MINORITY SHAREHOLDER WATCHDOG GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company No. 524989-M)

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Watchdog group agrees with Scomi's rationale

Merger with subsidiaries unlikely to result in impairment loss

BY SULHI AZMAN

KUALA LUMPUR: The Minority Shareholder Watchdog Group (MSWG) has expressed support for the proposal by Scomi Group Bhd to consolidate its businesses via a three-way all-share merger with the group's subsidiaries, Scomi Energy Services Bhd and Scomi Engineering Bhd.

After considering Scomi's "poor financial performance", MSWG said it concurs with the firm's rationale and benefits to undertake a proposed merger via members' scheme of arrangement.

"We hope that after going through the proposed merger, the Scomi group could consolidate and streamline its organisation structure so that it would be able to move forward to look for new partners and funding to turn around its business as soon as possible," the watchdog group said in the latest issue of its weekly newsletter.

On Aug 21, Scomi announced a plan to consolidate its businesses by merging its two tightly controlled subsidiaries — Scomi Energy Services and Scomi Engineering — and amalgamating them into one entity, which will be done via a share swap.

For the financial year ended March 31, 2017 (FY17), Scomi recorded a net loss of RM107.41 million.

The group's 65.65%-owned Scomi Energy Services and 72.33%-owned Scomi Engineering were also sinking into the red, with an annual net loss of RM126.41 million and RM19.76 million in FY17 respectively.

In an effort to turn around its fortunes, Scomi said it may dispose of or streamline its existing assets within 12 months from the date it completes the three-way all-share merger, which is part of its cash realisation initiatives.

The initiatives, said Scomi in a reply to queries by Bursa Malaysia yesterday, are expected to raise cash proceeds of at least US$50 million, equivalent to RM213.5 million.

The group also noted that the three-way merger plan is "not likely to result in any impairment loss in view that no negative goodwill will be recognised by Scomi".