian Real against RM during the financial period.

Accounting policies and audit qualification

There was no specific accounting policies adopted which are peculiar to the Scomi Engineering Group because of the nature of its business or the industry it is involved in. There has been no audit qualification on the Scomi Engineering Group's financial statements during the financial years under review.

In the auditors' report on the audited consolidated financial statements of Scomi Engineering for the FYE 31 March 2017, the auditors drew attention to the material uncertainty on the ability of the Scomi Engineering Group to continue on going concern arising from the dispute and legal proceedings between the Scomi Engineering Group and Prasarana Malaysia Berhad. The auditors' report on the audited consolidated financial statements of Scomi Engineering for the FYE 31 March 2017, however, was not modified on this matter.

7. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

7.1 Material commitments

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

7.2 Contingent liabilities

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

8. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, save as disclosed below, neither Scomi Engineering nor its subsidiaries are engaged in any other material litigation, claims or arbitration, either as plaintiff or defendant, which may materially or adversely affect the business or financial position of the Scomi Engineering Group, and the Board of Directors of Scomi Engineering 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 business or financial position of the Scomi Engineering Group:

(i) Notice of Termination by Prasarana Malaysia Berhad ("PMB") of the Kuala Lumpur Fleet Expansion Project ("Project") Contract dated 3 June 2011 (as supplemented by the First Supplemental Agreement dated 16 April 2014 and the Second Supplemental Contract dated 15 April 2015) (collectively, the "Contract")

The Contract between PMB and Scomi Transit Projects Sdn Bhd ("**STP**") relates to the Project which involves the upgrade of the stations and systems of the Kuala Lumpur Monorail and the replacement of 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 commence on 13 November 2017 and will continue on the next hearing dates which have been fixed on 3 January 2018, 4 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.

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:

(a) 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"; and

(b) restraining PMB and/or RRSB from publishing statements similar to the aforesaid 3 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.

(ii) 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:

(a) the sum claimed by PJSI is exaggerated;

(b) final design drawings have not been fully delivered by PJSI;

(c) potential claims against SRB by Larsen & Toubro Limited for delay and errors in design; and

(d) 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**").

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 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 7th day of every successive month until full and final payment of the agreed settlement sum. For the 8th instalment, Scomi Engineering and SRB agreed that if their finances permit, they will endeavour to pay an instalment of RM750,000 by 7 July 2018 and the sum payable for the remaining 9th to 18th 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.

(iii) 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 (collectively referred to as "Molinari") against SRB in the High Court

Molinari instituted an action against SRB to enforce the Final Award whereby Molinari was awarded the sum of EUR598,726.43 representing the amount claimed, EUR94,287.28 representing interest, legal costs of EUR982,850.62 and arbitration costs of SGD478,051.55 to be paid by SRB. 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. 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 action.

9. MATERIAL CONTRACTS

As at the LPD, there are no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Scomi Engineering Group within 2 years immediately preceding the date of this Circular.

Scomi Energy Services Bhd

(Company No. 397979-A)
(Incorporated in Malaysia)

and its subsidiaries

Financial statements for the year ended 31 March 2017

Scomi Energy Services Bhd
(Company No. 397979-A)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the financial year ended 31 March 2017

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2017.

Principal activities

The principal activities of the Company is investment holding, coal transportation and provision of management services to its subsidiaries and associated companies.

The principal activities of the Group consist of drilling services, marine services, development and production asset and services as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Ultimate holding company

The Company is a subsidiary of Scomi Group Bhd, of which is incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company, during the financial year and until the date of this report.

Subsidiaries

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

Results

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	(126,406)	(192,803)
Non-controlling interests	(9,359)	-
	(135,765)	(192,803)

Reserves and provisions

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

Dividend

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

Consolidation of subsidiaries with different financial year end

The Companies Commission of Malaysia had granted an order pursuant to Section 247(7) of the Companies Act 2016 approving the application by the Company to allow the following subsidiaries of the Company to continue to have or to adopt a financial year which does not coincide with the Company in relation to the financial year ended 31 March 2017, subject to the following conditions:

(i) the Company is required to report this approval in its Directors' Report; and
(ii) the Company is to ensure compliance with Sections 252 and 253 of the Companies Act 2016 and the approved accounting standards pertaining to the preparation of consolidated accounts.

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

(a) Scomi Oiltools Russia LLC
(b) PT Inti Jatam Pura

Directors of the Company

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

Tan Sri Nik Mohamed bin Nik Yaacob
Dato' Sri Meer Sadik bin Habib Mohamed
Lee Chun Fai
Dato' Jamelah binti Jamaluddin
Ravinder Singh Grewal A/L Sarbjit Singh
Shah Hakim @ Shahzanim bin Zain
Stephen Fredrick Bracker
Liew Willip (Resigned on 3 January 2017)

Directors' interests in shares

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

	Number of ordinary shares			
	At 1.4.2016	Bought	Sold	At 31.3.2017
The Company	'000	'000	'000	'000
Direct interests				
Dato' Sri Meer Sadik bin Habib Mohamed	42,784[1]	-	-	42,784
Shah Hakim @ Shahzanim bin Zain	2,108[2]	-	-	2,108[2]
Indirect interests				
Dato' Sri Meer Sadik bin Habib Mohamed	547[3]	-	-	547[3]
Shah Hakim @ Shahzanim bin Zain	57[4]	-	-	57[4]

Directors' interests in shares (continued)

	Number of ordinary shares			
	At 1.4.2016 '000	Bought '000	Sold '000	At 31.3.2017 '000
Ultimate holding company				
Scomi Group Bhd				
Direct interests				
Shah Hakim @ Shahzanim bin Zain	1,950[(5)]	-	-	1,950[(5)]
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	175,917[(6)]	-	-	175,917[(6)]

	Number of ordinary shares			
	At 1.4.2016 '000	Bought '000	Sold '000	At 31.3.2017 '000
Related company				
Scomi Engineering Bhd				
Direct interests				
Shah Hakim @ Shahzanim bin Zain	623[(7)]	-	-	623[(7)]
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	537[(8)]	-	-	537[(8)]

(1) 38,600,000 shares held through RHB Capital Nominees (Tempatan) Sdn Bhd.

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

(3) Deemed interested by virtue of Section 59(11)(c) of the Companies Act 2016 through his spouse, Datin Zarida Binti Noordin's shareholding in the Company.

(4) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Rentak Rimbun Sdn Bhd which in turn is interested in the Company. KAF Nominees (Tempatan) Sdn Bhd pledged securities Account for Rentak Rimbun Sdn Bhd (RE001).

(5) 1,421,000 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain.

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

(7) 123,000 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin).

(8) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Rentak Rimbun Sdn Bhd whereby 282,000 shares held through KAF Nominees (Tempatan) Sdn Bhd pledged securities Account for Rentak Rimbun Sdn Bhd.

Directors' interests in shares (continued)

Save as disclosed above, none of the other Directors holding office at 31 March 2017 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those disclosed in Note 32 to the financial statements.

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

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

Treasury shares

Details of the treasury shares are as set out in Note 14 to the financial statements.

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of insurance effected for Directors and officers of the Company on group basis is RM76.6 million.

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, except for the impairment loss on capitalised development costs as disclosed in Note 4 and impairment loss on investment in subsidiaries as disclosed in the Company financial statements, the financial performance of the Group and of the Company for the financial year ended 31 March 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Subsequent event

Details of event subsequent to the end of the financial year are disclosed in Note 34 to the financial statements.

Company No. 397979-A

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in note 22 to the financial statements.

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

....
Tan Sri Nik Mohamed bin Nik Yaacob
Director

....
Shah Hakim @ Shahzanim bin Zain
Director

Petaling Jaya

Date: 24 JUL 2017

Scomi Energy Services Bhd
(Company No. 397979-A)
(Incorporated in Malaysia)
and its subsidiaries

Statements of financial position as at 31 March 2017

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	525,991	536,985	37	90
Intangible assets	4	107,903	117,879	-	-
Investment properties	5	2,499	2,440	-	-
Investments in subsidiaries	6	-	-	848,988	1,123,596
Investments in joint ventures	7	53,794	66,081	13,458	13,458
Investments in associates	8	7,439	7,439	7,664	7,664
Deferred tax assets	9	9,125	7,885	-	-
Trade and other receivables	10	226	335	-	-
Total non-current assets		706,977	739,044	870,147	1,144,808
Trade and other receivables	10	350,044	441,710	114,789	40,485
Inventories	11	164,922	205,952	-	-
Current tax assets		27,284	17,378	-	-
Cash and bank balances	12	124,792	155,858	11,354	8,511
Total current assets		667,042	820,898	126,143	48,996
Total assets		1,374,019	1,559,942	996,290	1,193,804

Statements of financial position as at 31 March 2017 (continued)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	13	1,005,535	1,005,535	1,005,535	1,005,535
Treasury shares	14	(51)	(50)	(51)	(50)
Reserves	15	(265,229)	(196,920)	(40,372)	152,431
Equity attributable to owners of the Company		740,255	808,565	965,112	1,157,916
Non-controlling interests		47,856	57,215	-	-
Total equity		788,111	865,780	965,112	1,157,916
Liabilities					
Loans and borrowings	16	49,407	103,005	-	-
Provision for retirement benefits	17	10,800	7,359	-	-
Trade and other payables	18	5,693	5,584	4,834	5,584
Deferred tax liabilities	9	9,112	8,602	-	-
Derivative financial liabilities	19	21,118	28,845	-	-
Total non-current liabilities		96,130	153,395	4,834	5,584
Loans and borrowings	16	195,650	197,367	-	-
Trade and other payables	18	253,470	305,541	26,344	30,304
Current tax liabilities		17,513	22,612	-	-
Derivative financial liabilities	19	23,145	15,247	-	-
Total current liabilities		489,778	540,767	26,344	30,304
Total liabilities		585,908	694,162	31,178	35,888
Total equity and liabilities		1,374,019	1,559,942	996,290	1,193,804

The notes on pages 18 to 110 are an integral part of these financial statements.

Scomi Energy Services Bhd
(Company No. 397979-A)
(Incorporated in Malaysia)
and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 March 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	20	664,012	1,208,784	82,273	75,132
Cost of sales/services		(604,430)	(955,605)	(79,258)	(74,021)
Gross profit		59,582	253,179	3,015	1,111
Other operating expenses		(2,238)	(27,381)	(193,165)	(129,323)
Selling and distribution expenses		(53,584)	(69,722)	-	-
Administrative expenses		(82,285)	(100,397)	(2,794)	(3,368)
Other expenses		(5,081)	(7,524)	(69)	(155)
Results from operating activities		(83,606)	48,155	(193,013)	(131,735)
Finance costs	21	(20,606)	(27,279)	-	-
Finance income		1,783	1,253	210	323
Net finance (costs)/income		(18,823)	(26,026)	210	323
Share of profit of equity-accounted associates, net of tax		-	495	-	-
Share of loss of equity-accounted joint ventures, net of tax		(24,208)	(10,628)	-	-
(Loss)/Profit before tax	22	(126,637)	11,996	(192,803)	(131,412)
Tax expense	23	(9,128)	(23,914)	-	-
Loss for the year		(135,765)	(11,918)	(192,803)	(131,412)

Statements of profit or loss and other comprehensive income for the year ended 31 March 2017 (continued)

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedges	15(b)	9,168	18,765	-	-
Foreign currency translation differences for foreign operations		49,951	18,938	-	-
Retirement benefits		(1,022)	-	-	-
Other comprehensive income for the year, net of tax	24	58,097	37,703	-	-
Total comprehensive (loss)/income for the year		(77,668)	25,785	(192,803)	(131,412)
Loss attributable to:					
Owners of the Company		(126,406)	(2,734)	(192,803)	(131,412)
Non-controlling interests		(9,359)	(9,184)	-	-
Loss for the year		(135,765)	(11,918)	(192,803)	(131,412)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(68,309)	34,969	(192,803)	(131,412)
Non-controlling interests		(9,359)	(9,184)	-	-
Total comprehensive (loss)/income for the year		(77,668)	25,785	(192,803)	(131,412)
Basic earnings per share (sen)	25	(5.40)	(0.12)		

The notes on pages 18 to 110 are an integral part of these financial statements.

Scomi Energy Services Bhd
(Company No. 397979-A)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 March 2017

		/-------Attributable to owners of the Company				------/		
		/----Non-distributable	----/		Distributable			
Group	**Note**	**Share capital RM'000**	**Treasury shares RM'000**	**Other reserves RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 1 April 2015		1,005,535	(48)	(613,230)	381,341	773,598	66,399	839,997
Foreign currency translation differences for foreign operations		-	-	18,938	-	18,938	-	18,938
Cash flow hedges - fair value loss	15(b)	-	-	18,765	-	18,765	-	18,765
Total other comprehensive income for the year		-	-	37,703	-	37,703	-	37,703
Loss for the year		-	-	-	(2,734)	(2,734)	(9,184)	(11,918)
Total comprehensive income/(loss) for the year		-	-	37,703	(2,734)	34,969	(9,184)	25,785
Repurchased during the year		-	(2)	-	-	(2)	-	(2)
At 31 March 2016		1,005,535	(50)	(575,527)	378,607	808,565	57,215	865,780

Consolidated statement of changes in equity for the year ended 31 March 2017 (continued)

Group	Note	/----Attributable to owners of the Company----						
		/----Non-distributable----/			Distributable		Non-	
		Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	controlling interests RM'000	Total equity RM'000
At 1 April 2016		1,005,535	(50)	(575,527)	378,607	808,565	57,215	865,780
Foreign currency translation differences for foreign operations		-	-	49,951	-	49,951	-	49,951
Cash flow hedges - fair value loss	15(b)	-	-	9,168	-	9,168	-	9,168
Retirement benefits		-	-	-	(1,022)	(1,022)	-	(1,022)
Total other comprehensive income for the year		-	-	59,119	(1,022)	58,097	-	58,097
Loss for the year		-	-	-	(126,406)	(126,406)	(9,359)	(135,765)
Total comprehensive income/(loss) for the year		-	-	59,119	(127,428)	(68,309)	(9,359)	(77,668)
Repurchased during the year		-	(1)	-	-	(1)	-	(1)
At 31 March 2017		1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111

The notes on pages 18 to 110 are an integral part of these financial statements.

Statement of changes in equity for the year ended 31 March 2017

Company	Note	/------Non-distributable		------/	Distributable	
		Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained Earnings/ (Accumulated loss) RM'000	Total equity RM'000
At 1 April 2015		1,005,535	(48)	26,881	256,962	1,289,330
Loss for the year		-	-	-	(131,412)	(131,412)
Total comprehensive loss for the year		-	-	-	(131,412)	(131,412)
Repurchased during the year		-	(2)	-	-	(2)
At 31 March 2016		1,005,535	(50)	26,881	125,550	1,157,916
Loss for the year		-	-	-	(192,803)	(192,803)
Total comprehensive loss for the year		-	-	-	(192,803)	(192,803)
Repurchased during the year		-	(1)	-	-	(1)
At 31 March 2017		1,005,535	(51)	26,881	(67,253)	965,112

The notes on pages 18 to 110 are an integral part of these financial statements.

Scomi Energy Services Bhd
(Company No. 397979-A)
(Incorporated in Malaysia)
and its subsidiaries

Statements of cash flows for the year ended 31 March 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities					
(Loss)/Profit before tax		(126,637)	11,996	(192,803)	(131,412)
Adjustments for:					
Allowance for inventories		8,154	2,260	-	-
Amortisation of intangible assets		281	275	-	-
Depreciation:					
- Property, plant and equipment		95,033	100,476	69	155
- Investment properties		143	146	-	-
Loss/(gain) on disposal of property, plant and equipment		1,489	(144)	-	-
Impairment loss:					
- Property, plant and equipment		303	-	-	-
- Receivables		15,764	676	-	-
- Subsidiaries		-	-	200,140	131,063
- Joint ventures		-	-	-	3,966
- Goodwill		-	7,014	-	-
- Intangible assets		18,219	-	-	-
Inventories written down		378	4,835	-	-
Net unrealised (gain)/loss on foreign exchange		(37,662)	19,604	(8,746)	847
Property, plant and equipment written off		147	525	-	-
Reversal of impairment loss:					
- Property, plant and equipment		-	(1,182)	-	-
- Receivables		(1,321)	(2,034)	-	-
- Associate		-	(6,944)	-	(7,439)
Reversal of inventories written down		(206)	(3,969)	-	-

Statements of cash flows for the year ended 31 March 2017 (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from operating activities (continued)					
Provision for retirement benefits		2,914	1,477	-	-
Share of profit of equity-accounted associates, net of tax		-	(495)	-	-
Share of loss of equity-accounted joint ventures, net of tax		24,208	10,628	-	-
Finance costs		20,606	27,279	-	-
Finance income		(1,783)	(1,253)	(210)	(323)
Operating profit/(loss) before changes in working capital		20,030	171,170	(1,550)	(3,143)
Changes in working capital:					
Inventories		32,704	26,145	-	-
Receivables		110,102	142,895	6,301	5,347
Payables		(46,436)	(140,127)	3,777	557
Amount due (to)/from:					
- ultimate holding company		(35,309)	(25,906)	(3,097)	(14,591)
- subsidiary companies		-	-	(86,884)	(14,209)
- related companies		(7,905)	(5,513)	455	65
- joint venture companies		4,388	(4,146)	8,684	(2,411)
- associate companies		(847)	507	(721)	541
Cash generated from/(used in) operations		76,727	165,025	(73,035)	(27,844)
Tax paid		(21,244)	(34,286)	-	-
Retirement benefits paid		(530)	(753)	-	-
Interest received		1,783	1,253	210	323
Net cash from/(used in) operating activities		56,736	131,239	(72,825)	(27,521)

Statements of cash flows for the year ended 31 March 2017 (continued)

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Cash flows from investing activities					
Additional investment in:					
- subsidiary		-	-	(3,921)	(4,196)
- joint ventures		(3,560)	(5,566)	-	-
Acquisition of property, plant and equipment	(ii)	(25,368)	(32,053)	(16)	(17)
Proceeds from disposal of property, plant and equipment		2,136	5,271	-	-
Additions to intangible assets		(6,641)	(5,826)	-	-
Repayment of advance from jointly-controlled entity		-	336	-	336
Repayment from subsidiary		-	-	79,606	29,807
Repurchase of treasury shares		(1)	(2)	(1)	(2)
Net cash (used in)/from investing activities		(33,434)	(37,840)	75,668	25,928
Cash flows from financing activities					
Proceeds from bank borrowings		97,507	22,200	-	-
Repayment of bank borrowings		(158,024)	(154,629)	-	-
Interest paid on borrowings		(16,936)	(14,550)	-	-
Decrease/(increase) in short-term deposits pledged as securities		23,382	3,998	(210)	(322)
Net cash used in financing activities		(54,071)	(142,981)	(210)	(322)
Net (decrease)/increase in cash and cash equivalents		(30,769)	(49,582)	2,633	(1,915)
Effect of exchange rate fluctuations on cash held		23,068	7,270	-	-
Cash and cash equivalents at 1 April		109,381	151,693	2,616	4,531
Cash and cash equivalents at 31 March	(i)	101,680	109,381	5,249	2,616

Statements of cash flows for the year ended 31 March 2017 (continued)

Notes to statements of cash flows

(i) Cash and cash equivalents

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

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Deposits placed with licensed banks	12	24,940	44,886	6,105	5,895
Less: Pledged deposits	12	(20,634)	(44,016)	(6,105)	(5,895)
		4,306	870	-	-
Cash and bank balances	12	99,852	110,972	5,249	2,616
Bank overdrafts	16	(2,478)	(2,461)	-	-
		101,680	109,381	5,249	2,616

(ii) Acquisition of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM25,368,000 (2016: RM32,053,000) and RM16,000 (2016: RM17,000) respectively, of which neither were acquired by means of finance lease.

Scomi Energy Services Bhd
(Company No. 397979-A)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

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

Principal place of business and registered office
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

The principal activities of the Group consist of drilling services, marine services, development and production asset and services as stated in Note 6 to the financial statements.

The ultimate holding company is Scomi Group Bhd, a public limited liability company incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 24 July 2017.

1. Basis of preparation

(a) Statement of compliance

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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

MFRS 15, *Revenue from Contracts with Customers*

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

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

MFRS 9, *Financial Instruments*

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

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS 16, *Leases*

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

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

Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

The amendments clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgements

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

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

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(i) Impairment of goodwill

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

Determining whether goodwill is impaired requires an estimation of the value-in-use and fair value less costs of disposal of the cash-generating units ("CGUs") to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Fair value less costs of disposal is determined based on indicative values on a willing buyer willing seller basis, as provided by an independent valuer. The recoverable amounts of goodwill have been determined based on the higher of fair value less costs of disposal and value-in-use calculations, which resulted in no impairment loss during the year (2016: RM7,014,000).

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

The carrying amount of goodwill and estimates used in the calculation are disclosed in Note 4 to the financial statements.

(ii) Impairment of receivables

The Group makes allowance for doubtful debts on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Group specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. Where the expectations differ from the original estimates, the differences will impact the carrying value of receivables as disclosed in Note 10.

(iii) Impairment of property, plant and equipment - Marine vessels

The recoverable amounts of marine vessels have been determined based on the higher of fair value less costs of disposal and value-in-use calculations as disclosed in Note 3. Based on this assessment, there was no impairment charge recognised in profit or loss for the year ended 31 March 2017 (2016: Nil).

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

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

The Company assesses the impairment of investments in subsidiaries, associates and joint ventures when there is an indicator of impairment. The carrying amounts are disclosed in Note 6, Note 7 and Note 8 respectively. Based on this assessment, there were impairment of investments in subsidiaries, associates and joint ventures recognised in the profit or loss amounting to RM200,140,000 (2016: RM124,119,000).

(v) Income taxes

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

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

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

The deferred tax assets were recognised based on budgeted future taxable profits as the Directors are of the opinion that and it is probable that the future taxable profits will be achieved within those entities.

(vi) Litigations

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

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Acquisitions from entities under common controls

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

(v) Loss of control

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Associates

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

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

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

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

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

(viii) Non-controlling interests

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ix) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments

(i) Initial recognition and measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

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

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

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

(iii) Financial guarantee contracts

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Regular way purchase or sale of financial assets

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

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

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

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

(v) Hedge accounting

Fair value hedge

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

Cash flow hedge

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

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

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

(vi) Derecognition

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Derecognition (continued)

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

• Freehold buildings	5 - 50 years
• Leasehold buildings	3 - 50 years
• Marine vessels	25 years
• Rental equipment	3 - 12 years
• Non-rental equipment	3 - 12 years
• Motor vehicles	3 - 7 years
• Renovation, fittings and office equipment	3 - 10 years

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

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance leases

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

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

(ii) Operating leases

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

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

(f) Intangible assets

(i) Goodwill

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

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Research and development

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

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(v) Amortisation

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

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

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

	2017	2016
• patent rights	1 year	2 years
• capitalised development costs:		
- Drilling waste equipment and EMS engineering package	10 years	11 years

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

Development costs work-in-progress are not amortised.

(g) Investment properties

(i) Investment properties carried at cost

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

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

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

2. Significant accounting policies (continued)

(g) Investment properties (continued)

(i) Investment properties carried at cost (continued)

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

(ii) Reclassification to/from investment property

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

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

(h) Inventories

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

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

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

2. Significant accounting policies (continued)

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

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

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

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

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

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

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

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

(ii) Other assets

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

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

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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

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

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

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

2. Significant accounting policies (continued)

(k) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

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

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

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

(l) Compound financial instruments

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

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

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

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

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

2. Significant accounting policies (continued)

(m) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

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

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

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(iii) Defined benefit plans (continued)

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

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

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

(iv) Share-based payment transactions

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

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

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(iv) Share-based payment transactions (continued)

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

(v) Termination benefits

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

(n) Provisions

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

Warranties

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

2. Significant accounting policies (continued)

(o) Revenue and other income

(i) Goods sold

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

(ii) Services

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

(iii) Rental income

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

(iv) Interest income

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

(v) Charter hire income

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

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(vi) Management and agency fees

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

(p) Borrowing costs

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

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

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

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

(q) Income tax

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

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

2. Significant accounting policies (continued)

(q) Income tax (continued)

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

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

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

(r) Earnings per ordinary share

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

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

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

2. Significant accounting policies (continued)

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Contingencies

(i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Contingent assets

When an inflow of economic benefits of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related assets is recognised.

2. Significant accounting policies (continued)

(u) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Property, plant and equipment

Group	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Rental equipment RM'000	Non-rental equipment RM'000	Motor vehicles RM'000	Renovation, fittings, and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost									
At 1 April 2015	2,104	15,769	865,863	524,767	20,117	8,869	45,773	26,865	1,510,127
Additions	-	320	-	12,635	457	1,424	483	16,734	32,053
Disposals	-	-	(5,098)	(9,168)	(670)	(445)	(1,145)	-	(16,526)
Written off	-	(1,610)	-	(1,598)	-	-	-	-	(3,208)
Reclassification	-	-	43,182	-	-	-	-	(43,182)	-
Effect of movements in exchange rates	82	49	44,021	15,625	1,126	299	301	2,366	63,869
At 31 March 2016/1 April 2016	2,186	14,528	947,968	542,261	21,030	10,147	45,412	2,783	1,586,315
Additions	-	114	-	6,001	210	278	1,211	17,554	25,368
Disposals	-	-	(8,689)	(5,059)	(875)	(113)	(333)	-	(15,069)
Written off	-	-	-	(1,388)	-	-	(25)	-	(1,413)
Reclassification	-	-	11,242	-	-	-	-	(11,242)	-
Effect of movements in exchange rates	(251)	325	128,000	34,155	1,825	1,070	4,245	707	170,076
At 31 March 2017	1,935	14,967	1,078,521	575,970	22,190	11,382	50,510	9,802	1,765,277

3. Property, plant and equipment (continued)

Group	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Rental equipment RM'000	Non-rental equipment RM'000	Motor vehicles RM'000	Renovation, fittings, and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment losses									
At 1 April 2015									
Accumulated depreciation	2,063	12,903	454,131	312,952	14,069	5,350	37,213	-	838,681
Accumulated impairment losses	-	647	86,180	2,394	-	-	-	-	89,221
	2,063	13,550	540,311	315,346	14,069	5,350	37,213	-	927,902
Depreciation for the year	8	753	46,758	45,046	2,076	774	5,061	-	100,476
Reversal of impairment losses	-	(502)	-	(680)	-	-	-	-	(1,182)
Disposals	-	-	(4,325)	(4,880)	(515)	(388)	(1,291)	-	(11,399)
Written off	-	(1,315)	-	(1,368)	-	-	-	-	(2,683)
Effect of movements in exchange rates	87	29	26,779	8,617	280	253	171	-	36,216
At 31 March 2016/1 April 2016									
Accumulated depreciation	2,158	12,370	523,343	360,367	15,910	5,989	41,154	-	961,291
Accumulated impairment losses	-	145	86,180	1,714	-	-	-	-	88,039
	2,158	12,515	609,523	362,081	15,910	5,989	41,154	-	1,049,330

3. Property, plant and equipment (continued)

Group	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Rental equipment RM'000	Non-rental equipment RM'000	Motor vehicles RM'000	Renovation, fittings, and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment losses (continued)									
At 1 April 2016									
Accumulated depreciation	2,158	12,370	523,343	360,367	15,910	5,989	41,154	-	961,291
Accumulated impairment losses	-	145	86,180	1,714	-	-	-	-	88,039
	2,158	12,515	609,523	362,081	15,910	5,989	41,154	-	1,049,330
Depreciation for the year	8	635	48,600	40,007	2,333	613	2,837	-	95,033
Impairment losses	-	135	-	168	-	-	-	-	303
Disposals	-	-	(7,726)	(2,582)	(593)	(114)	(429)	-	(11,444)
Written off	-	-	-	(1,241)	-	-	(25)	-	(1,266)
Effect of movements in exchange rates	(253)	173	84,355	17,069	1,486	380	4,120	-	107,330
At 31 March 2017									
Accumulated depreciation	1,913	13,178	648,572	413,620	19,136	6,868	47,657	-	1,150,944
Accumulated impairment losses	-	280	86,180	1,882	-	-	-	-	88,342
	1,913	13,458	734,752	415,502	19,136	6,868	47,657	-	1,239,286
Carrying amounts									
At 1 April 2015	41	2,219	325,552	209,421	6,048	3,519	8,560	26,865	582,225
At 31 March 2016/1 April 2016	28	2,013	338,445	180,180	5,120	4,158	4,258	2,783	536,985
At 31 March 2017	22	1,509	343,769	160,468	3,054	4,514	2,853	9,802	525,991

3. Property, plant and equipment (continued)

Company	Renovation and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 April 2015	1,062	200	1,262
Additions	17	-	17
At 31 March 2016/1 April 2016	1,079	200	1,279
Additions	16	-	16
At 31 March 2017	1,095	200	1,295
Accumulated depreciation			
At 1 April 2015	834	200	1,034
Depreciation for the year	155	-	155
At 31 March 2016/1 April 2016	989	200	1,189
Depreciation for the year	69	-	69
At 31 March 2017	1,058	200	1,258
Carrying amounts			
At 1 April 2015	228	-	228
At 31 March 2016/1 April 2016	90	-	90
At 31 March 2017	37	-	37

(a) Impairment loss - Marine vessels

During the year ended 31 March 2017, the prolonged decline in global oil and gas prices has resulted in a decrease in charter contracts for the Group vessels, which indirectly has an impact on the recoverable amount of the vessels. Accordingly, the Group reviewed the recoverable amount of its vessels culminating in no impairment losses to be recognised (2016: Nil).

The recoverable amount of the vessels of the Group were determined based on the higher of fair value less costs of disposal and value-in-use calculation. In valuing the vessels using fair value less costs of disposal, the valuer had taken into consideration the prevailing market conditions and made adjustments for differences such as age, size and specification where necessary before arriving at the most appropriate fair value for the vessels. The fair value measurement of the vessels was performed by independent valuer not connected with the Group, who have appropriate qualifications and recent experience in the fair value measurement of the vessel in the relevant sector.

The fair value was based on the following key assumptions:

(i) historical transacted prices remain relevant; and
(ii) the growth of oil and gas industries will not deteriorate further.

3. Property, plant and equipment (continued)

(a) Impairment loss - Marine vessels (continued)

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The key assumptions used in the value-in-use calculation in the current financial year are as follows:

	2017 %	2016 %
Revenue growth rates in the first 5 years	0.0	0.0
Discount rate	12.0	12.0
Terminal growth rate	0.0	0.0

Based on the calculations, no impairment has been recognised in the current financial year. However, an increase/(decrease) of a one percentage point in the discount rate used would have (decreased)/increased the recoverable amount by approximately (RM13.9 million)/RM16.4 million.

(b) Leased plant and equipment

The net carrying amount of motor vehicles of the Group acquired under finance lease arrangements at the end of the reporting period were RM84,000 (2016: RM136,000).

(c) Leasehold buildings

The entire leasehold buildings of the Group are situated on parcels of land owned by third parties and a State Government.

(d) Security

The carrying amount of property, plant and equipment of the Group charged as security for banking facilities granted to the Group (Note 16) is as follows:

	Group	
	2017 RM'000	2016 RM'000
Marine vessels	213,014	8,633

4. Intangible assets

Group	Note	Goodwill RM'000	Patents and other intangible assets RM'000	*Capitalised development cost* Drilling waste equipment RM'000	*Development cost work-in-progress* EMS Engineering Package RM'000	Total RM'000
Cost						
At 1 April 2015		402,344	1,056	4,200	2,950	410,550
Additions		-	-	2,719	3,107	5,826
Reclassification from other receivables		-	-	-	3,253	3,253
Effect of movements in exchange rates		173	65	170	(41)	367
At 31 March 2016/ 1 April 2016		402,517	1,121	7,089	9,269	419,996
Additions		-	-	5,623	1,018	6,641
Effect of movements in exchange rates		388	138	1,250	1,304	3,080
At 31 March 2017		402,905	1,259	13,962	11,591	429,717
Accumulated amortisation and impairment loss						
At 1 April 2015						
Accumulated amortisation		-	602	802	-	1,404
Accumulated impairment loss		293,347	-	-	-	293,347
		293,347	602	802	-	294,751
Amortisation for the year	(a)	-	65	210	-	275
Impairment loss	(b)(i)	7,014	-	-	-	7,014
Effect of movement in exchange rates		-	33	44	-	77
At 31 March 2016/ 1 April 2016						
Accumulated amortisation		-	700	1,056	-	1,756
Accumulated impairment loss		300,361	-	-	-	300,361
		300,361	700	1,056	-	302,117
Amortisation for the year	(a)	-	62	219	-	281
Impairment loss	(b)(ii)	-	-	7,200	11,019	18,219
Effect of movement in exchange rates		-	90	535	572	1,197

4. Intangible assets (continued)

Group	Goodwill	Patents and other intangible assets	*Capitalised development cost* Drilling Waste equipment	*Development cost work-in-progress* EMS Engineering Package	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 March 2017					
Accumulated amortisation	-	852	1,434	-	2,286
Accumulated impairment loss	300,361	-	7,576	11,591	319,528
	300,361	852	9,010	11,591	321,814
Carrying amounts					
At 1 April 2015	108,997	454	3,398	2,950	115,799
At 31 March 2016/ 1 April 2016	102,156	421	6,033	9,269	117,879
At 31 March 2017	102,544	407	4,952	-	107,903

(a) Amortisation

The amortisation of patents and capitalised development costs is allocated to the cost of inventory and is recognised in cost of sales as inventory is sold.

The remaining useful lives of the patents and capitalised development costs are 1 year and 10 years respectively (2016: 2 years and 11 years respectively).

(b) Impairment

(i) Impairment testing for cash-generating units containing goodwill

The carrying amounts of goodwill allocated to the Group's cash-generating units ("CGUs") are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Marine Services	-	-
Oilfield Services	102,544	102,156
	102,544	102,156

4. Intangible assets (continued)

(b) Impairment (continued)

(i) Impairment testing for cash-generating units containing goodwill (continued)

Goodwill allocated to Marine Services

Goodwill allocated to Marine Services arose from the Marine Logistics Business acquired from Chuan Hup Holdings Limited on 30 September 2005.

During the year, the cash-generating units with the allocated goodwill was reviewed for impairment using the value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections for each vessel based on financial budgets approved by the Board covering a five-year period. Based on the calculation, a full impairment RM7,014,000 has been recognised in the previous financial year.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The key assumptions used in the value-in-use calculation in the previous financial year are as follows:

	2016
	%
Revenue growth rates in the first 5 years	0.0 - 3.5
Discount rate	12.0
Terminal growth rate	0.0

The projections over these periods were based on an approved business plan and reflect the expectation of usage, revenue, growth, operating costs and margins based on past experience and current assessment of market share, expectations of market growth and industry growth. The discount rates used is pre-tax and reflect specific risk relating to the Marine Services industry in Indonesia. The terminal growth rate is based on long term growth rate of the Marine Services industry.

4. Intangible assets (continued)

(b) Impairment (continued)

(i) Impairment testing for cash-generating units containing goodwill (continued)

Goodwill allocated to Oilfield Services

During the year, the cash-generating units with the allocated goodwill was reviewed for impairment using the value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections for each country based on financial budgets approved by the Board covering a five-year period.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The key assumptions used in the value-in-use calculations in the current financial year are as follows:

	2017 %	2016 %
Revenue growth rates in the first 5 years	0.0 - 53.0	0.0 - 52.0
Discount rates	9.0 - 27.0	9.0 - 23.0
Terminal growth rates	0.0	0.0

The projections over these periods were based on an approved business plan and reflect the expectation of usage, revenue, growth, operating costs and margins based on past experience and current assessment of market share, expectations of market growth and industry growth. The discount rates used are pre-tax and reflect specific risk relating to individual countries in which the Group operates. The terminal growth rate is based on long term growth rates relating to the individual countries.

Based on the calculations, no impairment has been recognised in the current financial year. However, an increase/(decrease) of a one percentage point in the discount rate used would have (decreased)/increased the recoverable amount by approximately (RM52 million)/RM60 million.

(ii) Impairment loss on capitalised development cost

During the year ended 31 March 2017, the prolonged decline in global gas prices has resulted in several projects being put on hold, which indirectly has impact on the carrying amount of the capitalised development cost. Accordingly, the Group has reviewed the carrying amount of the capitalised development cost and recognised an impairment loss of RM18,219,000 (2016: Nil).

5. Investment properties

	Group 2017 RM'000	Group 2016 RM'000
Freehold land and buildings		
At cost		
At 1 April	5,329	5,252
Effect of movements in exchange rates	(254)	77
At 31 March	5,075	5,329
Accumulated depreciation		
At 1 April	2,434	2,302
Depreciation for the year	143	146
Effect of movements in exchange rates	(456)	(14)
At 31 March	2,121	2,434
Accumulated impairment losses		
At 1 April/31 March	455	455
Carrying amounts		
At 1 April	2,440	2,495
At 31 March	2,499	2,440

The following is recognised in profit or loss in respect of investment properties:

	Group 2017 RM'000	Group 2016 RM'000
Rental income	181	182

There were no direct operating expenses arising from investment property that generated rental income during the year as all expenses were incurred by the tenant.

(a) Security

Investment properties of the Group are charged as security for banking facilities granted to the Group (see Note 16).

5. Investment properties (continued)

(b) Fair value information

Fair value of investment properties at Level 2 are categorised as follows:

	Group 2017 RM'000	Group 2016 RM'000
Freehold land	6,495	4,193
Freehold land and buildings	3,950	3,550
	10,445	7,743

Level 2 fair value

Level 2 fair values of freehold land and buildings are determined by external, independent property valuers. The fair values of freehold land and buildings have been generally derived using the comparison method. In this approach, sales and listing of comparable properties recorded within the same location are compiled. Sales price of comparable properties in close proximity are adjusted for differences in attributes to arrive at a comparison.

6. Investments in subsidiaries

	Note	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost		11,016	11,016
Deemed investment - capital contribution		1,479,104	1,553,572
		1,490,120	1,564,588
Less: Accumulated impairment losses	(a)	(641,132)	(440,992)
		848,988	1,123,596

(a) Impairment review of investment in subsidiaries

Due to the presence of impairment indicator during the financial year arising from operation of a subsidiary, the Company has undertaken an impairment assessment on investment in the subsidiary.

The recoverable amount of the impaired subsidiary of RM753,597,000 (2016: RM879,000,000) was determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The value-in-use was based on the key assumptions as disclosed in Note 4(b)(i) for Oilfield Services.

Based on the calculations, an impairment of RM200,140,000 (2016: RM131,063,000) has been recognised in the current financial year.

6. Investments in subsidiaries (continued)

(b) Details of the significant subsidiaries are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2017 %	2016 %
Direct subsidiaries				
Scomi Oilfield Limited	Malaysia/ Bermuda	Investment holding	100	100
Scomi Marine Services Pte. Ltd. ("SMS")*	Singapore	Investment holding	100	100
Trans Advantage Sdn. Bhd.	Malaysia	Ship chartering and ship management	100	100
Scomi KMC Sdn. Bhd. (including 4% held by Scomi Oiltools Sdn. Bhd.)	Malaysia	Provision of oilfield equipment, supplies and services	52	52
Scomi Sosma Sdn. Bhd.	Malaysia	Distribution of chemical products and services	100	100
Scomi D&P Sdn. Bhd.	Malaysia	Investment holding	100	100
Significant subsidiaries of Scomi Oilfield Limited				
Scomi Oiltools Sdn. Bhd.	Malaysia	Provision of oilfield equipment, supplies and provision of management services	100	100
Scomi Oiltools (Cayman) Ltd*	Qatar & United Arab Emirates/ Cayman Islands	Provision of oilfield equipment, supplies and services to Qatar and United Arab Emirates	100	100
Scomi Oiltools Ltd*	Pakistan & Myanmar/ Cayman Islands	Provision of oilfield equipment, supplies and services in Pakistan and Myanmar	100	100
Scomi Oiltools (Africa) Limited	Congo & Nigeria/ Cayman Islands	Investment holding and provision of oilfield equipment, supplies and services to Congo and Nigeria	100	100

6. Investments in subsidiaries (continued)

(b) Details of the significant subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2017 %	2016 %
Significant subsidiaries of Scomi Oilfield Limited (continued)				
Scomi Oiltools (Thailand) Ltd*	Thailand	Provision of oilfield equipment, supplies and services	100	100
KMCOB Capital Berhad	Malaysia	Undertake the issuance of private debt securities in such classes, series, form or denomination and to secure the redemption thereof and the utilisation of proceeds from such issuance and to undertake any refinancing exercise in respect of such private debt securities	100	100
Scomi Oiltools Oman LLC*	Oman	Provision of oilfield equipment, supplies and services	51	51
Scomi Oiltools Pty. Ltd.*	Australia	Provision of oilfield equipment, supplies and services	100	100
Significant subsidiary of Scomi Marine Services Pte. Ltd.				
PT Rig Tenders Indonesia, Tbk*+	Indonesia	Ship owning and chartering	80.54	80.54

6. Investments in subsidiaries (continued)

(b) Details of the significant subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2017 %	2016 %
Significant subsidiary of Scomi Sosma Sdn. Bhd.				
Scomi Anticor S.A.S#	France	Design and field deployment of various oil and gas production chemicals	100	100
Significant subsidiary of Scomi Oiltools (Africa) Limited				
WASCO Oil Services Company Nigeria Limited	Nigeria	Provision of oilfield equipment, supplies and services	60	60
Significant subsidiaries of Scomi Oiltools (S) Pte. Ltd.				
KMC Oiltools India Pte. Ltd.*	India	Provision of oilfield equipment, supplies and services	100	100
PT Scomi Oiltools*	Indonesia	Provision of oilfield equipment, supplies and services	100	100
Scomi Oiltools Russia LLC*	Russia	Provision of oilfield equipment, supplies and services	100	100

6. Investments in subsidiaries (continued)

(b) Details of the significant subsidiaries are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2017 %	2016 %
Significant subsidiaries of PT Rig Tenders Indonesia, Tbk				
Rig Tenders Marine Pte. Ltd.*	Singapore	Ship chartering	80.54	80.54
CH Logistic Pte. Ltd.*	Singapore	Investment holding	80.54	80.54
CH Ship Management Pte. Ltd.*	Singapore	Provision of management services	80.54	80.54
Grundtvig Marine Pte. Ltd.*	Singapore	Investment holding	80.54	80.54
Significant subsidiary of Grundtvig Marine Pte. Ltd.				
PT Batuah Abadi Lines*	Indonesia	Ship owning and chartering	76.51	76.51

* Audited by other member firms of KPMG International.
\+ Listed on the Indonesian Stock Exchange.
\# Not audited by member firms of KPMG International.

6. Investments in subsidiaries (continued)

(c) Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are Scomi KMC Sdn. Bhd. and PT Rig Tenders Indonesia, Tbk, and their aggregated results with other subsidiaries with immaterial NCI are as follows:

	Subsidiaries with material NCI RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2017			
Carrying amount of NCI	39,241	8,615	47,856
(Loss)/Profit allocated to NCI	(10,936)	1,577	(9,359)
2016			
Carrying amount of NCI	50,177	7,038	57,215
(Loss)/Profit allocated to NCI	(11,531)	2,347	(9,184)

Summarised financial information before intra-group elimination

	2017 RM'000	2016 RM'000
As at 31 March		
Non-current assets	366,650	364,583
Current assets	120,887	148,098
Non-current liabilities	(3,859)	(79,062)
Current liabilities	(158,623)	(90,913)
Net assets	325,055	342,706
Year ended 31 March		
Revenue	168,038	307,081
Loss for the year	(56,599)	(53,312)
Total comprehensive loss	(56,599)	(53,312)
Cash flows from operating activities	33,041	14,412
Cash flows used in investing activities	(16,515)	(16,014)
Cash flows used in financing activities	(5,291)	(25,550)
Net increase/(decrease) in cash and cash equivalents	11,235	(27,152)
Dividends paid to NCI	-	-

7. Investments in joint ventures

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost - outside Malaysia		5,210	4,464	2,042	2,042
Share of post-acquisition reserves		(6,241)	16,474	-	-
Deemed investment - capital contribution	(a)	54,496	44,814	15,053	15,053
Deemed investment - financial guarantee liabilities		329	329	329	329
Impairment loss		-	-	(3,966)	(3,966)
		53,794	66,081	13,458	13,458

(a) Deemed investment - capital contribution

The deemed investment - capital contribution relates to advances provided to certain joint ventures that are contractually not receivable until the external borrowings of the joint ventures have been repaid.

(b) Details of the joint ventures are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Held by the Company				
MarineCo Limited*	Malaysia	Ship chartering	51	51
Gemini Sprint Sdn. Bhd.*	Malaysia	Ship chartering and management	51	51
Transenergy Shipping Pte. Ltd.	Malaysia	Ship chartering	50	50
Transenergy Shipping Management Sdn. Bhd.	Malaysia	Ship chartering and management	50	50
Held by PT Rig Tenders Indonesia, Tbk				
Rig Tenders Offshore Pte. Ltd.*	Singapore	Ship owning and chartering	70	70

7. Investments in joint ventures (continued)

(b) Details of the joint ventures are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Held by Scomi Oilfield Limited				
Vibratherm Limited#	England and Wales	Development of microwave thermal treatment equipment	50	50
Held by Scomi Oiltools Sdn. Bhd.				
Scomi Platinum Sdn. Bhd.	Malaysia	Manufacture of palm based oleochemical products	50	50
Global Oilfield Products Sdn. Bhd.	Malaysia	Manufacture of oilfield supplies	25	25
Held by Scomi D&P Sdn. Bhd.				
Ophir Production Sdn. Bhd.	Malaysia	Development and production of crude oil for Ophir field	30	30

* Companies with ownership of more than half of the equity shareholding in the companies but treated as joint ventures pursuant to the contractual rights and obligations of the respective joint venture agreement.

\# As at the date of the financial statements, Vibratherm Limited remained inactive, therefore no share of results was recorded.

Summarised financial information of joint ventures

	2017 RM'000	2016 RM'000
Revenue	92,013	55,226
Loss for the year	(43,769)	(27,349)
Group's share of results for the year	(24,208)	(10,628)
Total assets	267,319	185,755
Total liabilities	(152,333)	(124,936)
Net assets	114,986	60,819
Group's share of net assets	53,794	40,914

8. Investments in associates

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares, at cost				
- outside Malaysia	16,857	16,857	16,857	16,857
Less: Impairment loss	(9,789)	(9,789)	(9,193)	(9,193)
Less: Share of post-acquisition profit	371	371	-	-
	7,439	7,439	7,664	7,664

Details of the associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2017 %	Effective ownership interest 2016 %
Held by the Company				
Southern Petroleum Transportation Joint Stock Company	Vietnam	Owner and operator of Tankers	13.84	13.84
Emerald Logistics Sdn. Bhd.	Malaysia	Ship chartering and management	49	49
Held by Scomi Marine Services Pte. Ltd.				
King Bridge Enterprises Ltd.	British Virgin Islands	Investment holding	49	49

Summarised financial information in respect of the Group's associates are set out below:

	2017 RM'000	2016 RM'000
Revenue	135,444	103,468
Profit after tax	2,917	1,728
Group's share of results for the year	-	495
Group's share of reversal of impairment loss for the year	-	6,944
	-	7,439
Total assets	176,160	190,371
Total liabilities	(116,374)	(138,788)
Net assets	59,786	51,583
Group's share of associates' net assets	7,029	7,439

9. Deferred tax assets/(liabilities)

a) Recognised deferred tax assets/(liabilities)

Group	Assets 2017 RM'000	Assets 2016 RM'000	Liabilities 2017 RM'000	Liabilities 2016 RM'000	Net 2017 RM'000	Net 2016 RM'000
Tax losses and capital allowances	3,097	3,328	-	- -	3,097	3,328
Property, plant and equipment	-	-	(4,417)	(4,716)	(4,417)	(4,716)
Deductible/(Taxable) temporary differences	6,028	4,557	(4,695)	(3,886)	1,333	671
Tax assets/(liabilities)	9,125	7,885	(9,112)	(8,602)	13	(717)
Set off	-	-	-	-	-	-
Net tax assets/(liabilities)	9,125	7,885	(9,112)	(8,602)	13	(717)

b) Movement in temporary differences during the year

Group	At 1.4.2015 RM'000	Recognised in profit or loss (Note 23) RM'000	Effect of movements in exchange rates RM'000	At 31.3.2016/ 1.4.2016 RM'000	Recognised in profit or loss (Note 23) RM'000	Effect of movements in exchange rates RM'000	At 31.3.2017 RM'000
Tax losses and capital allowances	502	2,699	127	3,328	(231)	-	3,097
Property, plant and equipment	(4,808)	218	(126)	(4,716)	494	(195)	(4,417)
Deductible/(Taxable) temporary differences	1,068	(248)	(149)	671	200	462	1,333
	(3,238)	2,669	(148)	(717)	463	267	13

9. Deferred tax assets/(liabilities) (continued)

c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at net):

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Deductible temporary differences	14,748	19,670	7,583	3,936

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group and the Company can utilise the benefits therefrom.

10. Trade and other receivables

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current				
Other receivables	226	335	-	-
Current				
Trade receivables	238,622	328,272	1,808	9,220
Less: Allowance for impairment loss	(55,607)	(38,482)	-	-
Trade receivable - net	183,015	289,790	1,808	9,220
Other receivables	82,684	91,925	1,425	375
Deposits	4,068	7,238	-	-
Prepayments	10,853	16,100	116	55
	97,605	115,263	1,541	430
Amount due from:				
- ultimate holding company	36,857	11,702	23,378	20,281
- related companies	24,581	19,094	299	299
- subsidiaries	-	-	81,289	5,232
- joint ventures	7,986	5,861	6,474	5,023
	69,424	36,657	111,440	30,835
	350,044	441,710	114,789	40,485
	350,270	442,045	114,789	40,485

10. Trade and other receivables (continued)

Group

Credit terms for trade receivables range from 30 to 90 days (2016: 30 to 90 days). No interest is charged on outstanding trade receivables within the stipulated credit period from the due date of invoice. Thereafter, interest is charged at 1.5% to 2.0% (2016: 1.5% to 2.0%) per annum on the outstanding balance.

Included in other receivables are Value-Added-Tax ("VAT") recoverable amounting to RM36 million (2016: RM59 million).

Group and Company

Amounts due from ultimate holding company, related companies, subsidiaries, and joint ventures are unsecured, interest-free and are repayable on demand.

11. Inventories

	Group	
	2017	**2016**
	RM'000	**RM'000**
At cost		
Raw materials	3,908	3,069
Finished goods	130,257	176,548
Consumables	30,757	26,335
	164,922	205,952
Recognised in profit or loss:		
Inventories recognised as cost of sales	243,876	429,438
Allowance for inventories	8,154	2,260
Inventories written down	378	4,835
Reversal of write-down	(206)	(3,969)

The reversal of write-down is included in cost of sales.

12. Cash and bank balances

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	99,852	110,972	5,249	2,616
Short-term deposits placed with licensed banks	24,940	44,886	6,105	5,895
	124,792	155,858	11,354	8,511

The effective interest rates for short-term deposits placed with licensed banks of the Group and of the Company at the end of the reporting period range from 0.18% to 6.50% (2016: 0.18% to 6.50%) per annum. Short-term deposits of the Group and of the Company have maturity periods ranging from 1 day to 365 days (2016: 1 day to 365 days).

Included in the Group's and the Company's deposits placed with licensed banks are RM20,634,000 (2016: RM44,016,000) and RM6,105,000 (2016: RM5,895,000) pledged for banking facilities granted to the Group and the Company.

13. Share capital

	Group and Company			
	2017		2016	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid:				
Ordinary shares (2016: RM0.45) each:				
At 1 April/31 March	1,005,535	2,341,775	1,005,535	2,341,775

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group (see Note 14), all rights are suspended until those shares are reissued.

14. Treasury shares

	Group and Company			
	2017		2016	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
At 1 April	50	149	48	145
Purchased during the year	1	5	2	4
At 31 March	51	154	50	149

None of the treasury shares repurchased has been sold as at 31 March 2017.

At the end of the financial year, 154,100 (2016: 149,100) ordinary shares are held as treasury shares at a carrying value of RM51,000 (2016: RM50,000) and the number of outstanding shares in issue after setting off against treasury shares is 2,341,621,335 shares (2016: 2,341,626,335 shares).

The shareholders of the Company, by an ordinary resolution passed in an Annual General Meeting held on 7 September 2016, renewed their approval for the Company to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

15. Reserves

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Translation reserve	(a)	(116,295)	(166,246)	-	-
Hedging reserve	(b)	16,329	7,161	-	-
Merger reserve	(c)	(443,323)	(443,323)	-	-
Capital reserve	(d)	26,881	26,881	26,881	26,881
Retained earnings		251,179	378,607	(67,253)	125,550
		(265,229)	(196,920)	(40,372)	152,431

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

15. Reserves (continued)

(b) Hedging reserve

	Group 2017 RM'000	Group 2016 RM'000
At 1 April	7,161	(11,604)
Reclassification to other comprehensive income		
- finance costs	9,168	18,765
At 31 March	16,329	7,161

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

(c) Merger reserve

This represents the net equity comprising the carrying amount of assets and liabilities of Scomi Oilfield Limited (Bermuda) Eastern ("SOLE"), Scomi Sosma Sdn. Bhd. ("SSSB") and Scomi KMC Sdn. Bhd. ("SKMC") as at 1 January 2011 from the consolidated financial statements of Scomi Group Bhd.

(d) Capital reserve

The capital reserve arose from the capital reduction and repayment to shareholder of the Company, completed on 29 August 2012.

16. Loans and borrowings

	Note	Group 2017 RM'000	Group 2016 RM'000
Non-current			
Guaranteed Serial Bonds - secured	(a)	49,380	102,927
Finance leases	(c)	27	78
		49,407	103,005
Current			
Guaranteed Serial Bonds - secured	(a)	52,504	52,838
Bank loans - secured	(b)	89,780	92,475
Revolving credit - secured	(b)	50,836	49,543
Finance leases	(c)	52	50
Bank overdrafts - secured		2,478	2,461
		195,650	197,367
		245,057	300,372

16. Loans and borrowings (continued)

(a) RM300 million Guaranteed Serial Bonds

The Bonds are secured by an irrevocable and unconditional financial guarantee insurance policy issued by Danajamin Nasional Berhad ("Danajamin") and certain Guarantors pursuant to a financial guarantee insurance facility of an aggregate principal amount of RM300 million and such amount equivalent to 1 coupon payment obligation of the Bonds.

During the financial year, there is a breach in the bond covenant for SOL's Group EBITDA to gross debt ratio of -0.21 (2016: 0.45), in which the Company has since obtained a waiver letter from Danajamin.

(b) Bank loans and revolving credit are secured by:

(i) Assignment and charge of relevant bank accounts;

(ii) Assignment of contract proceeds;

(iii) Corporate Guarantees from the Company and certain subsidiaries of the Company;

(iv) Pledge of shares in certain subsidiaries held by the Company and certain subsidiaries of the Company;

(v) Fixed and floating charge over all the present and future assets of certain subsidiaries of the Company;

(vi) Charge on machinery and equipment of project financed; and

(vii) Top up and cash deficiency agreement in certain subsidiaries.

During the year, there is a breach in loan covenants in debt to net cash accruals ratio and minimum tangible net worth covenant in one of the subsidiary in the Group. The non-current portion of the loan amounted to RM66,500,000 was subsequently reclassed to current liabilities as the subsidiary is unable to obtain an indulgence letter as at the end of financial year.

(c) Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000	Minimum lease payments 2016 RM'000	Interest 2016 RM'000	Present value of minimum lease payments 2016 RM'000
Group						
Less than one year	58	(6)	52	56	(6)	50
Between one and five years	28	(1)	27	79	(1)	78
	86	(7)	79	135	(7)	128

The finance leases are secured against the respective assets acquired.

17. Provision for retirement benefits

The Group operates an unfunded defined benefit plan for qualifying employees and vessel crews of its subsidiaries in Indonesia. Under the plan, the employees and vessel crews are entitled to retirement benefits as defined in Indonesian Labour Laws and government regulations regarding maritime.

The amounts recognised in the statement of financial position are determined as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Present value of unfunded obligations	10,800	7,359
Unrecognised actuarial loss	-	-
At end of the financial year	10,800	7,359

Movement in net defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for net defined benefit liability and its components:

	Group	
	2017 RM'000	**2016 RM'000**
Balance at 1 April	7,359	6,644
Included in profit or loss		
Current service costs	2,645	2,193
Interest cost	278	239
Amortisation of actuarial loss/(gain)	5	(1,077)
Others	(14)	122
	2,914	1,477
Included in other comprehensive income		
Remeasurement loss/(gain)		
Actuarial loss/(gain) arising from:		
- Demographic assumption	1,909	-
- Financial assumption	303	-
- Experience adjustment	(942)	-
- Foreign exchange effect	(213)	(9)
	1,057	(9)
Other		
Benefits paid	(530)	(753)
Balance at 31 March	10,800	7,359

17. Provision for retirement benefits (continued)

The principal actuarial assumptions used were as follows:

	Group 2017	Group 2016
Discount rates (per annum) (%)	7.5 - 8.0	7.5 - 8.0
Expected rates of salary increases (per annum) (%)	0.0 - 8.0	0.0 - 8.0
Normal retirement age (years)	55	45 - 55

The most recent actuarial valuation was carried out as at 24 May 2017 by independent professional actuaries using the projected unit credit method.

18. Trade and other payables

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-current					
Other payables		5,693	5,584	4,834	5,584
Current					
Trade payables	(a)	152,564	201,531	10,967	15,687
Other payables		10,561	15,096	677	349
Accruals	(b)	72,530	64,186	568	395
		83,091	79,282	1,245	744
Amount payable to:					
- associates		574	1,421	751	1,472
- subsidiaries		-	-	12,431	11,198
- ultimate holding company	(c)	4,155	14,309	-	-
- related companies		13,086	8,290	950	495
- joint ventures		-	708	-	708
		17,815	24,728	14,132	13,873
		253,470	305,541	26,344	30,304
		259,163	311,125	31,178	35,888

18. Trade and other payables (continued)

Group

(a) Credit terms granted by suppliers to the Group range from cash terms to 90 days (2016: cash terms to 90 days).

(b) Included in accruals is an amount of RM1.1 million (2016: RM1.1 million) for certain legal claims brought against a subsidiary of the Group arising from the ordinary course of business. Management is uncertain of the expected utilisation of the balance provided as at 31 March 2017, but is of the view that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 March 2017.

(c) Included in amount due to ultimate holding company is an amount of USDNil million (2016: USD0.8 million) for the purchase consideration due to ultimate holding company arising from the acquisition of Scomi Sosma Sdn. Bhd. in the prior period.

Group and Company

The amounts payable to associates, subsidiaries, ultimate holding company, related companies and joint ventures are unsecured, interest-free and repayable on demand.

19. Derivative financial liabilities

Group	Nominal value 2017 RM'000	Liabilities 2017 RM'000	Nominal value 2016 RM'000	Liabilities 2016 RM'000
Cash flow hedges				
Cross currency interest rate swaps	(44,263)	(44,263)	(44,092)	(44,092)
	(44,263)	(44,263)	(44,092)	(44,092)
Included in:				
Non-current liabilities		(21,118)		(28,845)
Current liabilities		(23,145)		(15,247)
		(44,263)		(44,092)

19. Derivative financial liabilities (continued)

Cross currency interest rate swaps ("CCIRSs")

The notional principal amount of the outstanding CCIRSs at 31 March 2017 were RM105 million (2016: RM160 million).

The Group had entered into CCIRSs during 2012 and 2013, that were designated as cash flow hedges to hedge the Group's exposure to foreign exchange risk on its Guaranteed Serial Bonds. These contracts entitled the Group to receive principal and fixed interest amounts in RM and obliged the Group to pay principal and fixed interest amounts in USD and the CCIRSs reflect the timing of these cash flows. These CCIRSs contracts have maturities of up to 4 years from 31 March 2014. The Group has assessed and continued to apply the same cash flow hedges to hedge the issued Guaranteed Serial Bonds.

As at 31 March 2017, the Group had hedged the entire balance of the RM denominated Guaranteed Serial Bonds. The USD interest rates on the CCIRSs contracts designated as hedging instruments in the cash flow hedges ranged from 4.08% to 7.30% per annum (2016: 4.08% to 7.30% per annum) and the interest rates in RM ranged from 4.10% to 7.20% per annum (2016: 4.10% to 7.20% per annum). Gains and losses recognised in the hedging reserve in equity on the CCIRSs as of 31 March 2017 will be continuously released to the profit or loss within finance cost until the full repayment of the Guaranteed Serial Bonds.

20. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of goods	289,379	666,100	-	-
Rendering of services	90,074	134,370	-	-
Rental/Charter hire income	284,559	408,314	82,273	75,132
	664,012	1,208,784	82,273	75,132

21. Finance costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expense on:				
- Guaranteed Serial Bonds	6,073	8,169	-	-
- Bank loans and other	5,768	6,823	-	-
- Effect of interest on CCIRSs	3,045	5,575	-	-
	14,886	20,567	-	-
Amortisation of loan arrangement	5,720	6,712	-	-
	20,606	27,279	-	-

22. (Loss)/Profit before tax

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit before tax is stated after charging:				
Allowance for inventories	8,154	2,260	-	-
Amortisation of patent rights and development costs	281	275	-	-
Auditors' remuneration:				
KPMG Malaysia				
Statutory audit				
- current year	1,213	1,183	75	75
Non-audit fees				
- current year	141	135	6	5
Overseas affiliates of KPMG Malaysia				
Statutory audit				
- current year	1,422	1,213	-	-
- over provision in prior year	-	(57)	-	-
Other auditors				
Statutory audit				
- current year	395	184	-	-
Depreciation:				
- Property, plant and equipment	95,033	100,476	69	155
- Investment properties	143	146	-	-
Impairment loss:				
- Property, plant and equipment	303	-	-	-
- Receivables	15,764	676	-	-
- Subsidiaries	-	-	200,140	131,063
- Joint Ventures	-	-	-	3,966
- Goodwill	-	7,014	-	-
- Intangible assets	18,219	-	-	-
Inventories written down	378	4,835	-	-
Loss from disposal of property, plant and equipment	1,489	-	-	-
Net loss on foreign exchange				
- Realised	-	-	1,467	892
- Unrealised	-	19,604	-	847
Personnel expenses (including key management personnel):				
- Expenses related to defined benefit plans	2,914	1,477	-	-
- Wages, salaries and others	156,316	181,337	-	401
- Termination benefits	481	635	-	-
- Contribution to state plans	7,838	8,978	-	96
- Other employee benefits	17,325	26,059	-	142

22. (Loss)/Profit before tax (continued)

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax is stated after charging (continued):				
Property, plant and equipment written off	147	525	-	-
Rental of premises	4,732	6,229	161	249
Rental of equipment	813	3,079	-	-
and after crediting:				
Gain from disposal of property, plant and equipment	-	144	-	-
Interest income from deposit placed with licensed banks	1,783	1,253	210	323
Net gain on foreign exchange				
- Realised	1,565	15,960	-	-
- Unrealised	37,662	-	8,746	-
Rental income from a related company	181	182	-	-
Reversal of impairment loss:				
- Property, plant and equipment	-	1,182	-	-
- Receivables	1,321	2,034	-	-
- Associate	-	6,944	-	7,439
Reversal of inventories written off	206	3,969	-	-

23. Tax expense

Recognised in profit or loss

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian income tax	(1,287)	10,880	-	-
Foreign income tax	12,564	18,227	-	-
Over provision in prior year	(1,686)	(2,524)	-	-
Total current tax expense	9,591	26,583	-	-
Deferred tax expense				
Origination and reversal of temporary differences	252	(310)	-	-
Over provision in prior year	(715)	(2,359)	-	-
Total deferred tax expense	(463)	(2,669)	-	-
Total income tax expense	9,128	23,914	-	-