23. Tax expense (continued)

Reconciliation of tax expense

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Loss for the year	(135,765)	(11,918)	(192,803)	(131,412)
Total income tax expense	9,128	23,914	-	-
(Loss)/Profit before tax	(126,637)	11,996	(192,803)	(131,412)
Tax calculated at the Malaysian tax rate of 24% (2016: 24%)	(30,393)	2,879	(46,273)	(31,539)
Tax effects of:				
- different tax rates in other countries	3,754	5,366	-	-
- expenses not deductible for tax purposes	28,701	29,507	46,273	33,324
- income not subject to tax	(544)	(5,091)	-	(1,785)
- utilisation of previously unrecognised tax losses and capital allowances	(16,076)	(4,297)	-	-
- deferred tax assets not recognised	26,087	433	-	-
- deferred tax - over provision in prior year	(715)	(2,359)	-	-
- current tax - over provision in prior year	(1,686)	(2,524)	-	-
Total income tax expense	9,128	23,914	-	-

24. Other comprehensive income

Group	2017 Before tax RM'000	2017 Tax (expense)/ benefit RM'000	2017 Net of tax RM'000	2016 Before tax RM'000	2016 Tax (expense)/ benefit RM'000	2016 Net of tax RM'000
Items that is or may be reclassified subsequently to profit or loss						
Cash flow hedges						
- Gains arising during the year	9,168	-	9,168	18,765	-	18,765
Foreign currency translation differences for foreign operations	49,951	-	49,951	18,938	-	18,938
Remeasurement of defined benefit liability	(1,270)	248	(1,022)	-	-	-
	57,849	248	58,097	37,703	-	37,703

25. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 March 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017	**2016**
Loss attributable to owners of the Company (RM'000)	(126,406)	(2,734)
Weighted average number of ordinary shares of RM0.45 each in issue ('000)	2,341,621	2,341,626
Basic earnings per share (sen)	(5.40)	(0.12)

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the end of the reporting period.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

26. Operating segments

Management has determined the operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM") which are used for allocating resources and assessing performance of the operating segments.

The Chief Operating Decision Maker considers the business from the industry perspective and the service rendered. The following reportable segments have been identified:

(i) Drilling Services - supply and manufacturing of equipment, supply of a wide range of specialised chemicals and provision of services.

(ii) Marine Services - provision of transportation of bulk aggregates for the coal industry and other shipping related services.

(iii) Development and Production Asset and Services - provision of services in development and management of marginal hydrocarbon assets; services encompasses preparation and execution of Field Development Plan and supplying and operations and maintenance of offshore oil and gas facilities.

26. Operating segments (continued)

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the CODM (i.e. the Group's Chief Executive Officer). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Unallocated costs represent corporate expenses. Segment assets consist of property, plant and equipment, intangible assets, inventories, receivables and cash and cash equivalents, and mainly excludes investments, deferred tax assets and current tax assets. Segment liabilities comprise payables and exclude current tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

Segment assets

The total of segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return of assets of each segment.

Segment liabilities

Segment liabilities information is neither included in the internal management reports nor provided regularly to the CODM. Hence, no disclosure is made on segment liability.

26. Operating segments (continued)

2017	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Revenue				
External sales	487,747	174,959	1,306	664,012
Segment results				
Results from operating activities	(49,289)	(28,816)	(1,481)	(79,586)
Realised gain/(loss) on foreign exchange	2,935	(1,370)	-	1,565
Unrealised gain on foreign exchange	29,354	8,308	-	37,662
Finance costs	(18,265)	(2,341)	-	(20,606)
Other expenses	(37,930)	(3,534)	-	(41,464)
Share of loss of equity-accounted joint ventures, net of tax	-	(19,466)	(4,742)	(24,208)
Loss before tax	(73,195)	(47,219)	(6,223)	(126,637)
Tax expense	(8,064)	(1,064)	-	(9,128)
Loss for the year	(81,259)	(48,283)	(6,223)	(135,765)
Other information				
Depreciation and amortisation	46,523	48,934	-	95,457
Interest income	1,423	360	-	1,783
Additions to non-current assets other than financial instruments and deferred tax assets	(230)	(39,085)	6,121	(33,194)

26. Operating segments (continued)

2016	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Revenue				
External sales	1,012,719	194,927	1,138	1,208,784
Segment results				
Results from operating activities	86,478	(9,592)	(96)	76,790
Realised gain/(loss) on foreign exchange	16,039	(79)	-	15,960
Unrealised loss on foreign exchange	(17,792)	(1,812)	-	(19,604)
Finance costs	(26,762)	(517)	-	(27,279)
Other income/(expenses)	6,843	(30,581)	-	(23,738)
Share of profit of equity-accounted associates, net of tax	-	495	-	495
Share of loss of equity-accounted joint ventures, net of tax	(130)	(7,447)	(3,051)	(10,628)
Profit/(Loss) before tax	64,676	(49,533)	(3,147)	11,996
Tax expense	(21,183)	(2,731)	-	(23,914)
Profit/(Loss) for the year	43,493	(52,264)	(3,147)	(11,918)
Other information				
Depreciation and amortisation	53,429	47,468	-	100,897
Interest income	854	399	-	1,253
Additions to non-current assets other than financial instruments and deferred tax assets	(66,570)	26,096	4,907	(35,567)

26. Operating segments (continued)

2017	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Segment assets				
Assets employed in the segment	825,293	450,298	786	1,276,377
Investment in associates	-	7,439	-	7,439
Investments in joint ventures	1,304	41,526	10,964	53,794
Unallocated corporate assets:				
Current tax assets				27,284
Deferred tax assets				9,125
Total assets				1,374,019
Segment liabilities				
Liabilities in segment	459,561	51,655	3,804	515,020
Unallocated corporate liabilities:				
Current tax liabilities				17,513
Deferred tax liabilities				9,112
Derivative financial liabilities				44,263
Total liabilities				585,908
Net assets				788,111

2016	Drilling services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Segment assets				
Assets employed in the segment	994,473	466,000	686	1,461,159
Investment in associates	-	7,439	-	7,439
Investments in joint ventures	650	55,845	9,586	66,081
Unallocated corporate assets:				
Current tax assets				17,378
Deferred tax assets				7,885
Total assets				1,559,942
Segment liabilities				
Liabilities in segment	579,286	38,072	1,498	618,856
Unallocated corporate liabilities:				
Current tax liabilities				22,612
Deferred tax liabilities				8,602
Derivative financial liabilities				44,092
Total liabilities				694,162
Net assets				865,780

26. Operating segments (continued)

Assets employed in segment consist of property, plant and equipment, receivables and cash and cash equivalents, and mainly exclude deferred tax assets and current tax assets. Liabilities in segment comprise payables and exclude current tax liabilities and deferred tax liabilities.

	Total revenue		Total non-current assets	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Malaysia	171,868	258,552	54,701	60,767
Indonesia	163,317	324,451	397,905	399,543
Turkmenistan	82,594	108,863	6,815	8,302
Russia	74,574	51,719	8,355	6,458
Thailand	45,900	130,952	6,467	6,987
	538,253	874,537	474,243	482,057

With the exception of the countries disclosed above, no other individual country contributed more than 10% of consolidated revenue or assets.

Revenue is disclosed based on the location of the sales of goods, services or rental/charter hire. Total non-current assets are determined based on where the assets are located.

The following are the major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	2017 RM'000	**2016 RM'000**	
Customer A	82,273	75,132	Marine
Customer B	62,373	157,402	Oilfield
Customer C	76,016	83,576	Oilfield
	220,662	316,110	

Revenue for 3 (2016: 3) major customers constitutes 33.2% (2016: 26.1%) of total consolidated revenue.

27. Financial instruments

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL") - Held for trading ("HFT"); and
(c) Financial liabilities measured at amortised cost ("FL").

2017	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
Group			
Financial assets			
Trade and other receivables*	339,417	339,417	-
Cash and bank balances	124,792	124,792	-
	464,209	464,209	-
Financial liabilities			
Loans and borrowings	(245,057)	(245,057)	-
Trade and other payables	(259,163)	(259,163)	-
Derivative financial liabilities	(44,263)	-	(44,263)
	(548,483)	(504,220)	(44,263)
Company			
Financial assets			
Trade and other receivables*	114,673	114,673	-
Cash and bank balances	11,354	11,354	-
	126,027	126,027	-
Financial liabilities			
Trade and other payables	(31,178)	(31,178)	-

* Excluding prepayments

27. Financial instruments (continued)

(a) Categories of financial instruments (continued)

2016	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
Group			
Financial assets			
Trade and other receivables*	425,945	425,945	-
Cash and bank balances	155,858	155,858	-
	581,803	581,803	-
Financial liabilities			
Loans and borrowings	(300,372)	(300,372)	-
Trade and other payables	(311,125)	(311,125)	-
Derivative financial liabilities	(44,092)	-	(44,092)
	(655,589)	(611,497)	(44,092)
Company			
Financial assets			
Trade and other receivables*	40,430	40,430	-
Cash and bank balances	8,511	8,511	-
	48,941	48,941	-
Financial liabilities			
Trade and other payables	(35,888)	(35,888)	-

* Excluding prepayments

(b) Net losses and gains arising from financial instruments

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net (losses)/gains on:				
Fair value through profit or loss:				
- Held for trading	(3,045)	(5,575)	-	-
Loans and receivables	(12,660)	2,611	210	323
Financial liabilities measured at amortised cost	(17,502)	(21,704)	-	-
	(33,207)	(24,668)	210	323

27. Financial instruments (continued)

(c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, balances and deposits placed with licensed banks.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to a joint venture and certain subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties that are regulated and with sound credit rating.

Exposure to credit risk, credit quality and collateral

The Group and the Company do not hold any collateral from their customers.

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 365 days, which are deemed to have higher credit risk, are monitored individually.

27. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group 2017 RM'000	Group 2016 RM'000
Malaysia	15,563	39,713
Other Asia	99,630	164,750
Middle East and Africa	66,247	75,490
Other countries	1,575	9,837
	183,015	289,790

Impairment losses

The Group maintain an ageing analysis in respect of trade receivables only. The ageing of trade receivables as of the end of the reporting year was:

(i) Trade receivables that are neither past due nor impaired

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Group 1 - new customers (less than 6 months)
Group 2 - existing customers (more than 6 months) with no defaults in the past
Group 3 - existing customers (more than 6 months) with some defaults/delays in the past. All were fully recovered.

None of the trade receivables that are fully performing has been renegotiated during the financial year. The historical information of the financial assets that are neither past due nor impaired are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Group 1	2,496	2,948
Group 2	76,089	125,495
Group 3	-	-
	78,585	128,443

27. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(ii) Trade receivables that are past due but not impaired

The ageing analysis of trade receivables past due but not impaired is as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	78,585	-	78,585
Past due 0 - 30 days	44,134	-	44,134
Past due 31 - 120 days	34,465	-	34,465
More than 120 days	81,438	(55,607)	25,831
	238,622	(55,607)	183,015
2016			
Not past due	114,285	-	114,285
Past due 0 - 30 days	71,563	-	71,563
Past due 31 - 120 days	59,024	-	59,024
More than 120 days	83,400	(38,482)	44,918
	328,272	(38,482)	289,790

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group 2017 RM'000	Group 2016 RM'000
At 1 April	38,482	40,014
Impairment loss recognised	15,764	676
Impairment loss reversed	(1,321)	(2,034)
Currency translation differences	2,682	(174)
At 31 March	55,607	38,482

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

27. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a joint venture and certain subsidiaries. The Company monitors on an ongoing basis the results of the joint venture and subsidiaries and repayments made by the joint venture and subsidiaries.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Corporate guarantees provided to banks - notional values	-	2,791	105,000	198,972

As at the end of the reporting period, there was no indication that the joint venture or any subsidiary would default on repayment.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in short-term deposits placed with licensed banks and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in short-term deposits placed with licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

27. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Inter company advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to related companies, subsidiaries and associates. The Company monitors the results of the related companies, subsidiaries and associates regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to related companies, subsidiaries and associates are not recoverable. The Company does not specifically monitor the ageing of current advances to the related companies, subsidiaries and associates.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

27. Financial instruments (continued)

(e) Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

2017 **Group**	**Carrying amount RM'000**	**Contractual interest rate/ coupon**	**Contractual cash flows RM'000**	**Under 1 Year RM'000**	**1 - 2 years RM'000**	**2 - 5 years RM'000**
Non-derivative financial liabilities						
Bank loans – secured	89,780	1.10% - 6.05%	94,630	94,630	-	-
Finance leases	79	2.32% - 4.70%	86	58	28	-
Revolving credit - secured	50,836	2.10% - 5.60%	51,114	51,114	-	-
Guaranteed Serial Bond	101,884	3.90% - 4.30%	118,343	6,733	59,460	52,150
Bank overdraft – secured	2,478	6.70%	2,624	2,624	-	-
Trade and other payables	259,163	-	259,163	253,470	5,693	-
	504,220		525,960	408,629	65,181	52,150
Derivative financial liabilities						
Interest rate swaps:						
- Outflow	44,263	4.08% - 7.30%	161,154	6,970	154,184	-
- Inflow	-	4.10% - 7.20%	(115,784)	(5,235)	(110,549)	-
	548,483		571,330	410,364	108,816	52,150
Company						
Non-derivative financial liabilities						
Trade and other payables	31,178	-	31,178	26,344	4,834	-
Financial guarantees	-	-	105,000	105,000	-	-

Company No. 397979-A

27. Financial instruments (continued)

(e) Liquidity risk (continued)

Maturity analysis (continued)

2016	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 Year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Group						
Non-derivative financial liabilities						
Bank loans - secured	92,475	2.10% - 7.25%	95,765	95,765	-	-
Finance leases	128	2.32% - 4.70%	135	56	79	-
Revolving credit - secured	49,543	2.20% - 5.87%	50,633	50,633	-	-
Guaranteed Serial Bond	155,765	3.90% - 4.30%	173,343	61,733	59,460	52,150
Bank overdraft - secured	2,461	6.70%	2,609	2,609	-	-
Trade and other payables	311,125	-	311,125	305,541	5,584	-
	611,497		633,610	516,337	65,123	52,150
Derivative financial liabilities						
Interest rate swaps:						
- Outflow	44,092	4.08% - 7.30%	213,158	77,299	135,859	-
- Inflow	-	4.10% - 7.20%	(173,150)	(62,600)	(110,550)	-
	655,589		673,618	531,036	90,432	52,150
Company						
Non-derivative financial liabilities						
Trade and other payables	35,888	-	35,888	30,304	5,584	-
Financial guarantees	-	-	198,972	198,972	-	-

27. Financial instruments (continued)

(f) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

The Group uses financial instruments such as currency forwards and cross currency interest rate swaps ("CCIRSs") to manage against financial risk exposures.

(i) Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily *U.S. Dollar ("USD")*.

Risk management objectives, policies and processes for managing the risk

The Group does not have a fixed policy to hedge its sales and purchases via forward contracts. These exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies wherever possible and close monitoring of the currency exposures by management.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	***Denominated in* USD**	
	2017 RM'000	**2016 RM'000**
Group		
Cash and bank balances	7,084	15,768
Trade and other receivables	33,878	32,036
Loans and borrowings	(49,894)	(40,399)
Trade and other payables	(56,678)	(57,199)
Net exposure	(65,610)	(49,794)

27. Financial instruments (continued)

(f) Market risk (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis

The Company's financial assets and liabilities are significantly denominated in Malaysian Ringgit ("MYR"), which is its functional currency. The Company is not significantly exposed to foreign currency risk.

A 5% (2016: 5%) strengthening/weakening of USD against MYR at the end of the reporting period would have (increased)/decreased equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Equity/Profit or loss (Increase)/Decrease	
	2017	**2016**
	RM'000	**RM'000**
Group		
USD against RM		
- strengthened	(2,493)	(1,892)
- weakened	2,493	1,892

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk. The Group also uses hedging instruments such as cross currency interest rate swaps to minimise its exposure to interest rate volatility.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by obtaining financing at competitive rates, which is a mix of fixed and floating interest rates borrowing instruments. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

27. Financial instruments (continued)

(f) Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was as follows:

	Group	
	2017	2016
	RM'000	RM'000
Fixed rate instruments		
Financial assets	24,940	44,886
Financial liabilities	(101,963)	(168,644)
	(77,023)	(123,758)
Floating rate instruments		
Financial liabilities	(143,094)	(131,728)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
	100 bp Increase	100bp Decrease
Group	RM'000	RM'000
2017		
Floating rate instruments	(1,088)	1,088
2016		
Floating rate instruments	(1,001)	1,001

27. Financial instruments (continued)

(g) Hedging activities

Cash flow hedge

The Group has entered into an interest rate swap to hedge the cash flow risk in relation to the fixed interest rate of Guaranteed Serial Bonds. The interest rate swap has the same nominal value of RM105,000,000 (2016: RM160,000,000) and is settled every six months, consistent with the interest repayment schedule of the Bonds.

The following table indicates the periods in which the cash flows associated with the interest rate swap are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flows RM'000	Under 1 year RM'000	1 – 2 years RM'000	2 – 5 years RM'000
2017					
Interest rate swap	44,263	45,370	1,735	43,635	-
2016					
Interest rate swap	44,092	40,008	14,699	25,309	-

During the financial year, a gain of RM5,488,000 (2016: RM8,125,000) was recognised in other comprehensive income and loss of RM3,680,000 (2016: RM9,255,000) was reclassified from equity to profit or loss as finance expenses.

No ineffective gain or loss was recognised during the year (2016: loss of RM685,000) in respect of the hedge.

(h) Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings approximate fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

27. Financial instruments (continued)

(h) Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2017										
Financial liabilities										
Guaranteed Serial Bonds	-	-	-	-	-	-	49,380	49,380	49,380	49,380
Finance leases	-	-	-	-	-	-	27	27	27	27
Cross currency interest rate swaps	-	44,263	-	44,263	-	-	-	-	44,263	44,263
2016										
Financial liabilities										
Guaranteed Serial Bonds	-	-	-	-	-	-	102,927	102,927	102,927	102,927
Finance leases	-	-	-	-	-	-	78	78	78	78
Cross currency interest rate swaps	-	44,092	-	44,092	-	-	-	-	44,092	44,092

27. Financial instruments (continued)

(h) Fair value information (continued)

Level 2 fair value

Derivatives

The fair value of cross currency interest rate swaps is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2016: no transfer in either directions).

Level 3 fair value

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Guaranteed Serial Bonds and finance leases	Discounted cash flows using a rate based on current market rate of borrowing of the respective Group entities at the reporting date

28. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 March 2017 and 31 March 2016 were as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Total loans and borrowings (Note 16)	245,057	300,372
Less: Cash and bank balances (Note 12)	(124,792)	(155,858)
Net debt	120,265	144,514
Total equity	788,111	865,780
Debt-to-equity ratio	0.15	0.17

28. Capital management (continued)

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

29. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017 RM'000	**2016 RM'000**
Less than one year	5,464	6,349
Between one and five years	8,408	10,013
More than five years	584	905
	14,456	17,267

The Group lease under operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are increased every year to reflect market rentals. None of the leases includes contingent rentals.

30. Capital and other commitments

	Group	
	2017 RM'000	**2016 RM'000**
Authorised capital expenditure but not recognised in the financial statements:		
Property, plant and equipment		
- contract for	-	2,824
- not contracted for	35,241	97,070

31. Contingent liabilities (unsecured)

	Group 2017 RM'000	Group 2016 RM'000
Taxation	2,200	2,000

The Directors are of the opinion that provisions are not required in respect of the contingent liabilities, as it is not probable that a future sacrifice of economic benefits will be required.

32. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the transactions below are shown in Notes 10 and 18.

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
A. Ultimate holding company				
Business development charges absorbed by ultimate holding company	-	7,196	-	7,196
Rental expenses for office	(1,031)	(1,955)	(171)	(244)
Utilities	(15)	(5)	(15)	(5)

32. Related parties (continued)

Significant related party transactions (continued)

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
B. Related companies				
SAP maintenance fee expense	(2,275)	(2,686)	(276)	(114)
Training fee	(465)	(452)	(125)	(4)
Airline ticketing services - Lintas	(608)	(828)	(90)	(196)
Rental income for office - Suria	181	182	-	-
C. Joint ventures				
Recharter fee	-	(3,520)	-	-
D. Associates				
Recharge of expense paid/ received on behalf	(112)	(943)	(112)	(943)
E. Key management personnel				
Salaries and short-term employee benefits	3,106	3,964	556	353
Defined contribution plan	214	350	66	50
Termination benefits	296	-	-	-
	3,616	4,314	622	403

Note: Suria Business Solutions Sdn. Bhd. ("Suria") and Lintas Travel & Tours Sdn. Bhd. ("Lintas") are companies connected to a Director.

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

The estimated monetary value of Directors' benefit-in-kind is RMNil (2016: RM3,000).

Certain executive officers are subject to mutual term of notice of 12 months. Upon resignation at the Group's request, they are entitled to terminate benefits up to 24 months gross salary.

33. Directors' remuneration

The aggregate amount of emoluments received/receivable by Directors of the Company during the financial year is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non-executive directors				
Fees	376[1]	366	376[1]	366
Allowances	68[2]	84	68[2]	84
	444	450	444	450
Executive directors				
Salaries and bonus	-	86	-	86
Fees	753[1]	120	-	-
Allowances	13	30	-	30
Defined contribution plan	-	22	-	22
Estimated monetary value of benefits-in-kind	-	3	-	3
	766	261	-	141
	1,210	711	444	591

[1] The proposed annual Directors' fees are subject to the shareholders' approval at the forthcoming Annual General Meeting ("AGM") of the Company or of the respective subsidiary.

[2] Meeting allowance and transport allowance after 31 January 2017 with a total amount of RM10,000 is subject to the shareholders' approval at the forthcoming AGM of the Company.

34. Subsequent event

Subsequent to financial year end, a customer in one of the foreign subsidiaries liquidated a performance bank guarantee ("PBG") issued to them amounting to approximately USD2.1 million. The PBG was issued previously in favour of the customer as required under a contract signed with the customer ("Contract"). The foreign subsidiary is currently assessing the possibility of recovering the amount through legal recourse available under the Contract.

35. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 March, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- realised	1,143,446	1,314,622	(125,760)	250,253
- unrealised	(288,378)	(356,334)	58,507	(124,703)
	855,068	958,288	(67,253)	125,550
Total share of accumulated losses of associate:				
- realised	(9,418)	(9,418)	-	-
Total share of retained earnings of joint ventures:				
- realised	(10,371)	13,837	-	-
	835,279	962,707	(67,253)	125,550
Less:				
Consolidation adjustments	(584,100)	(584,100)	-	-
Total retained earnings/ (Accumulated loss)	251,179	378,607	(67,253)	125,550

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Scomi Energy Services Bhd

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

and its subsidiaries

Statement by Directors pursuant to Section 251(2) of the Companies Act, 2016

In the opinion of the Directors, the financial statements set out on pages 7 to 110 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 35 on page 111 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Chacko Kunjuvaru**, the officer primarily responsible for the financial management of Scomi Energy Services Bhd, do solemnly and sincerely declare that the financial statements set out on pages 7 to 111 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Chacko Kunjuvaru, I/C No 770103-01-7229, at Petaling Jaya in the State of Selangor Darul Ehsan on 24 JUL 2017

....
Chacko Kunjuvaru

Before me:

PESURUHJAYA SUMPAH
No : B185
Nama: NG SAY HUNG
MALAYSIA

No. 69A, Jalan SS21/37
Damansara Utama (Up Town)
47400 Petaling Jaya, Selangor D.E

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCOMI ENERGY SERVICES BHD

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scomi Energy Services Bhd, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 110.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

i) Valuation of intangible assets

Refer to Note 2(f)(i) and 2(f)(iii) – Significant accounting policies: Goodwill and other intangible assets and Note 4 - Intangible assets.

The key audit matter

As disclosed in Note 4, as at 31 March 2017, the Group has intangible assets consisting of:

a) Goodwill allocated to Oilfield Services of RM102.5 million; and
b) Other intangible assets in relation to patent of RM0.4 million and capitalised development cost of drilling waste equipment of RM5.0 million.

In relation to goodwill, the Group is required to perform an annual impairment assessment.

In relation to other intangible assets, the Group is required to assess for indicators of impairments in respect of other intangible assets. Where indicators of impairment are identified, a full impairment assessment is performed.

These assessments involve significant judgment in the application of valuation models and assumptions. As a consequence, there is a risk that goodwill and other intangible assets may be overstated.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the Group's impairment model and discounted cash flow projections prepared by management and approved by Directors which support their goodwill impairment review;
- We challenged the reasonableness of discounted cash flow projections and the evidence supporting the underlying assumptions used by the Group, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;
- We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value;

Key Audit Matters (continued)

i) Valuation of intangible assets (continued)

- o We reassessed the management's assessment of the existence of impairment indicators for other intangible assets and assessed the appropriateness of the amortisation period to understand whether the amortisation period remains appropriate; and
- o We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

ii) Valuation of marine vessels

Refer to Note 2(d) – Significant accounting policies: Property, plant and equipment and Note 3 – Property, plant and equipment.

The key audit matter

As disclosed in Note 3, the Group held a significant carrying amount of marine vessels of RM343.77 million included in the Group's property, plant and equipment as at 31 March 2017. As the Marine Services sector continues to be affected by the weakening of the oil and gas, and coal markets in the recent years, this is an indication that these marine vessels might be impaired. There are no impairment of vessels recognised to profit or loss by the Group during the year.

The Group estimated the recoverable amount of the marine vessels by preparing a discounted cash flow projections or relying on external valuation report. These assessments involved significant judgement in the application of expert valuations or valuation models and assumptions.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

Discounted cash flow projections:

- o We assessed the Group's impairment model and discounted cash flow projections prepared by management and approved by Directors which support their marine vessels impairment review;
- o We challenged the reasonableness of discounted cash flow projections and the evidence supporting the underlying assumptions used by the Group, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- o We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;
- o We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value; and

Key Audit Matters (continued)

ii) Valuation of marine vessels (continued)

- We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

External valuation report:

- We assessed the valuations report obtained from the external valuation expert engaged by the Group against the externally available market data. We also assessed the competency, capabilities and objectivity of the expert through available data research.

iii) Recoverability of trade receivables

Refer to Note 2(c) – Significant accounting policies: Financial instruments and Note 10 – Trade and other receivables.

The key audit matter

As disclosed in Note 10, The Group held a significant balance of trade receivables amounted to RM183.02 million as at 31 March 2017. There is a risk over the recoverability of these balances as the decline in oil and gas, and coal markets has affected the offshore drilling activities and coal transportation business in the past two years.

There is a significant judgement involved in assessing the adequacy of impairment loss in respect of the trade receivables balances. Therefore, there is a risk that impairment loss of trade receivables have not been adequately accounted for.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We tested the Group's controls over the receivables collection processes;
- We assessed the accuracy of trade receivables aging report used to assess the adequacy of impairment loss of trade receivables. We also assessed the historical trading experience and collection trend of these customers;
- We assessed the post year-end cash collections against year-end trade receivables and investigated the significant individual overdue balances by reference to recent history of recoveries on these balances and checked review the correspondences with the customers;
- We assessed the historical accuracy of impairment loss of trade receivables and the level of bad debt write-offs during the year; and
- We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the degree of estimation involved in arriving at the impairment loss of trade receivables.

Key Audit Matters (continued)

iv) Valuation of inventories

Refer to Note 2(h) – Significant accounting policies: Inventories and Note 11 – Inventories.

The key audit matter

As disclosed in Note 12, the Group has significant inventory balances of RM164.92 million as at 31 March 2017 which mainly arise from its oilfield services, such as chemicals and consumables as at 31 March 2017. As the Oilfield Services sector continues to be affected by the weakening of the oil and gas market in the recent years, this is an indication that these inventories might be slow moving or obsolete.

There is significant judgement involved in assessing the level of inventory provision required in respect of write-down of inventories. Therefore, there is a risk that write-down of inventories have not been adequately provided for.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the design and effectiveness of controls over identifying write-downs of inventories and obtaining an understanding of the Group's process for measuring the amount of write-down required. These controls are also designed to identify inventories that are sold below its cost;
- We assessed the Group's provision for those inventories identified as slow moving, or potentially slow moving, by assessing the ageing of inventory maintained by the Group. We also tested the accuracy of the ageing of inventory used for this purpose; and
- We tested a sample of inventories to sales subsequent to the year end and ascertained that these were sold at prices higher than their net book values.

Key Audit Matters (continued)

v) Valuation of investment in subsidiaries (Company level)

Refer to Note 2(a)(i) – Significant accounting policies – Subsidiaries and Note 6 – Investment in subsidiaries.

The key audit matter

As at 31 March 2017, the Company has investment in subsidiaries with an aggregated carrying amount of RM848.99 million (85% of the total assets of the Company) mainly in respect of investment in Scomi Oilfield Limited as disclosed in Note 6. The entity had incurred operating losses for the financial year ended 31 March 2017. This increased the risk that the carrying amount of the Company's investment in subsidiaries might exceed their recoverable amount. Based on the impairment assessment carried by management, an impairment loss of RM200.14 million was recorded for the current year.

We identified the carrying value of the Company's investment in subsidiaries as a key audit matter because of its significance to total assets in the Company's financial statements and it required us to exercise judgement in evaluating the appropriateness of the assumptions used in deriving the recoverable amount to assess the adequacy of management impairment loss provision.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We reassessed the Company's assessment on indicators of impairment in investment in subsidiaries;
- We challenged the reasonableness of cash flow projections and the evidence supporting the underlying assumptions used by the Company, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;
- We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value; and
- We assessed the adequacy of the disclosures in the financial statements of the Company in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 35 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Muhammad Azman bin Che Ani
Approval Number: 2922/04/18(J)
Chartered Accountant

Petaling Jaya

24 July 2017

Scomi Engineering Bhd

(Company No. 111633-M)
(Incorporated in Malaysia)
and its subsidiaries

Financial statements for the financial year ended 31 March 2017

Scomi Engineering Bhd
(Company No. 111633-M)
(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 Company is principally engaged in investment holding activities, provision of management services to subsidiaries and the design, manufacture and supply of monorail trains and related services, whilst the principal activities of the subsidiaries are stated in Note 5 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 5 to the financial statements.

Results

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(19,756)	15,379

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as those disclosed in the financial statements.

Dividends

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.

Directors of the Company

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

Datuk Zainun Aishah binti Ahmad
Dato' Ikmal Hijaz bin Hashim
Tunku Alizan bin Raja Muhammad Alias
Liew Willip
Kanesan a/l Veluppillai
Cyrus Eruch Daruwalla (Appointed on 23 May 2016)
Shah Hakim @ Shahzanim bin Zain
Lee Chun Fai (Resigned on 23 May 2016)

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 financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
	At 1.4.2016 '000	**Bought '000**	**Sold '000**	**At 31.3.2017 '000**
Ultimate holding company				
Scomi Group Bhd				
Direct interest				
Shah Hakim @ Shahzanim bin Zain	1,950[(1)]	-	-	1,950[(1)]
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	175,917[(2)]	-	-	175,917[(2)]

	Number of ordinary shares			
	At 1.4.2016 '000	**Bought '000**	**Sold '000**	**At 31.3.2017 '000**
Fellow subsidiary company				
Scomi Energy Services Bhd				
Direct interest				
Shah Hakim @ Shahzanim bin Zain	2,108[(3)]	-	-	2,108[(3)]
Indirect interest				
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**
Company				
Scomi Engineering Bhd				
Direct interest				
Datuk Zainun Aishah binti Ahmad	250	-	-	250
Shah Hakim @ Shahzanim bin Zain	623[5]	-	-	623[5]
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	538[4]	-	-	538[4]

[1] 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.

[2] Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Kaspadu Sdn Bhd and Rentak Rimbun Sdn Bhd which in turn is deemed interested in Scomi Group Bhd.

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

[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 deemed interested in Scomi Energy Services Bhd. KAF Nominees (Tempatan) Sdn. Bhd. pledged securities Account for Rentak Rimbun Sdn. Bhd.

[5] 123,000 shares held through Maybank Securities Nominees (Tempatan) Sdn. Bhd. (Margin) (pledged Securities Account for Shah Hakim @ Shahzanim bin Zain).

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

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements) 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 certain Directors who have substantial financial interest in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 28 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

Save for the transfer of share premium to paid up capital, there were no other 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

There was no purchase of treasury shares during the financial year.

Details of the treasury shares are set out in Note 12 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 insured on professional indemnity insurance for Directors and officers of the Company is RM76,600,000.

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.

Other statutory information (continued)

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, 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.

Other Information

Subsidiaries with different accounting period

The Companies Commission of Malaysia ("CCM") had granted an order pursuant to Section 247(7) of the Companies Act 2016 approving the application by the Company to allow its subsidiaries, Urban Transit Servicos do Brasil Ltda and Quark Fabricacao de Equipamentos Ferroviarios E Servicos De Engenharia LTDA to continue to have or to adopt a financial year which does not coincide with the Group and the Company financial year ended 31 March 2017, subject to the following conditions:

(i) the Company is required to report this approval from CCM in its Directors' Report; and

(ii) the Company is to ensure compliance with the Section 252 and 253 of the Companies Act 2016 and the approved accounting standards pertaining to the preparation of the consolidated financial statements.

The Company has fulfilled these conditions as stated above.

Significant events during the year

Significant events during the year are disclosed in Note 29 to the financial statements.

Subsequent events

Subsequent events are disclosed in Note 30 to the financial statements.

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 20 to the financial statements.

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

....
Datuk Zainun Aishah binti Ahmad
Director

....
Shah Hakim @ Shahzanim bin Zain
Director

Petaling Jaya

Date: 24 JUL 2017

Scomi Engineering Bhd

(Company No. 111633-M)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 March 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Assets					
Property, plant and equipment	3	60,389	66,971	41,076	26
Intangible assets	4	153,693	156,463	-	-
Investments in subsidiaries	5	-	-	412,245	368,695
Deferred tax assets	7	34,600	34,006	4,693	4,693
Available-for-sale financial assets	8	170	104	-	-
Total non-current assets		248,852	257,544	458,014	373,414
Inventories	9	16,512	7,372	-	-
Current tax assets		4,619	4,077	-	-
Receivables, deposits and prepayments	10	797,617	660,419	288,752	218,169
Cash and bank balances	11	38,452	31,594	2,994	5,204
Total current assets		857,200	703,462	291,746	223,373
Total assets		1,106,052	961,006	749,760	596,787
Equity					
Share capital	12	388,685	342,080	388,685	342,080
Share premium	12	-	46,605	-	46,605
Reserves	12	(132,668)	(123,412)	(38,709)	(52,614)
Total equity attributable to owners of the Company		256,017	265,273	349,976	336,071
Liabilities					
Deferred tax liabilities	7	9,398	-	-	-
Loans and borrowings	13	74,159	71,486	40,304	-
Deferred income		1,681	-	-	-
Trade and other payables	14	78,582	59,521	78,582	59,421
Total non-current liabilities		163,820	131,007	118,886	59,421
Loans and borrowings	13	451,482	398,331	1,283	3,500
Deferred income		120	-	-	-
Trade and other payables	14	216,909	153,439	279,615	197,795
Current tax liabilities		17,435	12,327	-	-
Deferred government grant	15	269	629	-	-
Total current liabilities		686,215	564,726	280,898	201,295
Total liabilities		850,035	695,733	399,784	260,716
Total equity and liabilities		1,106,052	961,006	749,760	596,787

The notes on pages 17 to 103 are an integral part of these financial statements.

Scomi Engineering Bhd
(Company No. 111633-M)
(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	16	162,880	174,548	56,315	20,740
Cost of sales/services	17	(162,037)	(165,874)	(58,736)	(31,940)
Gross profit/(loss)		843	8,674	(2,421)	(11,200)
Other income		30,489	14,941	31,026	23,923
Selling and distribution expenses		(1,118)	(1,749)	-	-
Administrative expenses		(26,595)	(17,458)	(4,893)	(5,137)
Other expenses		(2,078)	(11,568)	-	(3,092)
Results from operating activities		1,541	(7,160)	23,712	4,494
Finance income		1,443	2,134	288	258
Finance costs	18	(14,629)	(6,854)	(8,621)	(356)
(Loss)/Profit before tax		(11,645)	(11,880)	15,379	4,396
Tax (expense)/credit	19	(8,111)	10,037	-	12
(Loss)/Profit for the year	20	(19,756)	(1,843)	15,379	4,408
Other comprehensive Income/(expense), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations	22	10,434	(2,548)	(1,474)	142
Available-for-sale financial assets	22	66	-	-	-
Other comprehensive income/ (expense) for the year, net of tax		10,500	(2,548)	(1,474)	142
Total comprehensive (expense)/income for the year		(9,256)	(4,391)	13,905	4,550
(Loss)/Profit attributable to:					
Owners of the Company		(19,756)	(1,843)	15,379	4,408
(Loss)/Profit for the year		(19,756)	(1,843)	15,379	4,408
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(9,256)	(4,391)	13,905	4,550
Total comprehensive (expense)/ income for the year		(9,256)	(4,391)	13,905	4,550
Basic loss per ordinary share (sen):					
from continuing operations	21	(5.78)	(0.54)		

The notes on pages 17 to 103 are an integral part of these financial statements.

Scomi Engineering Bhd
(Company No. 111633-M)
(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*------>							
Group	**Share capital RM'000**	**Share premium RM'000**	**Treasury shares RM'000**	**Merger relief reserve RM'000**	**Foreign currency translation reserve RM'000**	**Share option reserve RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 April 2015	342,080	46,605	(103)	21,260	(8,999)	4,374	(135,553)	269,664
Foreign currency translation differences for foreign operations	-	-	-	-	(2,548)	-	-	(2,548)
Total other comprehensive expense for the year	-	-	-	-	(2,548)	-	-	(2,548)
Loss for the year	-	-	-	-	-	-	(1,843)	(1,843)
Total comprehensive expense for the year	-	-	-	-	(2,548)	-	(1,843)	(4,391)
Contributions by owners of the Company								
Share options:								
- net options granted and forfeited	-	-	-	-	-	(4,374)	4,374	-
Total transactions with owners of the Company	-	-	-	-	-	(4,374)	4,374	-
At 31 March 2016	342,080	46,605	(103)	21,260	(11,547)	-	(133,022)	265,273

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

Group	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Merger relief reserve RM'000	Foreign currency translation reserve RM'000	Available for sale reserve RM'000	Accumulated losses RM'000	Total equity RM'000
	<---Attributable to owners of the Company--->							
	<---Non-distributable--->							
At 1 April 2016	342,080	46,605	(103)	21,260	(11,547)	-	(133,022)	265,273
Foreign currency translation differences for foreign operations	-	-	-	-	10,434	-	-	10,434
Available-for-sale financial assets	-	-	-	-	-	66	-	66
Total other comprehensive income for the year	-	-	-	-	10,434	66	-	10,500
Loss for the year	-	-	-	-	-	-	(19,756)	(19,756)
Total comprehensive income/ (expense) for the year	-	-	-	-	10,434	66	(19,756)	(9,256)
Transfer in accordance with Section 618(2) of the Companies Act 2016	46,605	(46,605)	-	-	-	-	-	-
At 31 March 2017	388,685	-	(103)	21,260	(1,113)	66	(152,778)	256,017

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

Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Merger relief reserve RM'000	Foreign currency translation reserve RM'000	Share option reserve RM'000	Accumulated losses RM'000	Total equity RM'000
	<---Attributable to owners of the Company--->							
	<--- *Non-distributable* --->							
At 1 April 2015	342,080	46,605	(103)	21,260	389	3,741	(82,451)	331,521
Foreign currency translation differences for foreign operations	-	-	-	-	142	-	-	142
Total other comprehensive income for the year	-	-	-	-	142	-	-	142
Profit for the year	-	-	-	-	-	-	4,408	4,408
Total comprehensive income for the year	-	-	-	-	142	-	4,408	4,550
Contributions by owners of the Company								
Share options:								
- net options granted and forfeited	-	-	-	-	-	(3,741)	3,741	-
Total transactions with owners of the Company	-	-	-	-	-	(3,741)	3,741	-
At 31 March 2016	342,080	46,605	(103)	21,260	531	-	(74,302)	336,071

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

(continued)

Company	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Merger relief reserve RM'000	Foreign currency translation reserve RM'000	Share option reserve RM'000	Accumulated losses RM'000	Total equity RM'000
	<----Attributable to owners of the Company--->							
	<----*Non-distributable*--->							
At 1 April 2016	342,080	46,605	(103)	21,260	531	-	(74,302)	336,071
Foreign currency translation differences for foreign operations	-	-	-	-	(1,474)	-	-	(1,474)
Total other comprehensive expense for the year	-	-	-	-	(1,474)	-	-	(1,474)
Profit for the year	-	-	-	-	-	-	15,379	15,379
Total comprehensive (expense)/ income for the year	-	-	-	-	(1,474)	-	15,379	13,905
Transfer in accordance with Section 618(2) of the Companies Act 2016	46,605	(46,605)	-	-	-	-	-	-
At 31 March 2017	388,685	-	(103)	21,260	(943)	-	(58,923)	349,976

The notes on pages 17 to 103 are an integral part of these financial statements.

Scomi Engineering Bhd
(Company No. 111633-M)
(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		(11,645)	(11,880)	15,379	4,396
Adjustments for:					
Amortisation of government grant		(360)	(359)	-	-
Amortisation of intangible assets		2,770	2,459	-	-
Interest expense	18	48,982	36,370	8,621	356
Interest income		(1,443)	(2,134)	(288)	(258)
Net unrealised foreign exchange gain		(27,637)	(12,014)	(30,158)	(23,590)
Property, plant and equipment:					
- depreciation	3	6,517	6,629	950	148
- write-off	3	260	5	-	-
Reversal of inventories obsolescence		(487)	(168)	-	-
Receivables:					
- allowance of impairment		65	8,138	-	-
- write-off		-	4,376	-	3,092
Operating profit/(loss) before changes in working capital		17,022	31,422	(5,496)	(15,856)
Changes in deferred income		1,801	-	-	-
Changes in inventories		(8,653)	2,697	-	-
Changes in trade and other receivables, prepayments and other financial assets		(115,507)	44,994	(31,403)	28,082
Changes in intercompanies' balances		7,461	(6,731)	32,170	(20,302)
Changes in trade and other payables		54,746	18,292	40,619	16,559
Cash (used in)/generated from operations		(43,130)	90,674	35,890	8,483
Interest received		1,443	2,134	288	258
Tax (paid)/refunded		(1,074)	(855)	-	97
Net cash (used in)/from operating activities		(42,761)	91,953	36,178	8,838

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

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	(ii)	(37)	(1,349)	-	(24)
Increase in investment in a subsidiary		-	-	(43,550)	(6,998)
Net cash used in investing activities		(37)	(1,349)	(43,550)	(7,022)
Cash flows from financing activities					
Advance from ultimate holding company		11,370	4,374	11,370	4,374
Changes in deposits pledged		(6,533)	(3,264)	-	-
Drawdown of borrowings		15,827	2,244	-	-
Drawdown/(Repayment) of finance lease liabilities		35,687	(2,131)	(413)	-
Interest paid		(31,684)	(36,370)	(821)	(356)
Net settlement of trade facilities		(181)	(20,853)	-	-
Repayment of loans and borrowings		(11,871)	(28,877)	(3,500)	(1,500)
Net cash from/(used in) financing activities		12,615	(84,877)	6,636	2,518
Net (decrease)/increase in cash and cash equivalents		(30,183)	5,727	(736)	4,334
Effect of exchange rate fluctuations on cash held		26,265	(1,469)	(1,474)	142
Cash and cash equivalents at 1 April		(65,532)	(69,790)	5,204	728
Cash and cash equivalents at 31 March	(i)	(69,450)	(65,532)	2,994	5,204

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:

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Short term deposits with licenced banks	11	31,941	25,904	1,000	-
Cash and bank balances	11	6,511	5,690	1,994	5,204
		38,452	31,594	2,994	5,204
Less: Pledged deposits	11	(31,750)	(25,217)	-	-
		6,702	6,377	2,994	5,204
Bank overdrafts	13	(76,152)	(71,909)	-	-
		(69,450)	(65,532)	2,994	5,204

(ii) Acquisition of property, plant and equipment

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Acquisition of property, plant and equipment	3	37	1,430	42,000	24
Financed by way of finance lease arrangements		-	(81)	(42,000)	-
Cash payments on purchase of property, plant and equipment		37	1,349	-	24

Scomi Engineering Bhd
(Company No. 111633-M)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

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

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

The consolidated financial statements of the Company as at and for the financial year ended 31 March 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 joint arrangements. The financial statements of the Company as at and for the financial year ended 31 March 2017 also include a joint operation.

The Company is principally engaged in investment holding activities, provision of management services to subsidiaries and the design, manufacture and supply of monorail trains and related services, whilst the principal activities of the subsidiaries are stated in Note 5 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 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 framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group:

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*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations that are applicable to the Company and effective:

- from the annual period beginning on 1 April 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

- from the annual period beginning on 1 April 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 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.*

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.

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 from the adoption of MFRS 15, 9 and 16.

(b) Basis of measurement

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

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future; that is for at least 12 months from the date of signing of the financial statements. The Directors have also considered the following matters:

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

(i) On 7 November 2008, the Company had been awarded a monorail design, development and construction contract for Rs 1,097 crores (equivalent to about RM690 million) ("the Project I"). Phase 1 of Project I was completed and commissioned on 1 February 2014. Due to various circumstances, Phase 2 of Project I continued to encounter delays and certain key milestones stated in the contract have not been met as at 31 March 2017. The Company has continuously apprised the customer on the status of the project and sought extensions of time as allowed under the contract. In the prior years, a subsidiary had secured financing facilities totalling RM205.3 million for working capital and trade financing purposes to fund Project I.

On 6 June 2014, the lender, subject to conditions, extended the financing facilities period up to 26 September 2015 with a limit on the use of the financing facilities totalling to RM205.3 million. On 14 August 2014, the lender revised the limit on use of the financing facilities to RM231.9 million with no change to the conditions and expiry date of the facility.

In view of the continuing delays, in 2015, the lender, subject to conditions, extended the financing facilities period up to 14 July 2016 with a revised limit on the use of the financing facilities totalling to RM228.4 million. On 29 June 2016, the lender, subject to conditions, has further extended the financing facilities period up to 15 August 2017 with a revised limit of RM226.0 million.

On 17 June 2016, the Company obtained a further Extension of Time ("EOT") up to 15 August 2017 from its customer, Mumbai Metropolitan Region Development Authority ("MMRDA"). During the year, the Project I activities and work continued normally except for the delayed payments on certain contractors' interim claims where the customer and the Group had agreed for the interim claims to be settled through arbitration.

A panel of three arbitrators have been appointed in December 2015. The Group expected the arbitration proceedings to be completed within 18 months. The arbitration proceedings commenced in February 2017 and as of the date of the financial statements, the hearing on this arbitration is still in progress.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

(ii) On 10 December 2010, Scomi Transit Projects Sdn Bhd ("STP"), a subsidiary of the Company, had been awarded a monorail expansion contract for RM494 million ("the Project II"). Due to various circumstances, Project II continued to encounter delays and certain key milestones stated in the contract have not been met as at 31 March 2017. STP has continuously apprised the customer, Prasarana Malaysia Berhad ("PMB") on the status of the project and sought extensions of time as allowed under the contract.

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

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

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

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

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

On 21 July 2016, STP issued a Notice of Arbitration against PMB to resolve the disputes through arbitration. On 22 July 2016, the Court made an order dismissing the Originating Summons filed by STP on 20 June 2016. However, the Court granted an injunction preventing termination of the contract by PMB until 26 July 2016. On 25 July 2016, STP filed a Notice of Appeal against the dismissal of the Originating Summons filed on 20 June 2016, which appeal was fixed for hearing on 16 August 2016 ("Appeal Hearing") and subsequently adjourned to various dates in 2016 and 2017 of which the latest date is on 28 August 2017 as further explained in Note 29(a) and Note 30.

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

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

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

Following the above developments, STP filed an action ("Action") with respect to the alleged nullification in the Court against PMB on 3 July 2017 as further explained in Note 30. The Action is fixed for hearing on 31 July 2017.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

On 13 July 2017, STP issued a Notice of Arbitration against PMB to resolve the Dispute between STP and PMB by way of arbitration.

Acting on the basis of advice of external legal counsel, the Directors of the Company are confident that STP has met the conditions of the TSC and therefore the TSC has not lapsed and become null and void. Accordingly, STP has grounds for restraining PMB from terminating the Contracts and recovering the outstanding amounts and claims due from the customer through the aforesaid legal proceedings. As at 31 March 2017, as disclosed in Note 10, the Group's receivables include trade receivables and amounts due from customers on contract of RM47.3 million and RM162.8 million, respectively, in respect of this Project. As of the date of the financial statements, the hearing on this litigation matter is currently in progress.

In the previous years, the lenders of STP have, subject to conditions, further extended the financing facilities period up to 31 December 2015 with the latest revised cumulative limit on the use of the financing facilities totalling to RM222.5 million. As disclosed in Note 13, the Group has outstanding revolving credits and bank overdraft amounting to RM213.2 million owing to the project lenders that are classified as current liabilities. The Group, together with the ultimate holding company's management, are still in the process of fulfilling the conditions set by the lenders who have provided project financing for this project and have sought further extensions from the lenders in view of the on-going litigation proceedings with PMB. Based on the past experience, the Group believes that it will continue to be able to obtain the extension of financing facilities from the project lenders.

As explained above and as of the date of the financial statements, the Action against PMB and the Appeal Hearing on the litigation matter of this project are currently in progress with the hearing dates scheduled on 31 July 2017 and 28 August 2017, respectively. Therefore, the ultimate outcome of these and related recoveries of amounts owing on this Project II cannot presently be determined. In relation to this, the Group has yet to secure further extension from the lenders who have provided project financing for the Project II.

(iii) On 30 July 2011, the Metro Company of Sao Paulo awarded a contract for the implementation of a monorail system, including design, civil works, manufacture, supply of systems and rolling stock material, including a fleet of 24 trains (3 cars per train) for the Line 17 - Gold - of Metro Sao Paulo ("the Project III") for a lump sum amount of BRL1,396 million (equivalent to about RM1,885 million) to the Consorcio Monotrilho Integracao ("the Consortium"), for which the Group's share of the value of the Contract is BRL132 million (equivalent to about RM178 million) based on its scope of works. In the prior years, a subsidiary had secured financing facilities totalling RM39 million for working capital and project financing purposes to fund the Project III. Due to changes in the scope of work from the initial 24 trains (3 cars per train) to 18 trains (5 cars per train) and various circumstances, the Project III had encountered delays. The Consortium has continuously apprised Metro Company of the status of the project and obtained extensions of time as allowed under the contract terms.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

In 2015, Metro Company of Sao Paulo had announced delays in the projects to December 2019 due to various circumstances. As such, the lender, on 3 June 2015, had also extended the project financing facilities totalling RM39 million to 30 July 2017. On 16 June 2017, the lender had further extended the loan to 31 December 2019 with revised project financing facilities totalling RM46 million.

On 30 May 2016, the Company and the other Consortium members have executed a Term of Agreement ("TOA") with Metro Company of Sao Paulo to regulate the Consortium Member's altered responsibilities. Under the TOA, the Group's scope of work has been varied to include increased scopes. On 25 July 2016, Metro Company of Sao Paulo issued letter of consent on the additional scope of works to the Group and therefore it has assumed full responsibilities and obligation for Project III. The value of this additional scope of works is BRL371 million (equivalent to about RM503 million). As a result, the Group's share of the total value of the Contract is BRL503 million (equivalent to about RM681 million).

The Directors have reviewed the operational cash flow projections as part of their going concern assessment. The Directors have a reasonable expectation that the Group and the Company will be able to meet their liabilities and will have adequate resources to continue in operational existence for the foreseeable future that is based on a positive outcome of the legal proceedings against PMB, the continued financial support from lenders and ability to attain profitable operations to generate sufficient cash flows to fulfil their obligations as and when they fall due.

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

Accordingly, the financial statements of the Group and of the Company do not include any adjustments relating to the classification and recoverability of recorded assets amounts or the classification and additional amounts of liabilities that may be necessary if the Group and the Company are unable to continue as going concerns.

(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.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

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

(i) Assessment of penalties payable

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

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

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

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

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

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(i) Assessment of penalties payable (continued)

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

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

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

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

In reliance of the past experience with MMRDA in granting EOTs and the advice received from the specialist advisor, the Directors are of the opinion that no provision for potential penalties or liquidated damages is required as at 31 March 2017.

(b) Contract with Prasarana Malaysia Berhad
On 10 December 2010, STP was awarded a monorail expansion contract for RM494 million ("the Project II"). The Project II was to be completed on 31 July 2013. Due to various circumstances, the Project II had encountered delays and certain key milestones stated in the contract had not been met as at 31 March 2017.

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

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(i) Assessment of penalties payable (continued)

(b) Contract with Prasarana Malaysia Berhad (continued)

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

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

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

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

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

On 21 July 2016, STP issued a Notice of Arbitration against PMB to resolve the disputes through arbitration. On 22 July 2016, the Court made an order dismissing the Originating Summons filed by STP on 20 June 2016. However, the Court granted an injunction preventing termination of the contract by PMB until 26 July 2016. On 25 July 2016, STP filed a Notice of Appeal against the dismissal of the Originating Summons filed on 20 June 2016, which appeal was fixed for hearing on 16 August 2016 ("Appeal Hearing") and subsequently adjourned to various dates in 2016 and 2017 of which the latest date is on 28 August 2017 as further explained in Note 29(a) and Note 30.

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

Based on the advice received from both the specialist and legal advisors, the Directors are of the opinion that no provision for potential penalties is required as at 31 March 2017.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(i) Assessment of penalties payable (continued)

(c) Contract with Metro Company of Sao Paulo

On 30 July 2011, the Metro Company of Sao Paulo ("Metro Company") awarded a contract for the implementation of a monorail system, including design, civil works, manufacture, supply of systems and rolling stock material, including a fleet of 24 trains (3 cars per train) for the Line 17 - Gold - of Metro Sao Paulo ("Project III") for a lump sum amount of BRL1,396 million (equivalent to about RM1,885 million) to the Consorcio Monotrilho Integracaom ("the Consortium"), for which the Company's share of the value of the Contract is BRL132 million (equivalent to about RM178 million) based on its scope of works. The Project III was to be completed by January 2015.

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

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

During the year, the Project III activities and work continued normally. On 30 May 2016, the Company and the other Consortium members have executed a Term of Agreement ("TOA") with Metro Company of Sao Paulo to regulate the Consortium Member's altered responsibilities. Under the TOA, the Group's scope of work has been varied to include increased scopes. On 25 July 2016, Metro Company of Sao Paulo issued letter of consent on the additional scope of works to the Group and therefore it has assumed full responsibilities and obligation for Project III. The value of this additional scope of works is BRL371 million (equivalent to about RM503 million). As a result, the Group's share of the total value of the Contract is BRL503 million (equivalent to about RM681 million).

In reliance of the EOT granted by Metro Company vide letter dated 24 April 2015 and the advice received from the specialist advisor, the Directors are of the opinion that no provision for potential penalties is required as at 31 March 2017.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(ii) Assessment of indirect taxes payable

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

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

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

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

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

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

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

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(ii) Assessment of indirect taxes payable (continued)

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

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

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

(c) A full recovery of indirect taxes paid in advance amounting to RM38.5 million (2016:RM34.6 million) as disclosed in Note 10 is expected.

(iii) Estimated impairment of intangible assets

The Group tests goodwill and capitalised development costs work-in-progress for impairment annually and has also tested capitalised development costs for impairment due to certain impairment indicators. The recoverable amounts of cash generating units ("CGUs") were determined based on value in use calculations. For the value in use calculations, significant judgement is required in the estimation of the present value of future cash flows generated, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates as set out in Note 4 to the financial statements, which resulted in no impairment arising.

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.

(iv) Recognition of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which the temporary differences can be utilised. Significant judgement is required in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable income. Based on projections of future taxable income and the underlying assumptions as detailed in Note 1(d) including a positive outcome with PMB, the continued financial support from lenders, the ability of the Group and of the Company to obtain EOT for the on-going projects and to attain profitable operations to generate sufficient cash flows to fulfil their obligations as and when they fall due, the Company and subsidiaries have recognised deferred tax assets on tax losses and unabsorbed capital allowances incurred amounting to approximately RM35 million (2016:RM34 million).

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(v) Construction contracts profits

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

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

(vi) Construction contracts revenue

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

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

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

(vii) Amortisation and impairment of intangible assets

Capitalised development expenditure is recognised when the criteria for recognition is met and amortised based on an estimated sales unit method. Significant judgement is required in determining the estimated sales units, which is based on technological obsolescence, secured contracts, projects tendered and expectations of market growth, which determine the amount of amortisation recognised. During the current financial year, the Directors re-assessed and determined that the estimated sales units for monorail are 750 units (2016: 750 units).

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(vii) Amortisation and impairment of intangible assets (continued)

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.

(viii) Impairment of trade receivables

The Group recognises impairment of trade receivables when there is objective evidence that the Group will not be able to collect all amounts receivable according to the original terms. Significant judgement is required in the assessment of the recoverability of trade receivables to estimate the amount and timing of future cash flows to determine the impairment amount required. To the extent that actual recoveries deviate from management's estimates, such variances may have a material impact on the profit or loss. Based on Directors' assessment, they believe that the current level of impairment of trade receivables is adequate.

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 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

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

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

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

As part of the transition to MFRS in 2012, the Group elected not to restate the business combinations that occurred before the date of transition to MFRS ie, 1 January 2011. Under the merger method of accounting, the results of the subsidiaries are presented as if the subsidiaries had been combined throughout the current and previous financial years. The differences between the cost of acquisition and the nominal value of the share capital and reserves of the merged subsidiaries is taken to merger reserve.

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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 subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) 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 jointly controlled entity 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

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

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 control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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

(c) Financial instruments

(i) Initial recognition and measurement

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

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) 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.

(b) Available-for-sale financial assets

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

All financial assets are subject to review for impairment (see note 2(j)(i)).

Financial liabilities

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

(iv) Derecognition

A financial asset or 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.

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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Offsetting financial instruments

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

• Freehold buildings	50 years
• Leasehold land	15 years
• Leasehold buildings	15 years
• Rental equipment	8 years
• Furniture, fixtures and equipment	3 - 10 years
• Motor vehicles	5 - 7 years
• Plant and machinery	5 - 12 years
• Monorail test track	33 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 lease

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

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

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(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, the leased assets are not recognised on the statement of financial position.

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.

2. Significant accounting policies (continued)

(f) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted 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 joint venture.

(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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(iv) Subsequent expenditure

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

(v) Amortisation

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

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The basis for amortisation for the current and comparative periods are as follows:

• Monorail	750 units
• Bus	5 years

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

(g) Inventories

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

The cost of inventories is measured based on 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)

(h) Construction work-in-progress

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

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

(i) Cash and bank balances

Cash and cash equivalents consist of cash in 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 investments in subsidiaries and investments in joint arrangements) 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 financial asset's recoverable amount 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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

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

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

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

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, amount due from customers on contracts, deferred tax asset 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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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

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

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

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

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

2. Significant accounting policies (continued)

(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) 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.

2. Significant accounting policies (continued)

(m) 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.

(i) 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.

(n) 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.

2. Significant accounting policies (continued)

(n) Revenue and other income (continued)

(iii) Construction contracts

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

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

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

(iv) Government grants

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

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

(v) 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.

(vi) Management fees

Management 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.

2. Significant accounting policies (continued)

(o) 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.

(p) Income tax

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

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

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

2. Significant accounting policies (continued)

(p) Income tax (continued)

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.

(q) Earnings per ordinary share

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

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 share options granted to employees.

(r) 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's operating 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.

2. Significant accounting policies (continued)

(s) 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.

(t) Fair value measurement

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

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

3. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Rental equipment RM'000	Furniture, fixtures and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Monorail test track RM'000	Work-in-progress RM'000	Total RM'000
Cost											
At 1 April 2015	8,020	-	33,724	-	6,261	12,097	9,518	25,295	14,795	73	109,783
Additions	-	-	-	-	-	27	-	1,120	-	283	1,430
Write-off	-	-	-	-	-	(19)	-	-	-	-	(19)
Reclassification	-	-	-	-	(2,470)	3,570	-	(1,100)	-	-	-
Effect of movement in exchange rates	-	-	-	-	-	(17)	-	-	-	-	(17)
At 31 March 2016/ 1 April 2016	8,020	-	33,724	-	3,791	15,658	9,518	25,315	14,795	356	111,177
Additions	-	-	-	-	-	28	-	9	-	-	37
Write-off	-	-	-	-	-	(17)	-	-	-	(257)	(274)
Reclassification (Note 3.2)	(8,020)	8,020	(33,724)	33,724	-	99	-	-	-	(99)	-
Effect of movements in exchange rates	-	-	-	-	-	352	-	-	-	-	352
At 31 March 2017	-	8,020	-	33,724	3,791	16,120	9,518	25,324	14,795	-	111,292
	Note 3.2	Note 3.2	Note 3.2	Note 3.2							

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Rental equipment RM'000	Furniture, Fixtures and equipment RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Monorail test track RM'000	Work-in-progress RM'000	Total RM'000
Depreciation											
At 1 April 2015	-	-	2,259	-	3,481	11,758	3,940	11,742	4,422	-	37,602
Depreciation for the year	-	-	717	-	-	1,401	1,714	2,304	493	-	6,629
Write-off	-	-	-	-	-	(14)	-	-	-	-	(14)
Reclassification	-	-	-	-	310	(134)	-	(176)	-	-	-
Effect of movements in exchange rates	-	-	-	-	-	(11)	-	-	-	-	(11)
At 31 March 2016/ 1 April 2016	-	-	2,976	-	3,791	13,000	5,654	13,870	4,915	-	44,206
Depreciation for the year	-	254	418	690	-	1,063	1,714	1,885	493	-	6,517
Write-off	-	-	-	-	-	(14)	-	-	-	-	(14)
Reclassification (Note 3.2)	-	-	(3,394)	3,394	-	-	-	-	-	-	-
Effect of movements in exchange rates	-	-	-	-	-	194	-	-	-	-	194
At 31 March 2017	-	254	-	4,084	3,791	14,243	7,368	15,755	5,408	-	50,903
Carrying amounts											
At 1 April 2015	8,020	-	31,465	-	2,780	339	5,578	13,553	10,373	73	72,181
At 31 March 2016	8,020	-	30,748	-	-	2,658	3,864	11,445	9,880	356	66,971
At 31 March 2017	-	7,766	-	29,640	-	1,877	2,150	9,569	9,387	-	60,389

3. Property, plant and equipment (continued)

	Leasehold Land RM'000	Leasehold Buildings RM'000	Furniture, fixtures and equipment RM'000	Motor Vehicle RM'000	Total RM'000
Company					
Cost					
At 1 April 2015	-	-	1,574	256	1,830
Additions	-	-	24	-	24
At 31 March 2016/ 1 April 2016	-	-	1,598	256	1,854
Additions	8,020	33,980	-	-	42,000
At 31 March 2017	8,020	33,980	1,598	256	43,854
Depreciation					
At 1 April 2015	-	-	1,424	256	1,680
Depreciation for the year	-	-	148	-	148
At 31 March 2016/ 1 April 2016	-	-	1,572	256	1,828
Depreciation for the year	254	690	6	-	950
At 31 March 2017	254	690	1,578	256	2,778
Carrying amounts					
At 1 April 2015	-	-	150	-	150
At 31 March 2016	-	-	26	-	26
At 31 March 2017	7,766	33,290	20	-	41,076

3.1 Impairment

Certain property, plant and equipment of a subsidiary of the Group were tested for impairment due to losses incurred. The monorail related plant and equipment of a subsidiary were tested together with goodwill and monorail capitalised development cost as disclosed in Note 4.2.

3.2 Reclassification of land and buildings from freehold to leasehold

During the financial year, the Group completed the sale and leaseback of a parcel of industrial land together with all those industrial buildings and structures to a third party. The Group has concluded that this transaction contains a lease arrangement and is a finance lease. Accordingly, the freehold land and buildings of the Group are reclassified from freehold land and buildings to leasehold land and buildings and the lease of the land and buildings has been accounted for in the Company.

3. Property, plant and equipment (continued)

3.3 Land and buildings, equipment and motor vehicles acquired under finance lease arrangement

The net book value of property, plant and equipment acquired under finance lease arrangements by the Group and the Company at the end of the reporting period are as below:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Land and buildings	37,406	-	41,056	-
Equipment and motor vehicles	5,944	7,685	-	-
Total	43,350	7,685	41,056	-

4. Intangible assets

			Capitalised development cost		Development cost work-in-progress		
	Note	Goodwill RM'000	Monorail RM'000	Bus RM'000	Mass Rapid Transit RM'000	Propulsion RM'000	Total RM'000
Group							
Cost							
At 1 April 2015/ 31 March 2016/ 31 March 2017		27,914	115,207	4,820	7,632	13,580	169,153
Amortisation							
At 1 April 2015		-	9,416	815	-	-	10,231
Amortisation for the year	4.1	-	1,224	1,235	-	-	2,459
At 31 March 2016/ 1 April 2016		-	10,640	2,050	-	-	12,690
Amortisation for the year	4.1	-	-	2,770	-	-	2,770
At 31 March 2017		-	10,640	4,820	-	-	15,460
Carrying amount							
At 1 April 2015		27,914	105,791	4,005	7,632	13,580	158,922
At 31 March 2016		27,914	104,567	2,770	7,632	13,580	156,463
At 31 March 2017		27,914	104,567	-	7,632	13,580	153,693

4. Intangible assets (continued)

4.1 Amortisation

Monorail
The amortisation of capitalised development costs is allocated to the cost of inventory and is recognised in cost of sales when inventory is sold. During the year, there is no monorail inventory sold and accordingly, there is no amortisation made. In 2016, amortisation included within construction contract costs was RM1,224,000.

Bus
The development of the bus chassis has been completed during the financial year.

4.2 Impairment

Rail Operations

The recoverable amounts of Rail Operations goodwill are based on "value in use" calculations.

The projections over a five year period were based on an approved business plan and reflect the expectation of usage, revenue growth, operating costs and margins based on past experience.

The key assumptions used in the value in use calculations for the Rail Operations cash generating unit are as follows:

	Value in use basis	Pre-tax discount rate	Profit margin range	Terminal growth rate
2017				
Rail operations	Existing secured projects and anticipated projects over the remaining useful life of the current monorail technology	16% - 20%	3% - 30%	Not applicable
2016				
Rail operations	Existing secured projects and anticipated projects over the remaining useful life of the current monorail technology	16% - 21%	3% - 30%	Not applicable

The discount rates applied to the respective project impairment assessment is based on the internal weighted average cost of capital adjusted for the country risk premium.

4. Intangible assets (continued)

4.2 Impairment (continued)

Development cost work-in-progress have been tested for impairment based on expectations of market growth and industry growth.

	Value in use basis	Pre-tax discount rate	Profit margin range	Terminal growth rate
2017				
Mass Rapid Transit (MRT)	Anticipated projects over the expected useful life of the current MRT technology	16%	14%	Not applicable
Propulsion	Existing secured projects and anticipated projects over the remaining useful life of the current propulsion technology	10%	3% - 30%	Not applicable
2016				
Mass Rapid Transit (MRT)	Anticipated projects over the expected useful life of the current MRT technology	16%	14%	Not applicable
Propulsion	Existing secured projects and anticipated projects over the remaining useful life of the current propulsion technology	10%	3% - 30%	Not applicable

A reasonable possible change in the assumptions used will not result in any change to the impairment conclusion.

5. Investments in subsidiaries

	Note	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares at cost			
At 1 April		122,741	115,743
Additions	5.1	43,550	6,998
At 31 March		166,291	122,741
Less: Impairment loss	5.3	(2,246)	(2,246)
		164,045	120,495
Amounts receivable from subsidiaries		248,200	248,200
		412,245	368,695

5.1 The Company increased its investment in Urban Transit Private Limited and Urban Transit Servicos Do Brazil LTDA by RM3,422,000 (2016: RM6,998,000) and RM40,128,000 (2016: Nil), respectively during the financial year.

5.2 Details of subsidiaries are as follows:

Name of entity	Country of incorporation	Principal activities	Effective ownership and voting interest 2017 %	Effective ownership and voting interest 2016 %
Scomi Special Vehicles Sdn Bhd	Malaysia	Manufacture and fabrication of road transport equipment, material handling equipment and provision of related engineering support services	100	100
Scomi Transportation Systems Sdn Bhd	Malaysia	Investment holding	100	100
Scomi Transit Projects Sdn Bhd	Malaysia	Development, manufacture and supply of monorail transportation infrastructure systems equipment and services	100	100
Scomi Transit Projects Brazil Sdn Bhd	Malaysia	Development, manufacture and supply of monorail transportation infrastructure systems equipment and services	100	100

5. Investments in subsidiaries (continued)

5.2 Details of subsidiaries are as follows (continued):

Name of entity	Country of incorporation	Principal activities	Effective ownership and voting interest 2017 %	2016 %
Scomi Transit Projects Brazil (Sao Paulo) Sdn Bhd	Malaysia	Development, manufacture and supply of monorail transportation infrastructure systems equipment and services	100	100
Urban Transit Private Limited*	India	Supply of transportation infrastructure systems equipment and services	100	100
Urban Transit Servicos Do Brazil LTDA#	Brazil	Supply of transportation infrastructure systems equipment and services	100	100
Scomi OMS Oilfield Services Ltd#	British Virgin Island	Dormant	100	100
Quark Fabricacao de Equipamentos Ferroviarios e Servicos de Engenharia Ltda ("Quark")#(1)(2)	Brazil	Dormant	80	37.75

(1) The registered capital of this entity is BRL1,000,000. The registered capital was not paid-up as at 31 March 2017.

(2) On 14 June 2016, the Group and the Company acquired 422,500 quotas representing 42.25% of the quota capital of Quark. As a result, Quark became the subsidiary of the Group and the Company. As at the acquisition date, there were no identifiable asset and liability recognised on the basis that Quark has not carried on any business since its incorporation and does not have paid-up capital as at the end of the reporting period. There was no acquisition-related costs incurred by the Group and the Company. This acquisition was completed on 14 June 2016.

5. Investments in subsidiaries (continued)

5.2 Details of subsidiaries are as follows (continued):

Name of entity	Country of incorporation	Principal activities	Effective ownership and voting interest 2017 %	2016 %
Subsidiary of Scomi Special Vehicles Sdn Bhd				
Scomi Trading Sdn Bhd	Malaysia	Marketing agent for road transport equipment and related products	100	100
Subsidiaries of Scomi Transportation Systems Sdn Bhd				
Scomi Rail Bhd	Malaysia	Design, manufacture and supply of monorail trains and related services	100	100
Scomi Coach Sdn Bhd	Malaysia	Manufacturing, fabrication and assembly of commercial coaches and truck vehicle bodies	100	100
Subsidiary of Scomi Coach Sdn Bhd				
Scomi Coach Marketing Sdn Bhd	Malaysia	Undertake the business of management and marketing agent to purchase, take on lease, hire or otherwise acquire, maintain, repair of coaches and vehicles bodies.	100	100

* Audited by other member firm of KPMG International.
# Not required to be audited under local legislation.

5. Investments in subsidiaries (continued)

5.3 Impairment loss

The recoverable amounts of investment in subsidiaries are based on "value in use" calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the Directors covering a five-year period.

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. The key assumptions used in the value in use calculations are as follows:

	Value in use basis	Pre-tax discount rate	Profit margin range	Terminal growth rate
2017				
Investment in Scomi Special Vehicles Sdn Bhd	Existing secured contracts and anticipated contracts over the next five years	6%	8% - 20%	Not applicable
Investment in Scomi Transit Projects Brazil (Sao Paulo) Sdn Bhd	Existing secured projects and anticipated projects over the remaining useful life of the current monorail technology	20%	3% - 27%	Not applicable
Investment in Scomi Transportation Systems Sdn Bhd	Existing secured projects and anticipated projects over the remaining useful life of the current monorail technology	16-20%	3% - 27%	Not applicable
2016				
Investment in Scomi Special Vehicles Sdn Bhd	Existing secured contracts and anticipated contracts over the next five years	6%	8% - 20%	Not applicable
Investment in Scomi Transit Projects Brazil (Sao Paulo) Sdn Bhd	Existing secured projects and anticipated projects over the remaining useful life of the current monorail technology	21%	3% - 27%	Not applicable
Investment in Scomi Transportation Systems Sdn Bhd	Existing secured projects and anticipated projects over the remaining useful life of the current monorail technology	16-21%	3% - 27%	Not applicable

A reasonable possible change in the assumptions used will not result in any change to the impairment conclusion.

5. Investments in subsidiaries (continued)

5.4 Non-controlling interests in a subsidiary

The financial information of Quark that has non-controlling interest are not presented because Quark does not have asset and liability and has not carried on any business since its incorporation.

6. Investments in joint arrangements

6.1 Jointly controlled entity

The results of joint operation which is included in the Group's financial statements are as follows:

	Group 2017 RM'000	Group 2016 RM'000
Revenue	4,696	2,568
Cost of sales	(10,819)	(11,159)
Gross loss	(6,123)	(8,591)
Receivables	14,450	9,754
Payables	35,467	24,648

Details of the joint operation are as follows:

Jointly controlled entity	Country of incorporation	Principal activities	Group's effective ownership and voting interest 2017 %	Group's effective ownership and voting interest 2016 %
Larsen & Toubro and Scomi Engineering Bhd (unincorporated consortium)	India	Design, civil construction, 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 in relation to the Mumbai monorail project	50	50

6. Investments in joint arrangements (continued)

6.2 Investment in joint venture

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Share of net assets of joint venture	-	-	-	-

Details of joint venture are as follows:

Investment in joint venture	Country of incorporation	Principal activities
Quark Fabricacao de Equipamentos Ferroviarios e Servicos de Engenharia Ltda ("Quark")	Brazil	Dormant

In 2016, Quark was a joint venture of the Group and of the Company. The Company had effective ownership and voting interest of 37.75% in this joint venture. On 14 June 2016, Quark became the subsidiary of the Company (see Note 5.2).

7. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Group						
Tax losses and capital allowance	72,264	72,264	-	-	72,264	72,264
Property, plant and equipment	-	-	(38,035)	(38,035)	(38,035)	(38,035)
Other items	-	-	(9,027)	(223)	(9,027)	(223)
Deferred tax assets/(liabilities)	72,264	72,264	(47,062)	(38,258)	25,202	34,006
Set off of tax	(37,664)	(38,258)	37,664	38,258	-	-
Net deferred tax assets	34,600	34,006	(9,398)	-	25,202	34,006
Company						
Tax losses and capital allowance	4,693	4,693	-	-	4,693	4,693

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

Recognised deferred tax assets/(liabilities) (continued)

Movements in temporary differences during the year are as follows:

	At 1.4.2015 RM'000	Recognised in profit or loss (Note 19) 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 19) RM'000	Effect of movements in exchange rates RM'000	At 31.3.2017 RM'000
Group							
Tax losses and capital allowance	64,946	7,318	-	72,264	-	-	72,264
Property, plant and equipment	(38,035)	-	-	(38,035)	-	-	(38,035)
Other items	4,125	(4,313)	(35)	(223)	(7,868)	(936)	(9,027)
	31,036	3,005	(35)	34,006	(7,868)	(936)	25,202
Company							
Tax losses and capital allowance	4,693	-	-	4,693	-	-	4,693

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

Unrecognised deferred tax assets

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unabsorbed tax losses	97,976	91,527	18,910	36,185
Unabsorbed capital allowances	7,472	11,595	-	-
Reinvestment allowance	11,493	11,493	-	-
Other temporary differences	13,522	12,472	-	-
	130,463	127,087	18,910	36,185
Deferred tax assets not recognised at 24% (2016: 24%)	31,311	30,501	4,538	8,684

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

8. Available-for-sale financial assets

	Group	
	2017	**2016**
	RM'000	**RM'000**
At fair value:		
Quoted shares in Malaysia	170	104

9. Inventories

	Group	
	2017	**2016**
	RM'000	**RM'000**
At cost:		
Work in progress	2,359	2,570
Consumables	6,042	1,853
	8,401	4,423
At net realisable value:		
Raw materials	8,111	2,949
	16,512	7,372
Recognised in profit or loss:		
Inventories recognised in cost of sales	60,815	49,376
Reversal of inventories obsolescence	(487)	(168)

10. Receivables, deposits and prepayments

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Trade receivables	10.1	91,893	57,931	9,899	8,458
Less: Allowance for impairment		(8,859)	(8,794)	-	-
		83,034	49,137	9,899	8,458
Amounts due from customers on contract	10.1	634,253	532,205	248,765	181,607
Less: Allowance for impairment		(6,914)	(6,914)	-	-
	10.2	627,339	525,291	248,765	181,607
Amounts due from:					
- Subsidiaries		-	-	12,876	3,761
- Related corporations		5,551	11,631	379	472
	10.3	5,551	11,631	13,255	4,233
Other receivables		9,509	12,893	1,486	13,530
Deposits		5,340	9,482	3,530	72
Prepayments		28,286	17,316	-	-
Indirect tax recoverable	10.4	38,558	34,669	11,817	10,269
		81,693	74,360	16,833	23,871
		797,617	660,419	288,752	218,169

10.1 Included in trade receivables and amounts due from customers on contract is an amount of RM47.3 million (2016: RM21.0 million) and RM162.8 million (2016: RM198.9 million) respectively that are related to Project II, which are still outstanding as at the date of the financial statements. The Group has initiated legal proceedings against the contract customer as disclosed in Note 1(b)(ii), Note 1(d)(i)(b), Note 29(a) and Note 30.

10. Receivables, deposits and prepayments (continued)

10.2 Amounts due from customers on contract

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Construction contract costs incurred to date and attributable profits	1,681,436	1,514,838	710,733	635,926
Less: Progress billings	(1,054,097)	(989,547)	(461,968)	(454,319)
Amounts due from contract customer	627,339	525,291	248,765	181,607
Retention receivable on contract, included in "trade receivables"	22,858	22,468	-	-
Advance received on contract, included under "other payables"	(51,630)	(27,824)	(51,630)	(27,824)

Amounts due from customers on contracts have been collateralised for borrowings. In the event the Group defaults under the loan agreements, the banks have the right to receive the cash flows from these amounts. Without default, the Group will bill and collect these amounts and allocate new amounts as collateral.

10.3 Amounts due from subsidiaries, related corporations and ultimate holding company are unsecured, interest free and repayable on demand.

10.4 Indirect tax recoverable relates to the Mumbai Monorail project is disclosed in Note 1(d)(ii).

11. Cash and bank balances

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Short term deposits with licensed banks	31,941	25,904	1,000	-
Cash and bank balances	6,511	5,690	1,994	5,204
	38,452	31,594	2,994	5,204

Included in the deposits placed with licensed banks of the Group is RM31,750,000 (2016: RM25,217,000) pledged for bank facilities granted to Scomi Rail Bhd, Scomi Coach Sdn Bhd and Scomi Special Vehicles Sdn Bhd, subsidiaries of the Company, of which the maturity term exceeded 3 months.

12. Capital and reserves

12.1 Share capital

	Group and Company 2017 Number of shares '000	2017 Amount RM'000	2016 Number of shares '000	2016 Amount RM'000
Issued and fully paid:				
At the beginning and end of the financial year	342,080	342,080	342,080	342,080
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 1)	-	46,605	-	-
	342,080	388,685	342,080	342,080
		Note 2		

Note 1: In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit.

Note 2: Included in share capital is share premium amounting to RM46,605,000 that is available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74).

12. Capital and reserves (continued)

12.2 Treasury shares

The shareholders of the Company renewed their approval for the Company to repurchase its own shares through a special resolution passed in a general meeting held on 23 September 2014. 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.

During the current and previous financial year, there were no repurchase of the Company's shares.

The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. None of the treasury shares repurchased has been sold as at 31 March 2017.

At the beginning and end of reporting period, 121,800 ordinary shares were held as treasury shares at a carrying value of RM103,333, and the number of outstanding shares in issue after setting off against treasury shares was 341,957,703 (2016: 341,957,703).

12.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

12.4 Share option reserve

In 2016, the share option reserve comprised the cumulative value of employee services received for the issue of share options. All options granted has expired on 25 January 2016.

12.5 Merger relief reserve

The merger relief reserve is not distributable as cash dividends. Merger relief reserve represents the excess of the fair value of shares over the nominal value of the shares issued as consideration in an acquisition of subsidiaries.

13. Loans and borrowings

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Secured				
Non-current				
Term loan	-	41,908	-	-
Revolving credit	36,259	25,635	-	-
Finance lease liabilities	37,900	3,943	40,304	-
	74,159	71,486	40,304	-
Secured				
Current				
Bank overdrafts	76,152	71,909	-	-
Term loans	161,099	113,423	-	-
Bankers' acceptance	-	111	-	-
Trust receipts	579	649	-	-
Revolving credits	208,627	208,944	-	3,500
Finance lease liabilities	5,025	3,295	1,283	-
	451,482	398,331	1,283	3,500
	525,641	469,817	41,587	3,500
Total loans and borrowings				
Bank overdrafts	76,152	71,909	-	-
Term loans	161,099	155,331	-	-
Bankers' acceptance	-	111	-	-
Trust receipts	579	649	-	-
Revolving credits	244,886	234,579	-	3,500
Finance lease liabilities	42,925	7,238	41,587	-
	525,641	469,817	41,587	3,500

13.1 Security

The loans and borrowings of the Group and the Company are secured as follows:

(i) the term loan drawn down by a subsidiary is supported by a standby letter of credit from the financial institution. This standby letter of credit is secured by the facilities as mentioned below in (iii);

(ii) the term loan drawn down by a subsidiary is supported by a corporate guarantee from the Company;

(iii) bank overdrafts, term loans, bankers' acceptances and trust receipts drawn down by subsidiaries are secured by way of a negative pledge over the present and future, fixed and floating assets of the respective subsidiaries, assignment of contract proceeds and escrow account, all insurance policies taken, performance guarantee received, and a corporate guarantee from the Company; and

13. Loans and borrowings (continued)

13.1 Security (continued)

(iv) the revolving credits drawn down by subsidiaries are secured by way of assignment of contract proceeds and a pledge of a related corporation's shares to the banks.

The management continues to apprise and have discussions with the banks on the additional collaterals that were provided for the project's banking facilities.

13.2 Loan covenant

The Group have various financial covenants based on debt service coverage ratio, debt to equity ratio and total net worth, all of which were complied with as at 31 March 2017.

13.3 Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	2017 Future minimum lease payments RM'000	2017 Interest RM'000	2017 Present value of minimum lease payments RM'000	2016 Future minimum lease payments RM'000	2016 Interest RM'000	2016 Present value of minimum lease payments RM'000
Less than one year	7,648	2,623	5,025	3,882	587	3,295
Between one and five years	18,554	10,690	7,864	4,183	240	3,943
More than five years	39,247	9,211	30,036	-	-	-
	65,449	22,524	42,925	8,065	827	7,238

Company	2017 Future minimum lease payments RM'000	2017 Interest RM'000	2017 Present value of minimum lease payments RM'000	2016 Future minimum lease payments RM'000	2016 Interest RM'000	2016 Present value of minimum lease payments RM'000
Less than one year	3,380	2,097	1,283	-	-	-
Between one and five years	18,149	9,291	8,858	-	-	-
More than five years	39,246	7,800	31,446	-	-	-
	60,775	19,188	41,587	-	-	-

The finance lease liabilities are secured against the respective assets acquired.

13. Loans and borrowings (continued)

13.4 Included in the current portion of revolving credits and bank overdraft is an amount of RM213.2 million (2016: RM219.4 million) that is related to Project II, which is due for immediate repayment. The Group has yet to obtain further extension of the facilities from the lenders who have provided financing for this Project.

14. Trade and other payables

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Non-current liabilities					
Trade payables		-	100	-	-
Amount due to ultimate holding company	14.1	78,582	59,421	78,582	59,421
		78,582	59,521	78,582	59,421
Current liabilities					
Trade payables		92,356	91,061	35,469	24,679
Other payables		109,983	49,860	61,365	31,536
Amounts due to:					
- joint venture	14.2	682	593	-	-
- subsidiaries	14.2	-	-	169,966	130,713
- related corporations	14.2	13,888	11,925	12,815	10,867
		216,909	153,439	279,615	197,795
		295,491	212,960	358,197	257,216

14.1 The Group and the Company have received advances amounting to RM78,582,000 (2016: RM59,421,000) at the end of the reporting period from its ultimate holding company which is unsecured and is subject to interest at 9.19% (2016: Nil). The ultimate holding company has expressed its intention not to recall these amounts due within a period of 12 months from the date of approval of these financial statements.

14.2 Amounts due to subsidiaries, related corporations and a joint venture are unsecured, interest free and repayable on demand.

15. Deferred government grant

	Group	
	2017	2016
	RM'000	RM'000
Deferred government grant	269	629

The Group received a government grant of RM2,155,000 in 2008 to execute and develop new technology for a monorail bogie design and development program with improvement to the design of the current monorail bogie and development of a commercially ready prototype bogie.

Amortisation over the expected life of the related assets mirrors the pattern of consumption of the related intangible asset which is estimated to be 6 years (2016: 6 years).

16. Revenue

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Construction contract income	142,323	125,658	55,589	20,740
Sale of goods	3,800	26,197	726	-
Sale of services	11,112	17,094	-	-
Leasing	5,456	5,523	-	-
Others	189	76	-	-
	162,880	174,548	56,315	20,740

17. Cost of sales/services

		Group		Company	
		2017	2016	2017	2016
	Note	RM'000	RM'000	RM'000	RM'000
Raw materials, consumables and factory overheads used in construction contracts		71,448	70,599	58,083	31,940
Raw materials and consumables used for sale of goods		8,055	15,697	653	-
Raw materials and consumables used for sale of services		11,871	4,740	-	-
Staff cost		26,225	37,615	-	-
Finance cost incurred in construction contracts	18	34,353	29,516	-	-
Others		10,085	7,707	-	-
		162,037	165,874	58,736	31,940

18. Finance costs

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- bank overdrafts	8,605	9,053	-	-
- term loans	11,676	10,304	-	-
- finance lease liabilities	1,149	616	713	-
- bankers' acceptances/trust receipts	52	751	-	-
- revolving credits	17,609	13,370	103	356
- other finance costs	9,891	2,276	7,805	-
	48,982	36,370	8,621	356
Recognised in profit or loss				
- recognised in finance costs	14,629	6,854	8,621	356
- recognised in cost of sales/services	34,353	29,516	-	-
	48,982	36,370	8,621	356

19. Tax expense/(credit)

Recognised in profit or loss

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Current tax expense/(credit)				
Malaysian - current year	327	391	-	-
- prior year	(84)	194	-	(12)
Overseas - current year	-	114	-	-
	243	699	-	(12)
Tax benefits arising from previously unrecognised:				
- Tax losses	-	(3,415)	-	-
- Temporary differences	-	(4,316)	-	-
	-	(7,731)	-	-
Total current tax recognised in profit or loss	243	(7,032)	-	(12)
Deferred tax expense				
- Origination and reversal of temporary differences	7,868	(3,005)	-	-
Total tax expense/(credit)	8,111	(10,037)	-	(12)

19. Tax credit (continued)

Recognised in profit or loss

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit before tax	(11,645)	(11,880)	15,379	4,396
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	(2,795)	(2,851)	3,691	1,055
Non-deductible expenses	9,874	3,396	455	260
Recognition of previously unrecognised deferred tax assets	(989)	(6,420)	(4,146)	(1,315)
Reversal of previously unrecognised timing differences of an overseas subsidiary	-	(4,316)	-	-
Current year losses, capital allowances and other items which no deferred tax assets was recognised	1,799	100	-	-
Effect of different tax rates in foreign jurisdictions	306	(140)	-	-
(Over)/Under provision in prior years	(84)	194	-	(12)
	8,111	(10,037)	-	(12)

Income tax savings

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Income tax savings arising from utilisation of prior year tax losses and capital allowance previously unrecognised	(989)	(3,415)	(4,146)	(1,315)

20. (Loss)/Profit for the year

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit for the year is arrived after charging:				
Auditors remuneration:				
Audit fees:				
- KPMG Malaysia	435	435	125	125
- Overseas affiliates of KPMG in Malaysia	119	101	-	-
Non-audit fees:				
- KPMG Malaysia	11	5	11	5
- Local affiliates of KPMG in Malaysia	122	107	15	14
Amortisation of intangible assets	2,770	2,459	-	-
Receivables:				
- allowance of impairment	65	8,138	-	-
- write-off	-	4,376	-	3,092
Property, plant and equipment:				
- depreciation	6,517	6,629	950	148
- write-off	260	5	-	-
Rental expenses:				
- premises	1,779	1,523	284	479
- equipment	167	138	-	-
Staff costs (including Directors):				
- wages, salaries and bonuses	31,776	40,531	1,094	2,101
- defined contribution plan	2,303	3,491	183	361
- other employee benefits	3,453	5,504	177	525
Net foreign exchange loss:				
- realised	1,230	-	259	-
and after crediting:				
Amortisation of government grant	(360)	(359)	-	-
Interest income of financial assets that are not at fair value through profit or loss	(1,443)	(2,134)	(288)	(258)
Other income – lease rental	-	-	(1,127)	-
Net foreign exchange gain:				
- realised	-	(580)	-	(165)
- unrealised	(27,637)	(12,014)	(30,158)	(23,590)
Reversal of inventories obsolescence	(487)	(168)	-	-

21. Loss per ordinary share

Basic loss per ordinary share

The calculation of basic loss per ordinary share as at 31 March 2017 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares in issue, calculated as follows:

	Group	
	2017	**2016**
Loss attributable to owners of the Company (RM'000)	(19,756)	(1,843)
Weighted average number of ordinary shares in issue ('000)	341,958	341,958
Basic loss per share (sen)	(5.78)	(0.54)

22. Other comprehensive income/(expense)

	2017			2016		
Group	**Before tax RM'000**	**Tax (expense) /benefit RM'000**	**Net of tax RM'000**	**Before tax RM'000**	**Tax (expense) /benefit RM'000**	**Net of tax RM'000**
Items that are or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations						
- Gains/(Losses) arising during the year	10,434	-	10,434	(2,548)	-	(2,548)
Available-for-sale financial assets						
- Gains arising during the year	66	-	66	-	-	-
	10,500	-	10,500	(2,548)	-	(2,548)

22. Other comprehensive income/(expense) (continued)

Company	**2017 Before tax RM'000**	**2017 Tax (expense) /benefit RM'000**	**2017 Net of tax RM'000**	**2016 Before tax RM'000**	**2016 Tax (expense) /benefit RM'000**	**2016 Net of tax RM'000**
Items that are or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations						
- (Losses)/Gains arising during the year	(1,474)	-	(1,474)	142	-	142
	(1,474)	-	(1,474)	142	-	142

23. Segment information

Management has determined the operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM") which are used for allocating resources and assessing performance of the operating segments.

The Chief Operating Decision Maker considers the business from the industry perspective and the service rendered. The following reportable segments have been identified:

(i)	Rail	Development, design, manufacture and supply of monorail transportation infrastructure systems equipment and services, and related engineering support services.
(ii)	Commercial Vehicles ("Coaches and Special Purpose Vehicles")	Manufacture, fabrication and assembly of commercial coaches, truck vehicle bodies and special purpose vehicles.

Unallocated costs represent corporate expenses. Segment assets consist of property, plant and equipment, intangible assets, inventories, receivables, deposit and prepayments and cash and cash equivalents. Segment liabilities comprise payables and exclude taxation and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

23. Segment information (continued)

2017	Rail RM'000	Commercial vehicles RM'000	Group RM'000
Revenue			
External sales	104,435	58,445	162,880
Revenue from continuing operations	104,435	58,445	162,880
Results			
Segment results	43,554	(2,726)	40,828
Unallocated expenses			(4,934)
Interest income			1,443
Interest expense			(48,982)
Loss before tax			(11,645)
Tax expense			(8,111)
Loss for the year			(19,756)
Assets			
Segment assets	1,018,471	48,362	1,066,833
Unallocated corporate assets			39,219
Consolidated total assets			1,106,052
Liabilities			
Segment liabilities	(768,195)	(55,007)	(823,202)
Unallocated corporate liabilities			(26,833)
Consolidated total liabilities			(850,035)
Other information			
Depreciation	(4,346)	(2,171)	(6,517)
Amortisation	-	(2,770)	(2,770)
Net unrealised foreign exchange gain	27,297	340	27,637

23. Segment information (continued)

2016	Rail RM'000	Commercial vehicles RM'000	Group RM'000
Revenue			
External sales	125,372	49,176	174,548
Revenue from continuing operations	125,372	49,176	174,548
Results			
Segment results	33,016	(2,403)	30,613
Unallocated expenses			(8,257)
Interest income			2,134
Interest expense			(36,370)
Loss before tax			(11,880)
Tax credit			10,037
Loss for the year			(1,843)
Assets			
Segment assets	875,952	46,971	922,923
Unallocated corporate assets			38,083
Consolidated total assets			961,006
Liabilities			
Segment liabilities	(649,331)	(34,075)	(683,406)
Unallocated corporate liabilities			(12,327)
Consolidated total liabilities			(695,733)
Other information			
Depreciation	(5,609)	(1,020)	(6,629)
Amortisation	(1,224)	(1,235)	(2,459)
Net unrealised foreign exchange gain	11,837	177	12,014

23. Segment information (continued)

The Group operates in the following geographical areas:

Malaysia*	Design, manufacture and supply of monorail, urban transportation (including buses, special purpose vehicles and coaches), rail solutions and related engineering support services.
India and Brazil	Supply of transportation infrastructure systems, equipment and services.

* Company's home country.

	Total revenue		Total non-current assets	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Malaysia	51,593	109,868	248,129	256,867
India	68,444	40,972	533	515
Brazil	42,843	23,708	190	162
	162,880	174,548	248,852	257,544

With the exception of the countries disclosed above, no other individual country contributed more than 10% of consolidated revenue or assets.

Revenue is disclosed based on the location of the rail project or sale of goods or/and services. Total non-current assets are determined based on where the assets are located.

The following are the major customers with revenue equal or more than 10% of the Group's total revenue:

	Revenue		Segment
	2017 RM'000	2016 RM'000	
Customer A	68,444	40,972	Rail
Customer B^	-	60,440	Rail
Customer C	42,843	23,708	Rail
Customer D^	3,260	25,827	Commercial Vehicles
Customer E	41,947	-	Commercial Vehicles
	156,494	150,947	

Revenue for 4 (2016: 4) major customers constitutes 96% (2016: 86%) of total consolidated revenue.

^ The revenue from Customer B and Customer D was less than 10% of the Group's total revenue for the financial year ended 31 March 2017. The revenue from these customers was more than 10% of the Group's total revenue for the financial year ended 31 March 2016.

24. Financial instruments

24.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Available-for-sale financial assets ("AFS"); and
(c) Financial liabilities measured at amortised cost ("FL").

2017	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets			
Group			
Available-for-sale financial assets	170	-	170
Trade and other receivables*	767,675	767,675	-
Cash and bank balances	38,452	38,452	-
	806,297	806,127	170
Company			
Trade and other receivables	288,752	288,752	-
Cash and bank balances	2,994	2,994	-
	291,746	291,746	-

2017	Carrying amount RM'000	FL RM'000
Financial liabilities		
Group		
Loans and borrowings	525,641	525,641
Trade and other payables**	295,462	295,462
	821,103	821,103
Company		
Loans and borrowings	41,587	41,587
Trade and other payables	358,197	358,197
	399,784	399,784

2016	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets			
Group			
Available-for-sale financial assets	104	-	104
Trade and other receivables*	638,501	638,501	-
Cash and bank balances	31,594	31,594	-
	670,199	670,095	104

24. Financial instruments (continued)

24.1 Categories of financial instruments (continued)

2016	Carrying amount RM'000	L&R RM'000	AFS RM'000
Financial assets			
Company			
Trade and other receivables	218,169	218,169	-
Cash and bank balances	5,204	5,204	-
	223,373	223,373	-

2016	Carrying amount RM'000	FL RM'000
Financial liabilities		
Group		
Loans and borrowings	469,817	469,817
Trade and other payables**	212,946	212,946
	682,763	682,763
Company		
Loans and borrowings	3,500	3,500
Trade and other payables	257,216	257,216
	260,716	260,716

*excluded prepayments and Goods and Services Tax ("GST") receivable
**excluded GST payable

24.2 Net gains and losses arising from financial instruments

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Net gains/(losses) on:				
Loans and receivables:				
- Allowance on receivables impairment	(65)	(8,138)	-	-
- Write-off of receivables	-	(4,376)	-	(3,092)
- Foreign exchange differences	26,570	20,260	29,899	23,755
- Finance income	1,443	2,134	288	258
	27,948	9,880	30,187	20,921
Financial liabilities measured at amortised cost:				
- Foreign exchange differences	(163)	(7,666)	-	-
- Finance costs	(48,982)	(36,370)	(8,621)	(356)
	(49,145)	(44,036)	(8,621)	(356)
	(21,197)	(34,156)	21,566	20,565

24. Financial instruments (continued)

24.3 Financial risk management

The Group and Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

24.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from receivables from customers, loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Customer credit risk arises when services are rendered and sales are made on credit terms. Default by customers may lead to material loss but risks are mitigated by ensuring sales and services are made to customers with appropriate credit history. The Group monitors exposure to credit risk on an on-going basis. The Group considers the risk of its main customers defaulting in payments to be unlikely in view that its credit exposure is mainly to government bodies. At the reporting date, approximately 97% (2016: 97%) of the Group's trade receivables and amounts due from customer on contracts were due from one individual customer each in India and Brazil who are Government bodies and one individual customer in Malaysia who is a Government related agency.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses

Trade receivables that were past due their contractual payment date but not impaired relate to a number of external parties where there are no expectation of default and relate to slow paying but long outstanding customers. The ageing of receivables (excluding intra-group balances, other receivables, deposits, prepayments and indirect tax recoverable) as at the end of the reporting period was:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2017			
Not past due	661,841	-	661,841
Past due 1 – 90 days	40,778	-	40,778
Past due 90 – 180 days	5,324	-	5,324
Past due 180 – 365 days	2,393	-	2,393
Past due more than 365 days	15,810	(15,773)	37
	726,146	(15,773)	710,373
2016			
Not past due	564,006	(6,914)	557,092
Past due 1 - 90 days	14,213	-	14,213
Past due 90 - 180 days	191	-	191
Past due 180 - 365 days	1,991	-	1,991
Past due more than 365 days	9,735	(8,794)	941
	590,136	(15,708)	574,428
Company			
2017			
Not past due	258,664	-	258,664
2016			
Not past due	190,065	-	190,065

The individually impaired receivables mainly relates to trade receivables that were past due their contractual payment which are facing unexpectedly difficult economic situations and impaired amounts due from contract customers for a project which did not commence.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group	
	2017 RM'000	2016 RM'000
At 1 April	15,708	7,570
Impairment loss recognised	787	8,138
Impairment loss reversed	(722)	-
At 31 March	15,773	15,708

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an ongoing basis the results of the subsidiaries and repayments made by the subsidiaries.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM482,716,000 (2016: RM459,079,000) representing the outstanding banking facilities of the subsidiaries as at end of the reporting period.

As at the end of the reporting period, there was no indication that any subsidiary would default on repayment.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

24. Financial instruments (continued)

24.4 Credit risk (continued)

Inter-companies loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances are only provided to subsidiaries which are wholly owned by the Company.

Impairment losses

As at the end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the ageing of current advances to the subsidiaries.

24.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a balance between continuity of funding and flexibility through the use of the stand-by credit facilities. The Group manages its debt maturity profile, operating cash flow and the availability of funding, including advance from its ultimate holding company as stated in Note 14 and obtaining extension from the lenders for funding facilities as disclosed in Note 1(b), so as to ensure that refinancing and funding needs are met.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2017							
Non-derivative financial liabilities							
Loans and borrowings	482,716	4.12 to 12.45	523,636	484,217	1,806	37,613	-
Finance lease liabilities	42,925	2.60 to 6.27	65,449	7,648	4,621	13,933	39,247
Trade and other payables	295,491	-	295,491	216,909	78,582	-	-
	821,132		884,576	708,774	85,009	51,546	39,247
2016							
Non-derivative financial liabilities							
Loans and borrowings	462,579	4.13 to 13.15	502,546	429,167	73,379	-	-
Finance lease liabilities	7,238	2.60 to 4.98	8,065	3,882	4,183	-	-
Trade and other payables	212,960	-	212,960	153,439	59,521	-	-
	682,777		723,571	586,488	137,083	-	-

24. Financial instruments (continued)

24.5 Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
2017							
Non-derivative financial liabilities							
Finance lease liabilities	41,587	5.16	60,775	3,380	3,380	14,769	39,246
Trade and other payables	358,197	-	358,197	279,615	78,582	-	-
Financial guarantee	-	-	482,716	482,716	-	-	-
	399,784		901,688	765,711	81,962	14,769	39,246
2016							
Non-derivative financial liabilities							
Loans and borrowings	3,500	8.10 to 8.35	3,788	3,788	-	-	-
Trade and other payables	257,216	-	257,216	197,795	59,421	-	-
Financial guarantee	-	-	459,079	459,079	-	-	-
	260,716		720,083	660,662	59,421	-	-

24. Financial instruments (continued)

24.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

24.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Indian Rupee (INR), Brazilian Real (BRL) and Euro (EUR).

Risk management objectives, policies and processes for managing the risk

The Group does not have a fixed policy to hedge its sales and purchases via forward contracts. However, the exposure to foreign currency risk is monitored from time-to-time by management.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a curreney which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Denominated in			
	USD	**INR**	**BRL**	**EUR**
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2017				
Receivables, deposits and prepayments	-	358,012	180,839	-
Cash and bank balances	-	277	5,327	-
Trade payables	(50,643)	(9,212)	(52,488)	(14,235)
Loans and borrowings	(81,070)	(60,142)	-	-
	(131,713)	288,935	133,678	(14,235)
2016				
Receivables, deposits and prepayments	-	284,080	121,116	503
Cash and bank balances	-	781	5,203	-
Trade payables	(45,867)	(9,017)	(28,271)	(12,781)
Loans and borrowings	(67,543)	(51,721)	-	-
	(113,410)	224,123	98,048	(12,278)

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Denominated in	
	INR	BRL
Company	**RM'000**	**RM'000**
2017		
Receivables, deposits and prepayments	156,037	89,518
Cash and bank balances	-	1,765
Trade payables	-	(51,632)
	156,037	39,651
2016		
Receivables, deposits and prepayments	118,101	62,211
Cash and bank balances	-	5,183
Trade payables	-	(27,855)
	118,101	39,539

Currency risk sensitivity analysis

A 10% (2016: 10%) strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss Group		Profit or loss Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
USD	10,010	8,619	-	-
INR	(21,959)	(17,033)	(11,859)	(8,969)
BRL	(10,160)	(7,452)	(3,013)	(3,004)
EUR	1,082	933	-	-

A 10% (2016: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by obtaining financing at competitive rates, which is a mix of fixed and floating interest rates borrowing instruments. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Floating rate instruments				
Financial liabilities				
Bank overdrafts	76,152	71,909	-	-
Term loans	161,099	155,331	-	-
Bankers' acceptances	-	111	-	-
Trust receipts	579	649	-	-
Revolving credits	244,886	234,579	-	3,500
	482,716	462,579	-	3,500
Fixed rate instruments				
Financial liabilities				
Finance lease liabilities	42,925	7,238	41,587	-

Interest rate risk sensitivity analysis

(a) *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

24. Financial instruments (continued)

24.6 Market risk (continued)

24.6.2 Interest rate risk (continued)

Interest rate risk sensitivity analysis (continued)

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss		Profit or loss	
	100 bp increase 2017 RM'000	100 bp decrease 2017 RM'000	100 bp increase 2016 RM'000	100 bp decrease 2016 RM'000
Group				
Floating rate instruments	(3,669)	3,669	(3,516)	3,516

24.6.3 Other price risk

Equity price risk arises from the Group's investments in equity securities.

The Group is not significantly impacted by an increase or decrease in the fair value of these instruments.

24.7 Fair value information

The carrying amounts of cash and bank balances, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

24. Financial instruments (continued)

24.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total fair value**	**Carrying amount**
2017	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets										
Available-for-sale financial assets	170	-	-	170	-	-	-	-	170	170
Financial liabilities										
Revolving credits	-	-	-	-	-	-	30,057	30,057	30,057	36,259
Finance lease liabilities	-	-	-	-	-	-	35,041	35,041	35,041	37,900
Amount due to ultimate holding company	-	-	-	-	-	-	73,400	73,400	73,400	78,582
2016										
Financial assets										
Available-for-sale financial assets	104	-	-	104	-	-	-	-	104	104
Financial liabilities										
Term loans	-	-	-	-	-	-	38,577	38,577	38,577	41,908
Revolving credits	-	-	-	-	-	-	23,597	23,597	23,597	25,635
Finance lease liabilities	-	-	-	-	-	-	3,690	3,690	3,690	3,943
Trade payables	-	-	-	-	-	-	94	94	94	100
Amount due to ultimate holding company	-	-	-	-	-	-	55,612	55,612	55,612	59,421

24. Financial instruments (continued)

24.7 Fair value information (continued)

Company	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	-	37,646	37,646	37,646	40,304
Amount due to ultimate holding company	-	-	-	-	-	-	73,400	73,400	73,400	78,582
Financial guarantees	-	-	-	-	-	-	482,716	482,716	482,716	-
2016										
Financial liabilities										
Amount due to ultimate holding company	-	-	-	-	-	-	55,612	55,612	55,612	59,421
Financial guarantees	-	-	-	-	-	-	459,079	459,079	459,079	-

Level 3

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Fair values of finance lease liabilities, loans and borrowings, payables and an amount due to an ultimate holding company have been generally derived using discounted cash flow approach.

For financial guarantees, the valuation technique and inputs used are based on the probability weighted discounted cash flows taking into account the likelihood of the guaranteed party defaulting and the estimated loss exposure if the party guaranteed were to default.

25. Capital management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 March 2017 and 31 March 2016 were as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Total loans and borrowings (Note 13)	525,641	469,817
Less: Cash and bank balances (Note 11)	(38,452)	(31,594)
Net debt	487,189	438,223
Debt-to-equity ratios	1.90	1.65

There was no change in the Group's approach to capital management during the financial year. The Group is also required to comply with various financial covenants, details of which are set out in Note 13.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

26. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Less than one year	39	1,043	284	479
Later than 1 year and not later than 2 years	32	324	-	-
Later than 2 years and not later than 5 years	42	-	-	-
	113	1,367	284	479

The Group and the Company lease a number of factory facilities and equipment under operating leases. The leases typically run for a period of 2 to 7 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

Leases as lessor

The Group lease out their fleet of coaches under operating leases. The future minimum lease receivables under non-cancellable leases are as follows:

	Group	
	2017	**2016**
	RM'000	**RM'000**
Less than one year	5,520	5,520
Later than 1 year and not later than 2 years	5,520	10,605
Later than 2 years and not later than 5 years	5,449	5,884
	16,489	22,009

The Group's operating leases are for a remaining term of 4 years (2016: 5 years).

27. Capital and other commitments

Capital expenditure commitments

	Group	
	2017	**2016**
	RM'000	**RM'000**
Plant and equipment		
Contracted but not provided for	-	111

28. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding company, fellow subsidiary, subsidiaries, joint operations and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Note 10 and 14.

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Ultimate holding company				
Business development charges absorbed by ultimate holding company	-	6,587	-	-
Interest expense	7,791	-	7,791	-
Subsidiaries				
Contract costs charged	-	-	47,916	20,249
Lintas Travel & Tours Sdn. Bhd., a company connected to a Director				
Airline ticketing services	26	67	12	17
Zul Rafique & Partners, a firm connected to a Director				
Legal services	27	-	-	-

28. Related parties (continued)

Significant related party transactions (continued)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Key management personnel				
Non-executive Directors				
- fees	332	274	332	274
- other benefits	56	52	56	52
	388	326	388	326
Short-term employee benefits	-	180		
Post-employment benefits:				
Defined contribution plan	-	31		
	-	211		

Certain executive officers are subject to mutual term of notice of 12 months. Upon resignation at the Group's request, they are entitled to terminate benefits up to 24 months gross salary.

29. Significant events during the year

During the financial year, the following events have occurred:

(a) Significant events in relation to the Project II:

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

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

On 21 July 2016, STP issued a Notice of Arbitration against PMB to resolve the disputes through arbitration. On 22 July 2016, the Court made an order dismissing the Originating Summons filed by STP on 20 June 2016. However, the Court granted an injunction preventing termination of the contract by PMB until 26 July 2016. On 25 July 2016, STP filed a Notice of Appeal against the dismissal of the Originating Summons filed on 20 June 2016, which appeal was fixed for hearing on 16 August 2016 ("Appeal Hearing") and subsequently adjourned to various dates in 2016 and 2017 but not heard. The latest hearing date is now on 28 August 2017.

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

On 3 March 2017, STP and PMB entered into the Third Supplemental Contract ("TSC") to the Principal Contract dated 3 June 2011 as supplemented by the First Supplemental Agreement dated 16 April 2014 and the Second Supplemental Agreement dated 15 April 2015 for the completion of this project (collectively, the "Contracts"). This TSC comes with Conditions Precedent and will lapse and become null and void should the Conditions Precedent not be fulfilled before 3 May 2017. Under the TSC, both parties have agreed to a joint appointment of an independent consultant to determine STP's claims and PMB's claims under the Contracts arising prior to 23 June 2016. See Note 30 for events subsequent to year end.

(b) Significant events in relation to the Project III:

As disclosed in Note 1(b)(iii), on 30 May 2016, the Company and the other Consortium members have executed a Term of Agreement ("TOA") with Metro Company of Sao Paulo to regulate the Consortium Member's altered responsibilities. Under the TOA, the Group's scope of work has been varied to include increased scopes. On 25 July 2016, Metro Company of Sao Paulo issued a letter of consent on the additional scope of works to the Group and therefore it has assumed full responsibilities and obligation for Project III. The value of this additional scope of works is BRL371 million (equivalent to about RM503 million). As a result, the Group's share of the total value of the Contract is BRL503 million (equivalent to about RM729 million).

30. Subsequent events

Subsequent to the financial year, the following events have occurred in relation to Project II:

a) Following the signing of TSC, on 3 May 2017, PMB served a letter to STP, stating that the last Condition Precedent ("Last CP") under the TSC has not been fulfilled within the Conditions Precedent period and therefore the TSC has automatically lapsed and become null and void. Subsequent to the letter, STP, PMB and STP's lenders had continued discussions on the status of satisfaction of the Last CP. On 16 May 2017, STP officially provided an additional document with regard to the issue.

b) On 26 May 2017, the Court further adjourned the Appeal Hearing to 12 July 2017 and fixed the matter for final case management on the same day should the matter not be resolved by then. The order of the Court restraining PMB from appointing another contractor for the Project II is further extended until 12 July 2017. On 12 July 2017, the interim injunction lapsed and the Appeal Hearing was postponed to 28 August 2017.

c) On 14 June 2017, STP issued a Notice of Dispute to PMB to refer the Dispute to a Dispute Adjudication Board ("DAB") for resolution in accordance with the contract provisions. Both STP and PMB agreed to dispense reference of the alleged nullification dispute to the DAB and to refer the Dispute directly to arbitration.

d) On 28 June 2017, PMB communicated in writing to STP stating that it was maintaining it's position that the last condition precedent of the TSC had not been fulfilled within the Conditions Precedent Period and that therefore the TSC has automatically lapsed and become null and void.

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

f) On 13 July 2017, STP issued a Notice of Arbitration against PMB to resolve the Dispute between STP and PMB by way of arbitration.

31. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 31 March, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Realised and unrealised losses of the Company and its subsidiaries:				
- realised	(278,574)	(250,122)	(104,416)	(91,141)
- unrealised	60,492	39,092	45,493	16,839
	(218,082)	(211,030)	(58,923)	(74,302)
Less: Consolidation adjustments	65,304	78,008	-	-
Total accumulated losses	(152,778)	(133,022)	(58,923)	(74,302)

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Scomi Engineering Bhd
(Company No. 111633-M)
(Incorporated in Malaysia)
and its subsidiaries

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 8 to 103 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 March 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 on page 104 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

....
Datuk Zainun Aishah binti Ahmad
Director

....
Shah Hakim @ Shahzanim bin Zain
Director

Petaling Jaya

Date: 24 JUL 2017

Scomi Engineering Bhd
(Company No. 111633-M)
(Incorporated in Malaysia)
and its subsidiaries

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, **L. Joseph Nixon A/L S. Lourdesamy**, the officer primarily responsible for the financial management of Scomi Engineering Bhd, do solemnly and sincerely declare that the financial statements set out on pages 8 to 104 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed L. Joseph Nixon A/L S. Lourdesamy, I/C No: 700225-10-5493, at Petaling Jaya in the State of Selangor Darul Ehsan on 24 JUL 2017 .

....
L. Joseph Nixon A/L S. Lourdesamy

Before me:

PESURUHJAYA SUMPAH
NO. B484
MMA. LAWRENCE LOW
MALAYSIA

Commissioner for Oaths

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCOMI ENGINEERING BHD

(Company No. 111633-M)
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scomi Engineering Bhd, which comprise the statements of financial position as at 31 March 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 103.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2017, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material Uncertainty Related to Going Concern

We draw your attention to the dispute and legal proceedings between the Group and one of its project customers as disclosed in Note 1(b)(ii) of the financial statements. These events and conditions, along with other matters disclosed in the said Note 1(b)(ii) indicate that material uncertainties exist that may cast significant doubt on the ability of the Group and of the Company to continue as going concern. Our opinion is not modified in respect of these matters.

Company No. 111633-M

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Recognition of contract revenue, related receivables and liabilities

Refer to Note 2(n)(iii) – Significant accounting policy: Construction contracts and Note 16 - Revenue.

The construction industry is characterised by contract risk with significant judgements involved in the assessment of both current and future contract financial performance. Profit on construction and long-term services contracts are recognised in accordance with MFRS 111 based on the stage of completion of contract activity. This is assessed by reference to the proportion of contract costs incurred for the work performed at the reporting date relative to the estimated total costs of the contract at completion.

The key risk for our audit is the appropriateness of recognition of profit on contracts because of the significant judgement involved in preparing suitable estimates of the forecast costs and revenue on contracts. An estimation error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date and the current year.

As the status of contracts are updated on a regular basis, the Directors are required to exercise significant judgement in the assessment of contract variations which would impact the forecast profits on contracts. These judgements include the expected recovery of costs arising from variations to the contracts requested by the customers, claims made against the customers for delays or other additional costs for which the customers are liable, liquidated damages, the completeness and accuracy of forecast costs to complete and the ability to deliver contracts within the forecasted timelines.

The contracts finalisation may result in a wide range of outcome. The final outcome on each contract can be individually material as it is dependent on the level of judgement exercised by the Directors. In addition, changes in these judgements, and the related estimates, as the contracts progresses, could result in material adjustments to revenues and margins, and related receivables and liabilities which can be both positive or negative.

We selected all the contracts secured by the Group within its rail segment for detailed testing and our audit procedures included:

- Evaluation of the Group's contract revenue accounting process. We tested a sample of the controls in this process including the yearly preparation of project cost re-estimation and progress claim certifications and approvals;

Recognition of contract revenue, related receivables and liabilities (continued)

- For these selected contracts customers:
  - We read the contracts terms and conditions to assess whether the critical and unique characteristics of each contract were reflected in the Directors' estimate;
  - We assessed the cost to complete estimates by (1) understanding the activities required to complete the project, (2) analysing the costs of those activities compared to the independent expert's report, and (3) using our knowledge of the contract characteristics to challenge the completeness of costs and activities;
  - We challenged the financial assessment of the contract progress and percentage of completion adopted through independent discussion with finance, commercial and operational management. We compared the outcome of our discussions with the underlying records;
  - We tested contract variations, claims and liquidated damages by comparing their value to underlying records and using our knowledge of the expected level of issues arising. The underlying records included legal or expert's reports commissioned by the Group in regard to contentious matters/cases;
  - We assessed the legal and independent experts' reports received on contentious matters such as claims on liquidated damages and extensions of time. Where we sought to rely on the work of that expert, we evaluated the professional competence and objectivity of that expert;
  - We assessed the ability to deliver contracts within the budgeted timelines and any exposure to liquidated damages for late delivery of contracts works; and
  - We assessed post-balance sheet performance to support year end judgements.
- We assessed whether the amounts recognised in the financial statements of the Group and of the Company were in line with the Group's accounting policy and relevant accounting standards, and whether they represented a balanced view of the risks and opportunities in respect of the forecast profit to completion;
- We performed site visits to physically inspect the stage of completion of certain projects and identify areas of complexity through observation and discussion with site personnel;
- We inspected the signed contracts for key clauses to identify relevant contractual mechanisms such as the sharing of cost overruns with the customer, contractual damages and success fees and assess whether these key clauses have been appropriately reflected in the amounts included in the forecasts;
- We assessed the recoverability of related receivables, including testing of post year end cash receipts, and adequacy of any provisions through completion of the above procedures;
- We inspected correspondences with customers or other information which may indicate the non-recoverability of the related receivables; and

Recognition of contract revenue, related receivables and liabilities (continued)

- We considered the adequacy of the disclosures in the financial statements of the Group and of the Company in respect of the judgements taken with respect to profit recognition and the key risks relating to these amounts and to any significant contracts.

Goodwill and other intangible assets

Refer to Note 2(f)(i) and 2(f)(iii) – Significant accounting policy: Goodwill and other intangible assets and Note 4 – Intangible assets.

The Group has significant intangible assets which comprise rail operations goodwill, capitalised monorail and bus development costs, mass rapid transit and propulsion development costs work-in-progress. On an annual basis, Directors are required to perform an impairment assessment for goodwill, and to assess for indicators of impairments in respect of other intangible assets. Where indicators of impairment are identified, a full impairment assessment is performed. These assessments involve significant judgement in the application of valuations models and assumptions. As a consequence, there is a risk that goodwill and other intangible assets may be impaired.

In this area, our audit procedures included:

- We assessed the Group's impairment model and discounted cash flow projections prepared by management and approved by Directors which support their goodwill impairment review;
- We challenged the reasonableness of discounted cash flow projections and the evidence supporting the underlying assumptions used by the Group, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- We used our valuation experts to support us on this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;
- We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value;
- We reassessed the management's assessment of the existence of impairment indicator for other intangibles and assessed the appropriateness of the amortisation to understand whether the amortisation period remains appropriate; and
- We considered the adequacy of the disclosures in the financial statements of the Group in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to reasonable changes in those key assumptions.

Recognition of Deferred Tax Assets

Refer to Note 2(p) – Significant accounting policy: Income tax and Note 7 – Deferred tax assets/(liabilities).

The Group has recognised deferred tax assets which arise from unabsorbed tax losses, unabsorbed capital allowances, and other temporary differences. The Group also has unrecognised deferred tax assets in respect of unabsorbed tax losses, unabsorbed capital allowances, reinvestment allowances and other timing differences. The recognition or non-recognition of deferred tax assets in respect of unabsorbed tax losses, unabsorbed capital allowances, reinvestment allowances and other timing differences is based on judgement in respect of the timing and quantum of expected future taxable income and the ability of the Group and of the Company to offset any of their accumulated losses against these expected taxable income.

In this area, our audit procedures included:

- We considered, amongst other things, historical levels of the taxable income, the historical accuracy of forecasts, the growth forecasts used by the Group and the Company, and the period over which those forecasts are applied. This included critically assessing the assumptions and judgements made by the Directors in those forecasts, by using our knowledge of the Group and of the Company and the industry in which they operate, and by comparing growth assumptions to externally derived data.
- We also assessed the adequacy of the disclosures in the financial statements of the Group and of the Company in respect of the basis of the deferred tax balance and the level of estimation involved.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Annual Report and, in doing so, consider whether the Annual Report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Annual Report; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 31 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Siew Chin Kiang @ Seow Chin Kiang
Approval Number: 02012/11/2018 J
Chartered Accountant

Petaling Jaya

Date: 24 July 2017

Lodged by:
SCOMI ENGINEERING BHD (Company No.: 111633-M)
Level 17, 1 First Avenue
Bandar Utama, 47800 Petaling Jaya
Selangor Darul Ehsan
Tel: 603 7717 3000 Fax: 603 7728 5258

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirms that, after having made reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other material facts, the omission of which would make any statement in this Circular false or misleading.

2. CONSENT AND CONFLICT OF INTEREST

2.1 HLIB

HLIB, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

HLIB, its subsidiaries and associated companies as well as its penultimate holding company, namely Hong Leong Financial Group Berhad, and the subsidiaries and associated companies of Hong Leong Financial Group Berhad (collectively, the "**Hong Leong Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses.

The Hong Leong Group has engaged, and may in the future engage, in transactions with and perform services for the Scomi Group and companies in which the major shareholders of Scomi Group have equity interest. In addition, in the ordinary course of business, any member of the Hong Leong Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with the Scomi Group and companies in which the major shareholders of the Scomi Group have equity interest, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of the Scomi Group and companies in which the major shareholders of the Scomi Group have equity interest.

The Hong Leong Group may have, in the ordinary course of its business, granted credit facilities to the Scomi Group. As at the LPD, the Scomi Group has outstanding overdraft and revolving credit with the Hong Leong Group amounting to approximately RM9.6 million.

Notwithstanding the above, HLIB is of the view that the abovementioned lending relationship would not give rise to a conflict of interest situation in its capacity as the Principal Adviser to Scomi in relation to the Proposals as:

(i) HLIB is a licensed investment bank and its appointment as the Principal Adviser to Scomi in relation to the Proposals and the extension of the credit facility by the Hong Leong Group arose in its ordinary course of business;

(ii) the conduct of the Hong Leong Group in its banking business is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013 and, where applicable, the CMSA, as well as the Hong Leong Group's own internal controls and checks; and

(iii) the said credit facilities are not material when compared to audited NA of the Hong Leong Group as at 30 June 2017 of RM16.6 billion.

2.2 Astramina

Astramina, being the appointed Financial Adviser to Scomi for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Astramina is also the appointed Financial Adviser to Scomi Energy and Scomi Engineering for the Proposed Merger of Scomi Energy and Proposed Merger of Scomi Engineering respectively. The various roles undertaken by Astramina for Scomi, Scomi Energy and Scomi Engineering in relation to the Proposed Mergers may potentially give rise to the conflict of interest but any such conflict of interest is mitigated by the following:

(i) the Board of Directors of Scomi, Scomi Energy and Scomi Engineering are fully informed and aware of Astramina's capacity as the Financial Adviser to Scomi, Scomi Energy and Scomi Engineering respectively;

(ii) the Board of Directors of Scomi Energy has appointed BDO Capital Consultants Sdn Bhd as the independent adviser to advise the Board of Directors of Scomi Energy (save for the interested directors of Scomi Energy) and the non-interested Scomi Energy Scheme Shareholders in relation to the Proposed Merger of Scomi Energy; and

(iii) the Board of Directors of Scomi Engineering has appointed Mercury Securities Sdn Bhd as the independent adviser to advise the Board of Directors of Scomi Engineering (save for the interested directors of Scomi Engineering) and the non-interested Scomi Engineering Scheme Shareholders in relation to the Proposed Merger of Scomi Engineering.

Save as disclosed above, Astramina is not aware of any other conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest in relation to the Proposed Mergers.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

3.1 Material commitments

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

	RM'000
Property, plant and equipment (approved but not contracted for)	49,811
Others (approved but not contracted for)	1,982
Operating lease	15,837
Total	**67,630**

3.2 Contingent liabilities

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

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

4. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, save for the material litigation, claims and arbitration of the Scomi Engineering Group as disclosed in Section 8 of Appendix II of this Circular, our Group is not engaged in any other material litigation, claims or arbitration, either as plaintiff or defendant, and our Board is not aware of any proceedings pending or threatened against our Group or of any facts likely to give rise to any proceeding which might materially and adversely affect the business and financial position of our Group.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from Mondays to Fridays (except public holidays) at our registered office at Level 17, 1 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan from the date of this Circular up to and including the date of the EGM:

(i) The Memorandum and Articles of Association (Constitution) of our Company, Scomi Energy and Scomi Engineering;

(ii) the audited consolidated financial statements of our Company, Scomi Energy and Scomi Engineering for the FYE 31 March 2016 and FYE 31 March 2017;

(iii) the latest unaudited consolidated financial statements of our Company, Scomi Energy and Scomi Engineering for the 6-month FPE 30 September 2017;

(iv) the letters of consent referred to in Section 2 of this Appendix;

(v) the draft Deed Poll;

(vi) the relevant cause papers in respect of material litigation referred to in Section 8 of Appendix II of this Circular; and

(vii) the formal proposals submitted by our Company dated 21 August 2017 and supplemental letters dated 7 November 2017 in respect of the Proposed Mergers.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Scomi Group Bhd ("**Scomi**" or "**Company**") 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 at any adjournment thereof for the purpose of considering and, if thought fit, passing the following ordinary resolutions, with or without modification:

ORDINARY RESOLUTION 1

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

"**THAT** subject to the approvals of all the relevant authorities or parties having been obtained, where required, approval be and is hereby given to the Board of Directors of Scomi ("**Board**") to consolidate every 2 Shares held by the entitled shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced at a later date by the Board, into 1 Consolidated Share and that such Consolidated Shares shall, upon allotment and issue, rank equally in all respects with each other;

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

AND THAT the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Share Consolidation with full power to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Share Consolidation and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as it may deem necessary or expedient to implement, finalise and give full effect to the Proposed Share Consolidation."

ORDINARY RESOLUTION 2

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 ("PROPOSED BONUS ISSUE OF WARRANTS")

"**THAT** subject to the passing of Ordinary Resolution 1 and the approvals of all relevant authorities or parties having been obtained, where required, the Board be and is hereby authorised to allot and issue up to 671,128,549 Warrants in registered form and constituted by a deed poll to be executed by the Company constituting the Warrants ("**Deed Poll**"), by way of bonus to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced at a later date by the Board on a provisional basis of 7 Warrants for every 10 Consolidated Shares held;

THAT in the event Ordinary Resolution 3 and/or Ordinary Resolution 4 are not passed and/or the approvals of all relevant authorities or parties in respect of Ordinary Resolution 3 and/or Ordinary Resolution 4 have not been obtained, where required, the Board be and is hereby authorised to adjust the basis of the Proposed Bonus Issue of Warrants 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 the Company (excluding treasury shares and before the exercise of the said Warrants) at all times;

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

THAT the Board be and is hereby authorised to execute, sign and enter into the Deed Poll with full power to assent to any condition, modification or amendment as it deems fit, necessary or expedient or as may be imposed by any relevant authorities, and full power to implement and give effect to the terms and conditions of the Deed Poll;

THAT the Board be and is hereby authorised to allot and issue new Consolidated Shares arising from the exercise of the Warrants in accordance with the terms and conditions in the Deed Poll and such new Consolidated Shares 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;

THAT the Board be and is hereby authorised, from time to time hereafter, to approve and give effect to any adjustment, variation, modification or amendment to the Deed Poll in accordance with and subject to the terms therein (including but not limited to the exercise price and the number of Warrants), to allot and issue such additional number of Warrants pursuant to the adjustments under the Deed Poll, and to issue and allot such additional number of new Consolidated Shares arising from exercise of such additional Warrants, and all such new Consolidated Shares 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;

AND THAT the Board be and is hereby authorised to take all such necessary steps to give effect to the Proposed Bonus Issue of Warrants with full power to consent to and to adopt such conditions, variations, modifications and/or amendments in any manner as may be required or imposed by the relevant authorities in respect of the Proposed Bonus Issue of Warrants and to deal with all matters relating thereto and to take all such steps and do all acts and things in any manner as it may deem necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Warrants."

ORDINARY RESOLUTION 3

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 ("PROPOSED MERGER OF SCOMI ENERGY")

"**THAT** subject to the passing of Ordinary Resolution 1 and Ordinary Resolution 2 and the approvals of all relevant authorities or parties having been obtained, where required, including but not limited to the sanction of the Proposed Merger of Scomi Energy by the High Court of Malaya, approval be and is hereby given to the Company to implement the Proposed Merger of Scomi Energy by way of a members' scheme of arrangement between Scomi Energy, the Company and all the shareholders of Scomi Energy other than the Company ("**Scomi Energy Scheme Shareholders**") pursuant to Section 366 of the Act, involving the acquisition by the Company and transfer of all the ordinary shares in the share capital of Scomi Energy held by the Scomi Energy Scheme Shareholders ("**Scomi Energy Scheme Shares**") to the Company at the offer price of RM0.126 for each Scomi Energy Scheme Share ("**Scomi Energy Offer Price**"), which shall be satisfied in the following manner:

(i) a share swap where for every 5 Scomi Energy Scheme Shares held, 3 Consolidated Shares ("**Scomi Energy Consideration Shares**") shall be issued at an issue price of RM0.21 per Consolidated Share; and

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

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;

THAT 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;

THAT 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;

THAT 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, the Scomi Energy Offer Price will be adjusted by the quantum of net dividends or distributions per Scomi Energy Share which such Scomi Energy Scheme Shareholder is entitled to;

THAT if Scomi declares, makes or pays 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, the Scomi Energy Offer Price and the corresponding Scomi Energy Consideration Shares to be issued will be adjusted by the quantum of the net dividends or distributions per Share which such Scomi Energy Scheme Shareholder is not entitled to;

AND THAT the Board be and is hereby authorised to:

(i) allot and issue the Scomi Energy Consideration Shares and Scomi Energy Consideration Warrants pursuant to and in accordance with the terms of the Proposed Merger of Scomi Energy and the Deed Poll subject to any conditions, modifications, variations and/or amendments as may be agreed to/required by any relevant regulatory authority in respect of the Proposed Merger of Scomi Energy or as a consequence of any such requirement; and

(ii) take such steps, execute such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as it may deem fit, necessary, expedient or appropriate in order to implement, finalise and/or give full effect of the Proposed Merger of Scomi Energy with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be agreed to/required by any relevant regulatory authority or as a consequence of any such requirement or as may be deemed necessary and/or expedient in the best interests of the Company."

ORDINARY RESOLUTION 4

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 ("PROPOSED MERGER OF SCOMI ENGINEERING")

"**THAT** subject to the passing of Ordinary Resolution 1 and Ordinary Resolution 2 and the approvals of all relevant authorities or parties having been obtained, where required, including but not limited to the sanction of the Proposed Merger of Scomi Engineering by the High Court of Malaya, approval be and is hereby given to the Company to implement the Proposed Merger of Scomi Engineering by way of a members' scheme of arrangement between Scomi Engineering, the Company and all the shareholders of Scomi Engineering other than the Company ("**Scomi Engineering Scheme Shareholders**") pursuant to Section 366 of the Act, involving the acquisition by the Company and transfer of all the ordinary shares in the share capital of Scomi Engineering held by the Scomi Engineering Scheme Shareholders ("**Scomi Engineering Scheme Shares**") to the Company at the offer price of RM0.30 for each Scomi Engineering Scheme Share ("**Scomi Engineering Offer Price**"), which shall be satisfied in the following manner:

(i) a share swap where for every 7 Scomi Engineering Scheme Shares held, 10 Consolidated Shares ("**Scomi Engineering Consideration Shares**") shall be issued at an issue price of RM0.21 per Consolidated Share; and

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

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;

THAT 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;

THAT 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;

THAT 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, the Scomi Engineering Offer Price will be adjusted by the quantum of net dividends or distributions per Scomi Engineering Share which such Scomi Engineering Scheme Shareholder is entitled to;

THAT if Scomi declares, makes or pays 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, the Scomi Engineering Offer Price and the corresponding Scomi Engineering Consideration Shares to be issued will be adjusted by the quantum of the net dividends or distributions per Share which such Scomi Engineering Scheme Shareholder is not entitled to;

AND THAT the Board be and is hereby authorised to:

(i) allot and issue the Scomi Engineering Consideration Shares and Scomi Engineering Consideration Warrants pursuant to and in accordance with the terms of the Proposed Merger of Scomi Engineering and the Deed Poll subject to any conditions, modifications, variations and/or amendments as may be agreed to/required by any relevant regulatory authority in respect of the Proposed Merger of Scomi Engineering or as a consequence of any such requirement; and

(ii) take such steps, execute such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as it may deem fit, necessary, expedient or appropriate in order to implement, finalise and/or give full effect of the Proposed Merger of Scomi Engineering with full power to assent to any terms, conditions, modifications, variations and/or amendments as may be agreed to/required by any relevant regulatory authority or as a consequence of any such requirement or as may be deemed necessary and/or expedient in the best interests of the Company."

By Order of the Board

ONG WEI LENG (**MAICSA 7053539**)
CHONG MEI YAN (**MAICSA 7047707**)
Company Secretaries

Petaling Jaya
12 December 2017

Notes:

(1) Other than an exempt authorised nominee, a member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies (but not more than 2) to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.

(2) Where a member or an exempt authorised nominee appoints 2 proxies, the appointments shall be invalid unless he or it specifies the proportion of his or its holding to be represented by each proxy.

(3) Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds with ordinary shares standing to the credit of the said Omnibus Account.

(4) The instrument for the appointment of a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the meeting will act as your proxy.

(5) The instrument for the appointment of a proxy must be completed and deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 24 hours before the time for holding the meeting or any adjournment thereof, where in default, the instrument of proxy shall not be treated as valid.

(6) The lodging of a completed Form of Proxy to the Share Registrar of the Company will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so. Should you subsequently decide to attend and vote in person at the meeting, you are requested to rescind your earlier appointment of proxy(ies), and notify the Share Registrar of the Company as soon as practicable.

(7) For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57 and 58 of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 29 December 2017. Only a depositor whose name appears on the General Meeting Record of Depositors as at 29 December 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his or its behalf.

Personal data privacy

(8) By lodging of a completed Form of Proxy to the Share Registrar of the Company for appointing a proxy(ies) and/or representative(s) to attend and vote in person at the meeting and any adjournment thereof, a member of the Company is hereby:

(i) consenting to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warranting that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes ("Warranty"); and

(iii) agreeing that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the Warranty.

For the purposes of this paragraph, "personal data" shall have the same meaning given in section 4 of the Personal Data Protection Act 2010.

FORM OF PROXY

CDS Account No.	
No. of Ordinary Shares held	

Scomi

SCOMI GROUP BHD
(Company No: 571212-A)

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

I/We* ____ NRIC No./Company No. ______________________
(Full name as per NRIC/Certificate of Incorporation in capital letters)

of ____
(Full address)

being a member of Scomi Group Bhd, hereby appoint ______________________________________
(Full name as per NRIC/Passport and NRIC/Passport No)

of ____
(Full address)

or failing him/her ____
(Full name as per NRIC/Passport and NRIC/Passport No)

of ____
(Full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of Scomi Group Bhd (the "**Company**") to 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.

RESOLUTIONS			FOR	AGAINST
Ordinary Resolution 1	-	Proposed Share Consolidation		
Ordinary Resolution 2	-	Proposed Bonus Issue of Warrants		
Ordinary Resolution 3	-	Proposed Merger of Scomi Energy		
Ordinary Resolution 4	-	Proposed Merger of Scomi Engineering		

Please indicate with a check mark ("✓") in the space provided to show how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this __________ day of ____________________ 2017/2018 Signature/Seal__________________________

Notes:

(1) Other than an exempt authorised nominee, a member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies (but not more than 2) to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.

(2) Where a member or an exempt authorised nominee appoints 2 proxies, the appointments shall be invalid unless he or it specifies the proportion of his or its holding to be represented by each proxy.

(3) Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds with ordinary shares standing to the credit of the said Omnibus Account.

(4) The instrument for the appointment of a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the meeting will act as your proxy.

(5) The instrument for the appointment of a proxy must be completed and deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 24 hours before the time for holding the meeting or any adjournment thereof, where in default, the instrument of proxy shall not be treated as valid.

(6) The lodging of a completed Form of Proxy to the Share Registrar of the Company will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so. Should you subsequently decide to attend and vote in person at the meeting, you are requested to rescind your earlier appointment of proxy(ies), and notify the Share Registrar of the Company as soon as practicable.

(7) For the purpose of determining a member who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 57 and 58 of the Articles of Association of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 29 December 2017. Only a depositor whose name appears on the General Meeting Record of Depositors as at 29 December 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his or its behalf.

Personal Data Privacy:
By lodging of a completed Form of Proxy to the Share Registrar of the Company for appointing a proxy(ies) and/or representative(s) to attend and vote in person at the meeting and any adjournment thereof, the member accepts and agrees to the personal data privacy terms as set out in the Notice of Extraordinary General Meeting dated 12 December 2017.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

Share Registrar of Scomi Group Bhd
Symphony Share Registrars Sdn Bhd

Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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