Scomi

SCOMI ENERGY SERVICES BHD
ANNUAL REPORT
2019

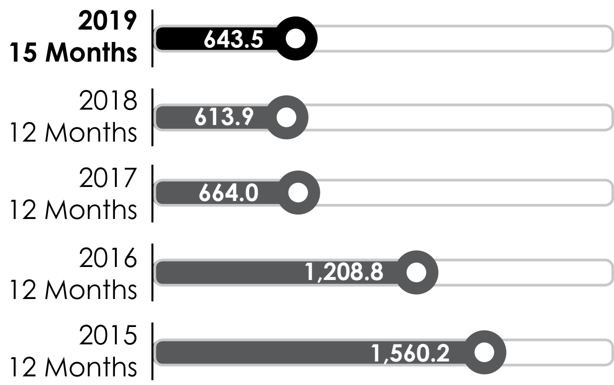
Contents



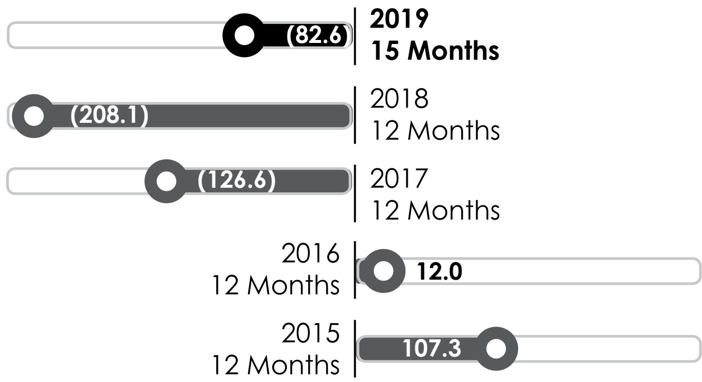
Key Financial Indicators

	2019 RM'000 (15 months)	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000 (Restated)
Revenue	643,494	613,957	664,012	1,208,784	1,560,239
EBITDA	14,659	(98,119)	(5,428)	140,172	222,760
Depreciation	(77,049)	(80,449)	(95,176)	(100,622)	(86,707)
Finance costs	(23,139)	(29,348)	(20,606)	(27,279)	(28,427)
Share of profit/(loss) in associated companies	(2,299)	-	-	495	(124)
Share of (loss)/profit from joint ventures	(3,866)	(36,663)	(24,208)	(10,628)	1,117
(Loss)/Profit before tax	(82,579)	(208,174)	(126,637)	11,996	107,399
Taxation	(20,883)	(17,744)	(9,128)	(23,914)	(39,970)
(Loss)/Profit after tax	(103,462)	(225,918)	(135,765)	(11,918)	67,429
Non-controlling interests	7,772	6,863	9,359	9,184	1,860
(Loss)/Profit after tax after non-controlling interests	(95,690)	(219,055)	(126,406)	(2,734)	69,289
Number of shares assumed in issue ('000)	2,341,621	2,341,621	2,341,621	2,341,630	2,341,630
Weighted average number of shares used to compute diluted earnings per share ('000)	2,341,621	2,341,621	2,341,621	2,341,630	2,341,630
Basic and diluted - Net EPS (sen)	(4.09)	(9.35)	(5.40)	(0.12)	2.96
Total assets	857,805	1,027,795	1,374,019	1,559,942	1,785,798
Net tangible assets	301,244	389,147	632,352	690,686	657,799
Shareholders' Fund	404,775	495,712	740,255	808,565	773,598
Net assets per share (sen)	17.28	21.2	31.6	34.5	33.0

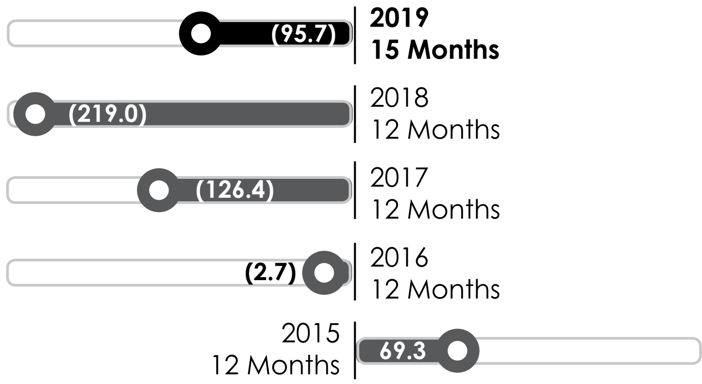
Turnover (RM Million)



(Loss)/Profit Before Tax (RM Million)



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



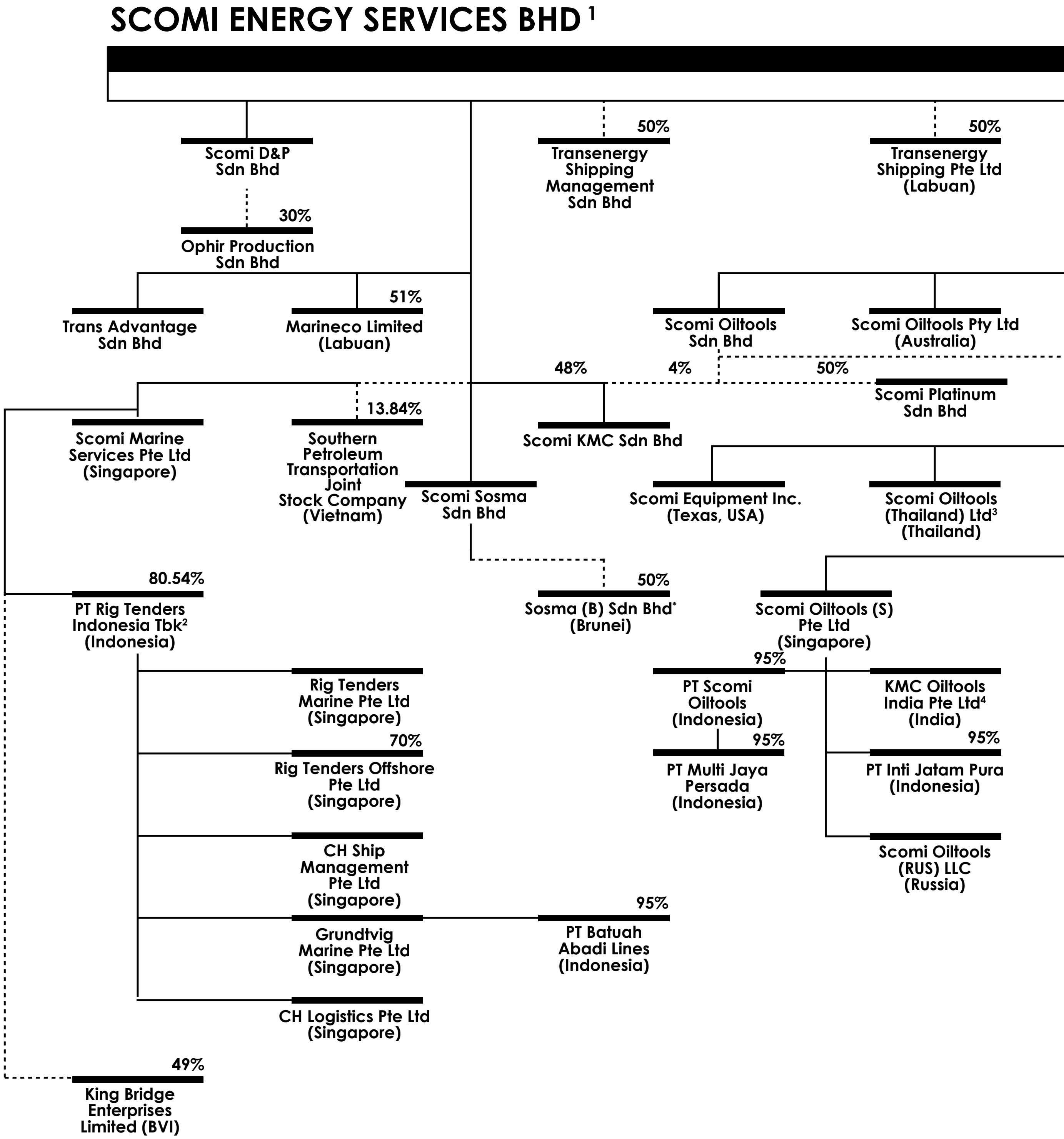
Total Assets
(RM Million)
857.8
2018 : 1,027.8

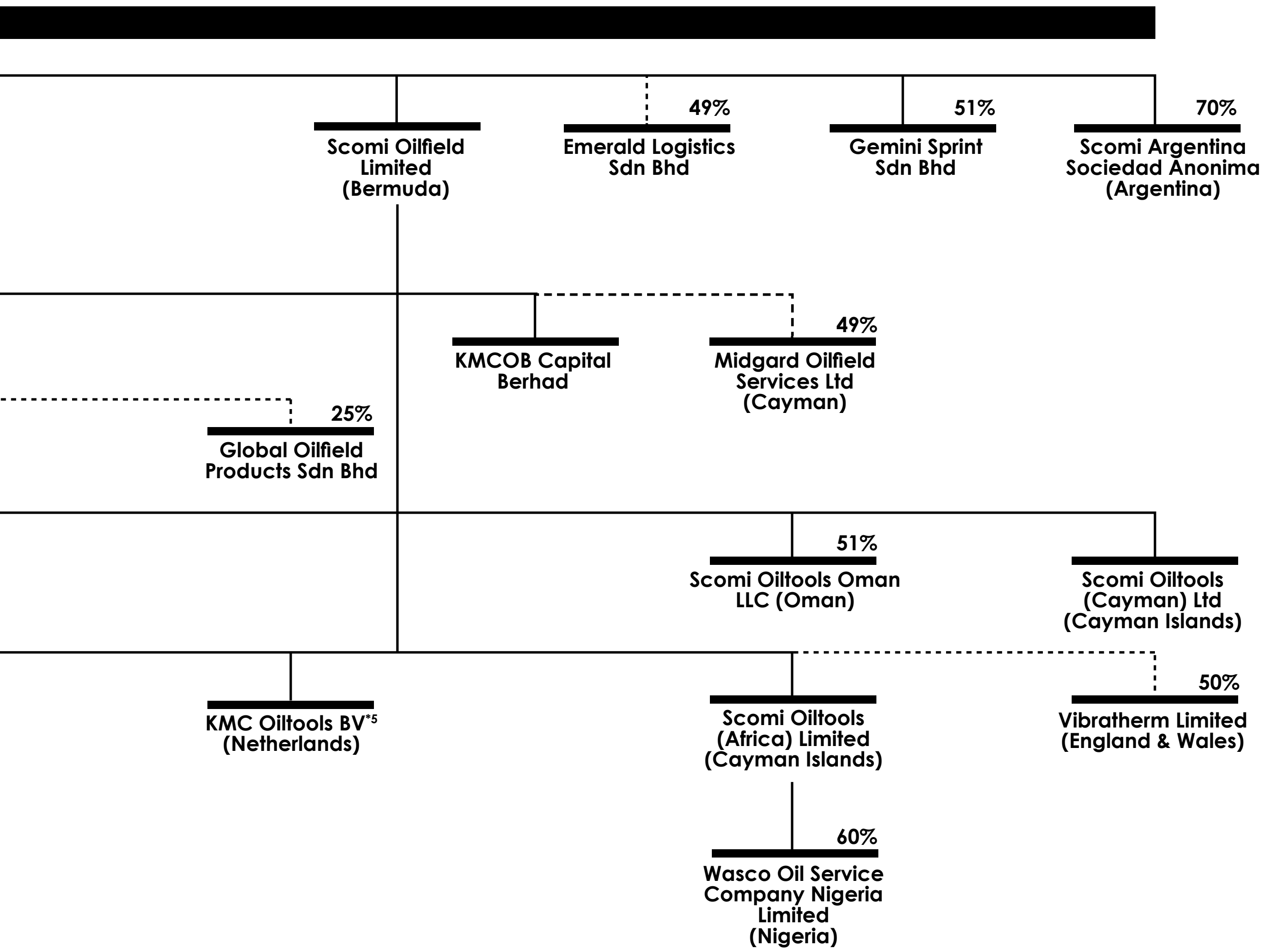
Net Tangible Assets
(RM Million)
301.2
2018 : 389.1

Shareholder's Fund
(RM Million)
404.8
2018 : 495.7

Net Assets Per Share
(sen)
17.3
2018 : 21.2

Corporate Structure as at 25 October 2019

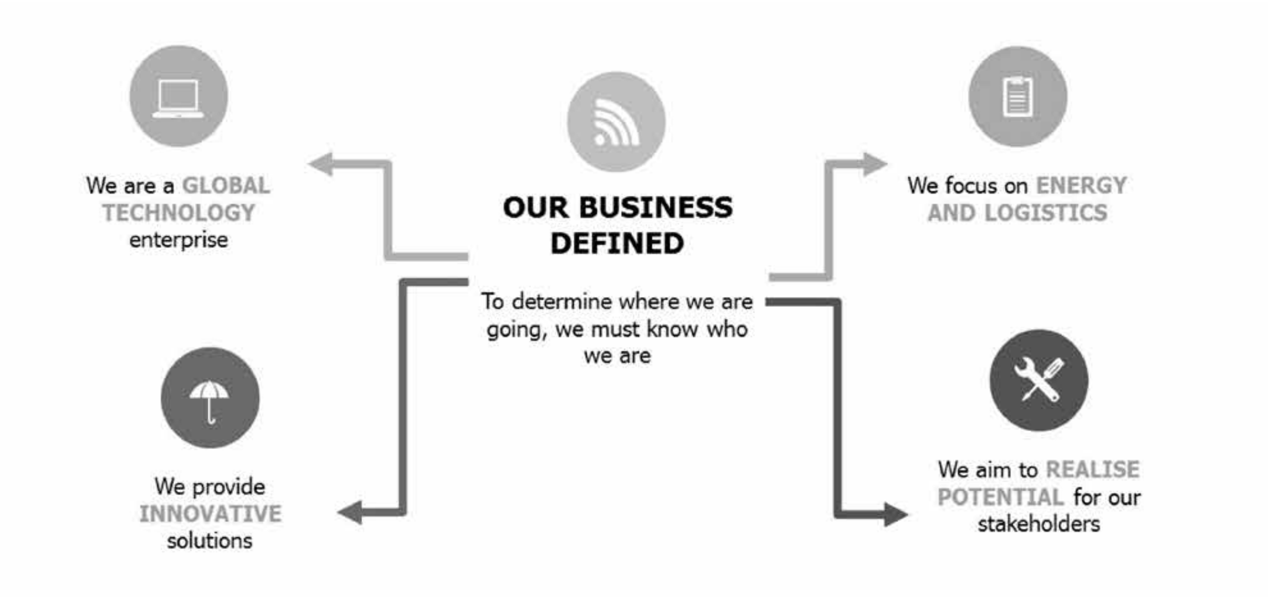




Key
1. Listed on the Bursa Malaysia Securities Berhad (Kuala Lumpur Stock Exchange).
2. Listed on the Indonesia Stock Exchange.
3. Includes 1 Class A share each held by Scomi Oiltools Sdn Bhd and Scomi Oiltools (Cayman) Ltd.
4. Includes 1 share held by Scomi Oilfield Limited.
5. The company has been placed under members' voluntary winding up.

Notes:
* Except as otherwise expressly stated, all companies in this corporate structure are incorporated in Malaysia.
* Except as otherwise expressly stated, all companies in this corporate structure are wholly owned by their respective holding companies.

Corporate Statement



With a presence in 18 countries, the Scomi Energy Services group of companies is a global technology enterprise in the energy and logistics industries.

We are a global technology enterprise.

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

We focus on Energy & Logistics.

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

We provide innovative solutions.

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

We aim to realise potential for our stakeholders.

Our customers:

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

Our shareholders:

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

Our people:

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

Our suppliers:

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

Our society / environment:

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

BOARD OF DIRECTORS

Dato' Jamelah Binti Jamaluddin
Independent Non-Executive Chairman

Dato' Sri Meer Sadik Bin Habib Mohamed
Independent Non-Executive Director

Ravinder Singh Grewal A/L Sarbjit S
Independent Non-Executive Director

Stephen Fredrick Bracker
Independent Non-Executive Director

Dr Ir Jeyanthi A/P Ramasamy
Independent Non-Executive Director

Ruziah binti Mohd Amin
Independent Non-Executive Director

Lee Chun Fai
Non-Independent Non-Executive Director

Shah Hakim @ Shahzanim Bin Zain
Non-Independent Non-Executive Director

Sammy Tse Kwok Fai
Executive Director

CHIEF EXECUTIVE OFFICER
Hilmy Zaini Bin Zainal

SENIOR INDEPENDENT DIRECTOR
Stephen Fredrick Bracker
Email: sid.sesb@scomigroup.com

AUDIT AND RISK MANAGEMENT COMMITTEE
Ravinder Singh Grewal A/L Sarbjit S (Chairman)
Dato' Sri Meer Sadik Bin Habib Mohamed
Lee Chun Fai

NOMINATION AND REMUNERATION COMMITTEE
Stephen Fredrick Bracker (Chairman)
Dato' Jamelah Binti Jamaluddin
Ravinder Singh Grewal A/L Sarbjit S
Lee Chun Fai

REGISTERED OFFICE
Level 15, Menara TSR
No. 12, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258

ADMINISTRATIVE AND CORRESPONDENCE ADDRESS
Level 15, Menara TSR, No. 12, Jalan PJU 7/3
Mutiara Damansara, 47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258
Email : info.sesb@scomigroup.com
Website : www.scomienergy.com.my

REGISTRAR
Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
11th Floor, Menara Symphony
No. 5, Jalan Prof Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7890 4700
Fax : 03-7890 4600
Email : ssr.helpdesk@symphony.com.my

COMPANY SECRETARY
Sim Bee Sin (MAICSA 7056323)

AUDITORS
KPMG PLT (AF: 0758)
Level 10, KPMG Tower, 8, First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia

PRINCIPAL BANKERS

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

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

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

CIMB Bank Berhad
Level 20, Menara CIMB
Jalan Stesen Sentral
KL Sentral
50470 Kuala Lumpur, Malaysia

PT Bank Maybank Indonesia Tbk
Sentral Senayan 3
Jl. Asia Afrika No. 8
Senayang Gelora Bung Karno
Jakarta 10270, Indonesia

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

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

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad
Stock Name: SCOMIES
Stock Code: 7045

CURRENCY
Ringgit Malaysia (RM)

INVESTOR RELATIONS
Zubaidi Bin Harun
Level 15, Menara TSR, No. 12, Jalan PJU 7/3
Mutiara Damansara, 47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258
Email : info.sesb@scomigroup.com

Board of Directors

Dato' Jamelah Binti Jamaluddin
Independent Non-Executive Chairman

Dato´ Jamelah, female, 62, a Malaysian, is an Independent Non-Executive Chairman of the Company. She was appointed as a member of the Board on 15 November 2013.

Dato' Jamelah holds a Diploma in Business Studies, a BBA (Finance) Degree from Western Michigan University, Michigan, USA and a Masters in Business Administration from Central Michigan University, Michigan, USA.

Dato' Jamelah served as the Managing Director of Kuwait Finance House (Malaysia) Labuan Berhad from March 2013 to September 2013. She was the Chief Executive Officer ("CEO") of Kuwait Finance House (Malaysia) Berhad from February 2010 to March 2013. She also served RHB Islamic Bank Berhad as Managing Director from August 2007 to January 2010. Her previous working experience including as (i) the Deputy CEO of Kuwait Finance House (Malaysia) Berhad from November 2006 to August 2007; (ii) Chief Operating Officer ("COO") of RHB Sakura Merchant Bankers Bhd from January 2004 to November 2006; and (iii) Division Director of Macquarie Malaysia (M) Sdn Bhd and Macquarie Bank Limited (Labuan Branch) from August 1999 to November 2003.

She also holds directorship in Malaysian Productivity Corporation Bhd.

Dato' Jamelah is a member of the Nomination and Remuneration Committee of the Board. She attended 12 out of the 13 Board Meetings held in the financial period ended 30 June 2019.

Dato' Sri Meer Sadik Bin Habib Mohamed
Independent Non-Executive Director

Dato' Sri Meer Sadik, male, 56, a Malaysian, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 19 November 1997 as Non-Independent Non-Executive Director and was subsequently redesignated as Independent Non-Executive Director on 18 May 2010 .

Dato' Sri Meer Sadik graduated from Wichita State University, United States of America, with a Degree in Business Administration, and later qualified as a gemmologist from the Gemmological Institute of America. Dato' Sri Meer Sadik is currently the Group Managing Director of the Habib Group of Companies which today is involved in retailing, manufacturing and microfinancing.

Dato' Sri Meer Sadik is a Past President of the Young Entrepreneurs Organisation (YEO) and was the Governor of the Alice Smith School. Dato' Sri Meer Sadik served as the Honorary Secretary of the Malaysia Retailers Association from March 2007 to May 2018.

The other Malaysian public company which he is a Director is Yayasan Habib, which was established in 2008 to undertake corporate social responsibility activities for the Habib Group.

Dato' Sri Meer Sadik is a member of the Audit and Risk Management Committee. He attended 12 out of the 13 Board Meetings held in the financial period ended 30 June 2019.

Ravinder Singh Grewal A/L Sarbjit S ("Ravinder")
Independent Non-Executive Director

Ravinder, male, 50, a Malaysian, was appointed to the Board as Independent Non-Executive Director on 21 May 2014.

Ravinder holds a Bachelor of Commerce from the University Of New South Wales, Australia and is an Australian Certified Practising Accountant.

Ravinder has over 20 years of experience in corporate finance and private equity. His corporate finance deals have included IPOs and bond issues in Singapore, merger & acquisition transactions in South-East Asia as well as debt restructuring transactions in Malaysia and Indonesia. His private equity deals have included buy-out and development capital investments in South-East Asia and Australia. He previously worked for DBS Bank in Singapore and Standard Chartered Bank, with his last position as a Managing Director in the private equity division of Standard Chartered Bank.

Ravinder chairs the Audit and Risk Management Committee, and is also a member of the Nomination and Remuneration Committee of the Board.

He attended all the 13 Board Meetings held in the financial period ended 30 June 2019.

Stephen Fredrick Bracker ("Steve")
Independent Non-Executive Director

Steve, male, 64, an Australian, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 30 September 2015 as Non-Independent Non-Executive Director and was subsequently redesignated as Independent Non-Executive Director on 13 November 2018.

Steve holds a Bachelor of Civil Engineering from Queensland Institute of Technology, Australia. He is a member of The Society of Petroleum Engineers (SPE).

Steve has almost 33 years of international oilfield drilling services experience, including 12 years in field operations and has for the last 21 years held various technical and management positions. For the initial 27 years of his career, he was employed with Baroid Fluid Services, which, due to the 1997 merger with Dresser Industries, became part of Halliburton. He has spent much of his career overseas and has experience at all levels namely field operations, technical engineering & support, sales, marketing, financial management and strategy. From 1995-2007, he managed various business units for Baroid, ranging from a Joint Venture company in Indonesia to regional responsibilities for Asia, Europe and Africa. From 2008 until April 2015, he joined the Scomi Group of Companies as Senior Vice President for Product Lines. Thereafter, he was promoted to Chief Operating Officer for Product Lines and Global Operations. He was the President of Scomi Oilfield Services division until his retirement in April 2015.

Steve chairs the Nomination and Remuneration Committee. He attended all of the 13 Board Meetings held in the financial period ended 30 June 2019.

Dr Ir Jeyanthi A/P Ramasamy
Independent Non-Executive Director

Dr Ir Jeyanthi, female, 37, a Malaysian, is an Independent Non-Executive Director of the Company. She was appointed to the Board on 4 September 2019.

Dr. Ir. Jeyanthi Ramasamy ("Dr Jey") graduated with a Bachelor of Petroleum Engineering from University of Technology Malaysia in 2006. Upon her graduation she commenced her career as a Drilling Engineer in Talisman Malaysia Limited. Later in 2009, Dr Jey joined Sarawak Shell Berhad ("Shell") as a Subsea Engineer and she was promoted as Subsea Lead. In 2016, she joined Oceaneering International Inc as Technical Solutions Manager.

Dr Jey continued Master in Petroleum Technology with Curtin University of Technology and graduated with distinction in 2012. She also completed her Industrial PhD on Subsea Engineering with University of Technology Malaysia in 2016.

She is a Professional Engineer with practicing certificate (Petroleum) with Board of Engineers Malaysia, Senior Member and elected Council Member of The Institute of Engineers Malaysia (IEM), Engineering Accreditation Council (EAC) Industry panel by the Board of Engineers Malaysia, member of Oil, Gas, Mining Technical Division of IEM, Treasurer of Society of Underwater Technology and Life Member of Women's Institute of Management.

Dr Jey sits on the board of Rohas Tecnic Berhad as Independent Non-Executive Director.

She did not attend any of the Board Meetings held during the financial period ended 30 June 2019 as she was appointed after the financial period.

Ruziah binti Mohd Amin
Independent Non-Executive Director

Cik Ruziah, female, 58, a Malaysian, is an Independent Non-Executive Director of the Company. She was appointed to the Board on 4 September 2019.

Cik Ruziah graduated with a Master in Business Adminstration (General Management) from University of Sheffield, United Kingdom in 1991 and Bachelor in Economics (First Class Honors) from University of Malaya in 1984.

She has over 30 years working experience and has held various senior and top management positions in several companies both in the government and private sectors, covering areas of corporate finance and advisory spanning various industries such as investments, telecommunications, property and upstream oil and gas.

She did not attend any of the Board Meetings held during the financial period ended 30 June 2019 as she was appointed after the financial period.

Lee Chun Fai
Non-Independent
Non-Executive Director

Mr Lee, male, 48, a Malaysian, was appointed to the Board as Non-Independent Non-Executive Director on 17 May 2013.

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

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

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

Mr Lee is a member of the Audit and Risk Management Committee and Nomination and Remuneration Committee of the Board. He attended 11 out of the 13 Board Meetings held in the financial period ended 30 June 2019.

Shah Hakim @ Shahzanim bin Zain
Non-Independent
Non-Executive Director

Encik Shah Hakim, male, 54, a Malaysian, is the Non-Independent Non-Executive Director of the Company. He was appointed to the Board as Non-Independent Executive Director of the Company on 23 September 2005 and was re-designated as Non-Independent Non-Executive Director on 1 April 2018 upon his resignation as the Chief Executive Officer of the Company.

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

He attended 8 out of the 13 Board Meetings held in the financial period ended 30 June 2019.

Sammy Tse Kwok Fai
Executive Director

Mr Tse, 56, male, a British, is an Executive Director of the Company and was appointed to the Board on 30 August 2018.

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

He started his career in IFS (HK) Limited in 1990 before joining the Hong Kong Telecom Group (now known as PCCW Limited) in 1992 where he held various positions culminating in the position as General Manager of Fixed Mobile Integration. He then joined Hutchinson Telecom as Director of International and Multimedia Services in 1998. In 2000, he was promoted as the Chief Executive Officer of Hutchinson E-commerce Limited. In 2004, he took up the position as Chief Operating Officer of entities within the South China Group before leaving in 2007 to take up the position as Executive Director and Chief Executive Officer of EPI Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. He resigned from these positions in 2016 but continues to provide consultancy services to this company.

He also holds directorship in Scomi Group Bhd.

He attended all of the 8 Board Meetings held from the date of his appointment up to the financial period ended 30 June 2019.

Notes:

Save as disclosed, none of the Directors have:

- any family relationship with any Director and/or Major Shareholder of Scomi Energy Services Bhd;
- any conflict of interest or any personal interest in any business arrangement, involving Scomi Energy Services Bhd;
- any conviction for offences within the past five (5) years (other than traffic offences, if any); and
- any public sanction or penalty imposed by the relevant regulated bodies during the financial period ended 30 June 2019.

Hilmy Zaini Zainal
Chief Executive Officer
Scomi Energy Services Bhd

Hilmy, male, aged 53, Malaysian, first joined Scomi in 2001 and has held various senior management positions within the company from Chief Financial Officer for Scomi Group Bhd, Chief of Group Support Services including Finance, Business Development, Legal & Secretarial, Human Resource/Administration & IT, and Head of Scomi Engineering Bhd. Most recently, he was in charge of Scomi's oilfield services and monorail projects globally.

Hilmy graduated with a Bachelor of Commerce (Accountancy) from The University of New South Wales, Sydney, Australia. He has also attended the Advanced Management Programme from Wharton University in 2014.

Ramesh Veetikat Ramachandran
Chief Financial Officer
Scomi Energy Services Bhd

Ramesh, male, aged 53, Indian, is the Chief Financial Officer of Scomi Energy Services Bhd (SESB). He is a Chartered Accountant and Cost Accountant from India and has over 30 years of experience in Finance & Accounts.

He joined Scomi as Controller – West Africa in July 2001. He was subsequently made the Regional Financial Controller of Scomi Oiltools Africa in June 2007 and his job scope further expanded in 2010 when he was appointed as Regional Controller for Western Hemisphere. In December 2012, he was appointed as the Group Financial Controller for SESB's Oilfield Services division and took over as CFO of SESB in September 2015. In August 2016, he was moved to oversee the operations as President-Market units which position he held until Feb 2018.

Ramesh holds a Bachelor degree in Commerce from the University of Chennai. He is an Associate member of the Institute of Chartered Accounts of India and Associate member of the Institute of Cost and Works Accountants of India.

Sharifah Norizan Shahabudin
Head, Legal & Compliance
Scomi Energy Services Bhd

Norizan, female, aged 53, Malaysian, is the Head, Legal & Corporate Secretarial for Scomi Energy Services Bhd. She has over 20 years of experience in the practice of intellectual property, corporate and commercial and securities law. Prior to joining the in-house legal and secretarial team of Scomi in 2006, Norizan had previously been in private practice in the firms of Shearn Delamore & Co., Zaid Ibrahim & Co. and Azra & Associates.

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

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

Notes:

Save as disclosed, none of the Senior Management have:

- any family relationship with any Director and/or Major Shareholder of Scomi Energy Services Bhd;
- any conflict of interest or any personal interest in any business arrangement, involving Scomi Energy Services Bhd;
- any conviction for offences within the past five (5) years (other than traffic offences, if any); and
- any public sanction or penalty imposed by the relevant regulated bodies during the financial period ended 30 June 2019.

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Scomi Energy Services Bhd ("SESB", "Company") is a global technology enterprise in the energy and logistics sectors with an established presence in 18 countries.

Its business is in the provision of Drilling Services ("DS") and Marine Services ("MS"). For Drilling Services, the Company provides Drilling Fluids services ("DF"), Drilling Waste Management services ("DWM") and Production Enhancement Chemicals. For Marine Services, the Company provides marine logistic services to the energy sector primarily via the provision of tugs and barges, as well as a small fleet of offshore support vessels.

The DS segment is the largest revenue generator and has the proven track records for challenging drilling environments which include horizontal, multilateral, deep-water and high temperature & high pressure wells.

The MS segment focuses on the coal industry for which the Company provides coal barging, berthing services and ship management services.

The Company has over 30 years of experience collectively and hence is able to offer its clients comprehensive solutions tailored to meet their requirements and to optimise their activities.

Our operations are managed by a dedicated team of management and staff and governed by an experienced Board of Directors. During the financial period under review, Dato Jamelah Binti Jamaluddin was appointed as the Chairman of the Board of Directors. Further, Mr Sammy Tse Kwok Fai, Dr Ir Jeyanthi Ramasamy and Cik Ruziah Bt Mohd Amin also joined the Board of Directors. We thank our Directors, management and staff for their efforts during the period.

FINANCIAL HIGHLIGHTS

During the period under review, the Company changed its financial year end from 31st March to 30th June. As such, the current financial period comprises 15 months ("FY19") whereas the previous year comparative figures are for 12 months ("FY18").

	Period ended 30 June 2019 (RM'000)	Year ended 31 March 2018 (RM'000)
Revenue	643,494	613,957
Sales Cost	(519,993)	(539,495)
Gross Profit	123,501	74,462
Operating Cost	(140,012)	(134,363)
Finance Cost	(23,139)	(29,348)
Operating Loss	(57,037)	(143,459)
Net Loss After Tax	(103,462)	(225,918)
Total Equity Attributable to Owners of the Company	404,775	495,712
Borrowings	185,806	217,726
Net Debt/Equity Ratio	0.27	0.28
Earnings Per Share (sen)	(4.09)	(9.35)
Net Assets Per Share (sen)	17.29	21.2

The volatile activity levels in the global oil and gas sector continued to impact the financial performance of SESB resulting in lower revenue as compared to the previous year. On an annualised basis, revenue was lower than previous year by 16%. Although revenue decreased year on year, Gross Profit improved from 12% in FY18 to 19% during the current period, as a result of product mix and effective management of costs. Operating costs showed a decrease of 16.6% year on year (annualised basis). Overall Operating Loss was lower at RM57 million and this included a one-off loss on sale of vessel of RM39.6 million. Excluding the one-off loss, the overall operating loss was RM17 million.

Drilling Services, the largest revenue contributor, ended the financial period with revenue of RM497 million (previous year RM485 million) while losses from operating activity (excluding other income, forex losses/gains) showed an improvement of 38% (on an annualised basis) over the previous year.

Marine Services revenues decreased by 8% on an annualized basis mainly due to lower tonnage carried through the year under review and the reduction of the coal affreightment contracts in Malaysia. Further, our offshore support vessels continued to remain unutilised due to the subdued oil and gas market. However, with better management of costs, the segment posted a profit from operating activity during the financial period as compared to a loss in the previous year.

CAPITAL STRUCTURE AND SIGNIFICANT CHANGES TO ASSETS

Assets	30 June 2019 (RM'000)	31 March 2018 (RM'000)
Non-current	428,314	564,427
Current	429,491	463,368
Total Assets	857,805	1,027,795

Total assets was lower than previous year primarily due to :

a. Depreciation and impairment of assets
b. Reduction in inventory and trade receivables with better management of working capital

Equity & Liabilities Capital and Reserves Attributable to Owners of the Company	30 June 2019 (RM'000)	31 March 2018 (RM'000)
Share Capital	1,005,535	1,005,535
Total Equity Attributable to Owners of the Company	404,775	495,712
Total Equity	437,996	536,705
Non-Current Liabilities	63,715	93,560
Current Liabilities	356,094	397,530
Total Liabilities	419,809	491,090
Total Equity and Liabilities	857,805	1,027,795
Net Assets Per Share (sen)	17.28	21.2

Total liabilities declined from the previous year due to repayment of working capital loans and lower trade payables in line with the lower activity. The lower equity was due to the net losses registered during the period.

CASH FLOW, CASH AND BANK BALANCES

	30 June 2019 (RM'000)	31 March 2018 (RM'000)
Net cash from operating activities	13,095	(2,988)
Net cash used in investing activities	26,306	(15,935)
Net cash used in financing activities	(44,839)	(31,859)
Net decrease in cash and cash equivalents	(5,438)	(50,782)
Cash and bank balances	65,748	67,675
Cash and cash equivalents at the beginning of the period	36,778	101,680
Cash and cash equivalents at the end of the period	38,668	36,778

Cash flow has been a concern during the financial period with the working capital lenders freezing the lines to limit their exposure to the oil and gas industry. This has impacted operations and growth. As a result, the Company had to resort to sale of business (Turkmenistan and France) and idle assets (idle accommodation work barge) to generate cash. The Company is in the process of restructuring / refinancing its debt and to secure new working capital lines which will enable it to capitalise on new business opportunities.

In respect of the advances made to the holding company, Scomi Group Bhd ("SGB") the Company has received repayment of RM18.3 million to date, partly in cash and partly by transfer of property valued at RM6.5million. A further amount of RM20 million is expected to be received on completion of the corporate exercise at SGB.

KNOWN TRENDS AND EVENTS

The oil price throughout the financial period has been volatile. The surge experienced mid-year 2018 exceeding USD80 per barrel was not sustainable and the price slumped at the end of the year 2018. However, there was an increase early in the year 2019 and it currently hovers around the USD55 to USD65 per barrel range.

Global rig count has seen some improvement, however markets continue to be extremely competitive which resulted in erosion of margins for the businesses we are in. Further, the trend is moving towards provision of bundled services, which is impacting SESB as some of the products and services may not be available in its portfolio.

It was anticipated that the movement of the oil price and the improvement to global rig counts would increase activity levels in the industry. However, while the industry growth shows a positive movement, it has still not picked up momentum as anticipated.

The coal market activity and prices remain robust. However, the activity has seen some slow-down and throughout the period under review we have moved lesser tonnage in the latter half of the financial period. We are hopeful that the coal market will continue to remain robust in the year ahead.

OPERATIONAL HIGHLIGHTS

As with previous years, this period under review continued to be challenging largely due to the business climate and the organisation adapting and responding to optimise potential business opportunities. However, our strategy has continued to remain on being cost competitive for business sustainability and building integration capability for business growth. Hence for the period under review, the focus of the Company was to continue cost rationalisation and financial restructuring while cautiously pursuing expansion of market reach.

Since FY2017 the Company has undertaken several cost reduction exercises to align with its reducing global revenue. The Company continues to optimise its operational costs and corporate overhead costs which include amongst others manpower, asset utilisation, inventory as well general expenses. During this period under review, manpower resources in diminished markets such as Malaysia, Indonesia and Thailand was further reduced. Across its global operations, it has also managed to reduce its inventory level throughout the period.

During the period under review, SESB also continued to strengthen its order book. The Middle East continues to be a significant market for the Company with Saudi Arabia and Oman being the main contributors. Further it has successfully achieved market expansion in this region with the breakthrough contracts in Kuwait. The Company, through its wholly owned subsidiary, Scomi Oiltools Sdn Bhd (“SOSB”) was awarded two contracts by Kuwait Oil Company. The contracts are for the Provision of Mud Products and Mud Engineering Services for Development Drilling and also Deep Drilling for a period of five (5) years with an estimated contract value of USD150 mil. Under these contracts, SOSB will be supplying the drilling fluid chemicals, providing engineering services as well as constructing, managing and operating a Liquid Mud Plant at the client’s facility. This project is anticipated to commence in the 2nd quarter of 2020 and should subsequently contribute to the revenue of the organisation by the 3rd quarter of 2020. In Saudi Arabia, the company has been a key supplier for DF services and has expanded its services to include DWM services for its major client. The Company continues to strengthen its ties with clients in the UAE with extension to existing contracts as well as expanding its service offerings to additional onshore and offshore rigs.

Adding to its order book, India, Pakistan and Indonesia have started to turnaround their operations with new contracts won during the period under review. Nigeria and Russia continue to remain the main contributors towards the revenue of the Company. Malaysia continues to struggle with the low drilling and exploration activity. During the financial period, the Company has secured contracts via participation in the mini-bids as well as contracts for speciality chemicals.

The Company has also continued to build on its technology base through collaborations. Focusing on its specialised technology and engineering offering, SESB’s Malaysia operations formalised several agreements with Petronas Chemicals Marketing (Labuan) Ltd in June 2019 for collaboration in research, development and marketing of chemical solutions. Through this collaboration that has been ongoing since 2016, SESB continues to develop commercially viable products which enhance the drilling and exploration processes for both domestic and global markets.

However, SESB has also experienced several lowlights throughout the financial period. It has seen an erosion of its global Drilling Fluids market share largely due to tender losses in the Asia Pacific. Among the contributing factors were constraints in purchasing and procurement management under global supply chain. Increasing asset utilisation has been limited as most of its drilling waste management equipment are currently deployed and the challenges are the ability to quickly turnaround the equipment under maintenance and to invest in new asset. Its Marine Services business not only saw a reduction in its charter rates for FY2019 but also several of its vessels for the coal industry was moved from a guaranteed tonnage contract to a time charter contract. As a result, it impacted the earning capacity of this division and its contribution to the revenue of the Company.

All our operations are conducted in accordance with the relevant Quality, Health, Safety and Environment (“QHSE”) standards. During the period under review we had no untoward incidences resulting in fatalities recorded and maintained good health and safety records with all our clients.

OUTLOOK & PROSPECTS IN FY2020

The crude oil price surged in mid 2018 to a high of USD82.72 per barrel before it dipped again to the low USD50's per barrel at end of 2018. Although oil price continues to be volatile, there has been a gradual increase in activity levels. Almost all of the markets that the Company operates in has seen increases in rig counts and active tenders. However, the extent of global recovery in the year ahead remains unpredictable. Major oil companies continue to be cautious in their expansion and investment. The emerging trend in the industry is tenders for bundled services which is being adopted by many major oil companies. Hence the price volatility coupled with the factors above are impacting the ability of companies involved in this business segment to realise the full benefits of a rebalanced industry.

For SESB, in addition to the factors above, the changes in contracting structures by some oil majors are also negatively impacting its long-term prospects and opportunities. In view of the above, the Company's strategies going forward is to continue investing in R&D and market expansion at a pace that is affordable to the company.

Among the key prospects for new markets are the US and Argentina. These are lucrative markets especially for the drilling waste management business. The Company is prudently working towards a re-entry into the US market by deploying a small fleet of DWM assets. For Argentina, the Company has formed a joint venture to explore the DWM segment of the market. In all our markets, we continuously look at offering services which are complementary to our current products and services. An example being for our DF clients, we look for upsell opportunities of our DWM and complementary services and vice versa. As for the Marine Services segment, the focus to increase vessel utilisation and this includes exploring opportunities presented in sectors other than coal such as minerals and logs.

As at June 2019, SESB has an order book of approximately USD272 million and has a prospective tender pipeline of an estimated value of USD172 million which are tenders that it is participating in globally. The Company is constantly looking at avenues to capture these opportunities including the prospect of partnering with technology or financially stable partners.

Furthermore, SESB will continue to enhance its selected research and development activities and its integration capability as these will be the key drivers to forge ahead. The management remains hopeful that despite the challenging operating environment, with the continued cost optimisation and financial restructuring exercises and given the current positive industry trend, the Company will be able to make progress to increase its business sustainability within the energy and logistics sectors.

OUR BUSINESS SUSTAINABILITY

The Financial Year 2018 was the first year of reporting on the Sustainability Statement for Scomi Energy Services Bhd ("SESB", the "Company"). As we report for this Financial Period 2019 which is a 15-month reporting period, SESB is mindful that the sustainability framework and practices are still a work in progress. We will strive for continuous improvements in the collation of the information and in presenting the information which includes performance targets and achievements.

SESB's sustainability statement revolves around its Corporate Statement, *"we are a global technology enterprise that provides innovative solutions focusing on the energy and logistics sectors to realise potential for our stakeholders"*. Thus, the Company's sustainability rests in the ability to introduce innovative products and services for its customers and integration capability as technology partners.

SESB derives its revenue mainly from two operating segments namely, Drilling Services and Marine Services. In the Drilling Services segment, we are a forerunner for drilling fluids and drilling waste management services in Malaysia and a strong contender globally. We are also engaged in the services of marine logistics to support the coal transportation as well as the oil & gas sector.

SUSTAINABILITY FRAMEWORK & SCOPE

The scope as envisioned to build the sustainability framework of the organisation looks at three key areas as follows :

i. the sustainability framework;
ii. the strategic thrusts for new products & services and integration capability; and
iii. the engagement of social responsibility for the community.

As the Company moves forward, additional sustainability initiatives and actions will be introduced to enhance its business viability.

The outline of the sustainability framework of SESB as reported in the Annual Report 2018 continues to be developed and enhanced accordingly. The Company is mindful of the need to ensure its business sustainability and the responsibility is entrusted to the individual business unit within its group of companies. The management of each business unit addresses this requirement through its annual business performance and budget which is presented and discussed with the respective Boards of Directors.

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

The current business sustainability activities initiated and being carried out in the organisation include :

- Expansion of markets for oil & gas industry
  Scomi Energy Services Bhd, has successfully expanded its market in the Middle East and is also cautiously exploring the markets of US and Argentina, which are lucrative markets for the drilling waste management business.

- Increase product offering to existing clients
  In all markets that the Company offers its oilfield services product range and the related services through its subsidiaries, it is looking to upsell its range of products and services by introducing complementary products and services.

SESB believes in engaging with the stakeholders including the communities where it operates in as it is cognisant of its social responsibility towards the betterment of the community. Notwithstanding this, during the period under review, in view of the volatile oil and gas industry, several of its countries of operations have had to reduce its workforce size. Hence SESB's social responsibility activities focused more towards internal engagement with its employees and its staff welfare. The Company has strived to ensure all its commitments to its personnel are being looked into and brought to even status expeditiously.

Health, Safety and Environment ("HSE") activities were given priority with continuous learning and training for all its operations staff.

The approach to the sustainability activities and its reporting for SESB still requires much development and improvement to ensure a more comprehensive management and monitoring. The Company is optimistic that with its business development activities it will be better positioned to provide greater analysis of its activities for future Annual Reports.

INTRODUCTION

The Board of Directors (the "Board") of Scomi Energy Services Bhd (the "Company") recognises that corporate governance is essential for a company's sustainable long-term performance, value creation for shareholders and safeguarding or promoting the interests of each and every stakeholder. The Board presents this statement to provide stakeholders with an overview of the corporate governance ("CG") practices of the Company and its group of companies (the "Group") during financial period ended 30 June 2019 in accordance with the key CG principles as set out in the Malaysian Code on Corporate Governance 2017 (the "Code").

This Corporate Governance Overview Statement is supported by the Company's Corporate Governance Report 2019 and is prepared in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Company's Corporate Governance Report 2019 provides details on how the Company has applied each Practice as set out in the Code and is available on the Company's website, **www.scomienergy.com.my** and via an announcement on the website of Bursa Securities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

In carrying out its responsibilities to the Company's stakeholders to create and deliver sustainable value, the Board sees its role as to govern and set the strategic direction of the Company, whilst overseeing the Management who are entrusted to manage the Company and the Group in accordance with the strategic direction and delegations of the Board.

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

(a) reviewing and adopting a strategic plan for the Company and the Group, and subsequently monitoring the implementation of the strategic plan by the Management to ensure sustainable growth and optimisation of returns for the Company and the Group;

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

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

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

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

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

On a quarterly basis, both the Audit and Risk Management Committee ("ARMC") and the Board reviews the Group's key financial performance metrics with the CEO who highlights concerns and issues, if any. The actual performance of the Group is assessed on a quarterly basis against the approved financial period ended 30 June 2019 budget, the results of the corresponding quarter of financial year ended 31 March 2018 ("FY 2018") and the immediate preceding quarter. Where significant variances in the performance results are reported by the Management to the ARMC and the Board, it is accompanied with explanations, clarifications and the corrective action taken.

Besides this, the ARMC and the Board were also informed by the Management of the key initiatives and significant operational issues. A summary of the performance of each business division is also provided to the Board.

(c) evaluating principal risks of the Company and the Group and ensuring the implementation of appropriate risk management and internal controls system to manage these risks;

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

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

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

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

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

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

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

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

The Board, through the Nomination and Remuneration Committee ("NRC"), annually develops and agrees the CEO's BSC with the CEO based on the strategic objectives, measures and KPIs which are aligned to the Group's corporate goal and strategic business plan set by the Board. Following the determination of the measures and KPIs for the CEO, the same will be cascaded down to his direct reports.

During the financial period, the NRC reviewed the remuneration of the CEO and the Management presented the new organisation structure of the Group, job fitting for the organisation as well as business requirements.

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

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

Recognising the importance of accurate and timely public disclosures of corporate information in order for the shareholders to exercise their ownership rights on an informed basis, the Board has established a Global Communication Policy, where it outlines how the Group identifies and distributes information in a timely manner to all shareholders. It also reinforces the Group's commitment to the continuous disclosure obligations imposed by law, and describes the procedures implemented to ensure compliance.

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

Establish Clear Roles and Responsibilities

To enhance the Board and the Management's accountability to the Company and its shareholders, the Board has clearly established functions reserved for the Board and those delegated to the Management. The Board operates under a Board Charter, which establishes a formal schedule of matters and outlines the types of information required for the Board's attention and deliberation at the Board meetings. The Board Charter was reviewed and updated by the Board on 5 July 2017. The Board Charter is available on the Company's website at **www.scomienergy.com.my**.

The Board's approving authority for certain specified activities is delegated to the Management through a clear and formally defined Delegated Authority Limits ("DAL"), which is the primary instrument that governs and manages the business decision process in the Group. Whilst the objective of the DAL is to empower Management, the key principle adhered to in its formulation is to ensure that a system of internal controls and checks and balances are incorporated therein. The DAL is implemented in accordance with the Group's policies and procedures and in compliance with the applicable statutory and regulatory requirements. The DAL is continuously reviewed and updated to ensure relevance to the Group's operations and was last updated on 1 April 2018.

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

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

Reinforce Independence

In general, the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years. Independent Director who has served for a cumulative term of nine (9) years is subject to the annual approval of the shareholders to continue to act in office as Independent Director. In line with the practice 5.1 of the Code, the Board, through the NRC, has assessed the independence of each Independent Director annually. Taking into consideration interests disclosed by each Independent Director and having regard to the criteria for assessing the independence of Directors under the annual Board assessment and the Listing Requirements, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their ability to act in the best interests of the Company during deliberations at Board meetings.

In view that Dato' Sri Meer Sadik bin Habib Mohamed has served the Board for more than nine (9) years, annual shareholders' approval will be obtained for him to continue to act as Independent Non-Executive Director of the Company. He is recommended to continue to act as Independent Director of the Company based on the following justifications:-

(a) that he fulfils the criteria set out in the definition of "Independent Director" in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad;

(b) that his vast experience and expertise enable the Board to discharge its duties effectively and in a competent manner;
(c) that although he has served the Company as Independent Director for a cumulative term of more than nine (9) years, he has at all times acted in the best interest of the Company, providing independent views to the deliberations and decision making of the Board and Board Committees and fully understand and provide critical oversight over the Company's objective and strategies as well as the business operation of the Company and the Group;
(d) that he has proven to be a reliable Independent Director with his professionalism, aptitude and business outlook and perspectives, devoted sufficient time and attention to his professional obligations for informed and balanced decision making. He has also exercised due care and diligence during his tenure in the best interest of the Company and the shareholders; and
(e) that he has provided confirmation in writing that he is independent of the Management, the Board and major shareholders and is free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company and the Group.

Board Committees

The Board has established two (2) committees of the Board, namely the ARMC and the NRC, which operate within clearly defined written terms of reference (available for reference at the Company's website at **www.scomienergy.com.my**). The Board reviews the Board Committees' authority and terms of reference from time-to-time to ensure their relevance. The Board Committees deliberate the issues before putting up any recommendation to the Board for decision. Notwithstanding the existence of the Board Committees and the relevant authorities granted to a committee under its terms of reference, ultimate responsibility for the affairs of the Company and decision-making lies with the Board. The Board keeps itself abreast of the significant matters and resolutions deliberated by each Board Committee through the reports by the Chairman of the relevant Board Committees or the tabling of the Minutes of the Board Committees' meetings and circular resolutions passed at the immediate subsequent Board meeting.

The composition of the Board and its Committees are as follows:

	Board Committees	
	ARMC	NRC
Independent Non-Executive Chairman		
Tan Sri Nik Mohamed Bin Nik Yaacob[(1)]	-	C
Dato' Jamelah binti Jamaluddin[(2)]	-	M
Independent Non-Executive Directors		
Dato' Sri Meer Sadik Bin Habib Mohamed	M	-
Mr Ravinder Singh Grewal A/L Sarbjit S	C	M
Mr Stephen Fredrick Bracker[(3)]	-	C
Dr Ir Jeyanthi A/P Ramasamy[(4)]	-	-
Cik Ruziah binti Mohd Amin[(4)]	-	-
Non-Independent Non-Executive Director		
Mr Lee Chun Fai[(5)]	M	M
Encik Shah Hakim @ Shahzanim Bin Zain[(6)]	-	-
Executive Director		
Mr Sammy Tse Kwok Fai[(7)]	-	-

Notes:
C: Chairman
M: Member

(1) Resigned as Independent Non-Executive Chairman on 19 July 2018.
(2) Re-designated from Independent Non-Executive Director to Independent Non-Executive Chairman on 29 November 2018.
(3) Re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 13 November 2018. He was appointed as Member of the NRC effective 15 November 2018 and was subsequently appointed as Chairman of the NRC effective 29 November 2018.
(4) Appointed as Independent Non-Executive Director effective 4 September 2019.
(5) Appointed as Member of the NRC effective 15 November 2018.
(6) Re-designated from Chief Executive Officer/Non-Independent Executive Director to Non-Independent Non-Executive Director effective 1 April 2018.
(7) Appointed as Executive Director effective 30 August 2018.

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

During the financial period ended 30 June 2019, thirteen (13) Board Meetings, six (6) ARMC Meetings and three (3) NRC Meetings were held. The attendance record of the Directors at the meetings of the Board and its Committees is as follows:

	MEETING ATTENDANCE		
	BOARD	ARMC	NRC
Independent Non-Executive Chairman Tan Sri Nik Mohamed bin Nik Yaacob[1]	4/4	-	1/1
Dato' Jamelah binti Jamaluddin[2]	12/13	-	3/3
Independent Non-Executive Directors Dato' Sri Meer Sadik bin Habib Mohamed	12/13	6/6	-
Mr Ravinder Singh Grewal A/L Sarbjit S	13/13	6/6	3/3
Mr Stephen Fredrick Bracker[3]	13/13	-	1/1
Dr Ir Jeyanthi A/P Ramasamy[4]	-	-	-
Cik Ruziah binti Mohd Amin[4]	-	-	-
Non-Independent Non-Executive Directors Mr Lee Chun Fai[5]	11/13	5/6	1/1
Encik Shah Hakim @ Shahzanim bin Zain[6]	8/13	-	-
Executive Director Mr Sammy Tse Kwok Fai[7]	8/8	-	-

Notes:

(1) Resigned as Independent Non-Executive Chairman on 19 July 2018.
(2) Re-designated from Independent Non-Executive Director to Independent Non-Executive Chairman on 29 November 2018.
(3) Re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 13 November 2018. He was also appointed as Member of the NRC effective 15 November 2018 and was subsequently appointed as Chairman of the NRC effective 29 November 2018.
(4) Appointed as Independent Non-Executive Director effective 4 September 2019.
(5) Appointed as Member of the NRC effective 15 November 2018.
(6) Re-designated from Chief Executive Officer/Non-Independent Executive Director to Non-Independent Non-Executive Director effective 1 April 2018.
(7) Appointed as Executive Director effective 30 August 2018.

Ethics and Code of Conduct

In discharging its duties and responsibilities, the Board is guided by the Code of Conduct of the Group which provides the framework to ensure that the Group conducts itself in compliance with laws and ethical values. The Board ensures that compliance is monitored through a Confirmation of Compliance declaration process where all employees of the Group of Grade 15 and above are required to confirm their receipt and understanding of the Code of Conduct and further to certify their continued compliance with the Code of Conduct on an annual basis.

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

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

Whistleblowing Policy and Procedures

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

Environmental, Social and Governance

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

Access to Information

Every Director has full, free and unrestricted access to information within the Group. Where required, the Board and its Committees are provided with independent professional advice or other advice in furtherance of their duties, the cost of which is borne by the Company. The Board may also seek advice from the Management or request further explanation, information or update on any aspect of the Group's operations or business concerns.

The Board is supplied with quality and timely information, which allows it to discharge its responsibilities effectively and efficiently. The agenda for each meeting together with a set of comprehensive Board Papers for each agenda item are delivered to each Director in advance of meetings, to enable the Board to review the matters to be deliberated for effective discussion and decision making during the meeting, and where necessary, to obtain supplementary information before the meeting.

In addition, the Directors have full and unrestricted access to the advice and dedicated support services of the Company Secretary appointed by the Board. The Company Secretary is qualified to act as company secretary under Section 235 of the Companies Act 2016 ("the Act"). She is experienced, competent and responsible to advise the Board on procedural and regulatory requirements to ensure that the Board adheres to the Board policies, procedures and regulatory requirements in carrying out its roles and responsibilities effectively.

II. BOARD COMPOSITION

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

The Articles of Association of the Company provides for a minimum of two (2) directors and a maximum of 16 directors. At any one time, at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, shall be Independent Directors, who are to provide independent judgment, experience and objectivity to the Board deliberations so that the interests of all shareholders are taken into account by the Board. According to the Board Charter, the Directors shall elect a Chairman among themselves who shall be a Non-Executive Director.

As at the date of this statement, the Board consisted of nine (9) members, eight (8) of whom are Non-Executive Directors and six (6) are independent as defined by the Listing Requirements. The Independent Directors make up 67% of the composition of the Board. Hence, the composition of the Board fulfils the prescribed requirement for one-third (1/3) of the Board to be Independent Directors.

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

The Company has also appointed an Independent Non-Executive Director of the Company as the Senior Independent Director of the Company. The main duties and responsibilities of the Senior Independent Director of the Company are to serve as the point of contact between the Independent Directors and the Chairman on sensitive issues and to act as a designated contact to whom shareholders' concerns or queries may be raised, as an alternative to the formal channel of communication with shareholders. For any concerns or queries regarding the Group, the shareholders may convey to the Senior Independent Director of the Company via the following channels:

Mail : **SCOMI ENERGY SERVICES BHD.**
Level 15, Menara TSR
No. 12, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Attention : Mr Stephen Fredrick Bracker, Senior Independent Director

Fax : +603 7728 5258

Email : sid.sesb@scomigroup.com

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

The NRC established by the Board is tasked to:

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

- establish, review and report to the Board on a formal and transparent procedure for developing a policy on Executive Directors' remuneration and compensation of Non-Executive Directors; and

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

The members of the NRC are appointed by the Board based on recommendations from the NRC and shall comprise at least three (3) members who are all non-executive, a majority of whom are Independent Directors. Members of the NRC elect a Chairman from among themselves who is an Independent Non-Executive Director. All members of the NRC, including the Chairman, shall hold office only so long as they serve as Directors of the Company. Members of the NRC may relinquish their membership in the NRC with prior written notice to the

Company Secretary. The NRC reports its recommendations back to the Board for its consideration and approval. In the event of any vacancies arising in the NRC resulting in the number of members of the NRC falling below three (3), the vacancy should be filled within three months of it arising. The NRC meets at least once during a financial year. In the interim period between meetings, if the need arises, issues shall be resolved through circular resolution. A circular resolution in writing, stating the reason(s) to arrive at a recommendation or resolution, signed by a majority of the members, shall be valid and effective as if it had been passed at a meeting duly convened and constituted.

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

New Appointment to the Board

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

During the financial period under review, the NRC had undertaken assessments of the Board and its members ("Assessment"), in respect of the following:

(a) assessment of the effectiveness of the Board and the Board Committee;
(b) review of the skills, experience and competencies of the Board members; and
(c) assessment of the adequacy of the size and composition of the Board.

Arising from the above Assessment, the NRC observed that:

(a) the Board and the Committees of the Board were effective in carrying out their responsibilities;

(b) the Board has the desired mix of skills, experience and competencies in all areas except Legal and Information Technology; and

(c) the size and the composition of the Board is adequate to meet the Company's requirements.

No additional director was appointed during the financial period ended 30 June 2019. On 4 September 2019, two (2) additional women Directors were appointed to the Board in pursuing gender diversity as recommended under the Code.

Annual Board Evaluation

The Board, through the NRC undertakes an annual assessment of the Board as a whole and each individual Directors' performance. This includes a review of the desirable mix of competencies, qualification, knowledge, skills, expertise and personal characteristics of Directors and any gaps that exist in the optimum mix of skills required for the Board. In the course of assessing the effectiveness of the Board and the Board Committees and the contributions of each individual Director, the NRC also evaluates and determines the training needs for each of the Directors in order to enhance the skills of the Directors and aid them in the discharge of their duties as Directors. The Chairman of the NRC will discuss the NRC's assessment of the performance of each individual Director with the Directors concerned on a one-on-one basis. All assessments and evaluations carried out by the NRC in the discharge of its functions are properly documented, summarised and reported to the Board.

The NRC currently consisted of four (4) members, three (3) of whom are independent and non-executive. In accordance with the approved Terms of Reference of the NRC, the NRC carried out the following activities during the financial period ended 30 June 2019:

- assessed the annual performance of each individual Director;

- assessed the continued independence of each Independent Director;

- reviewed the skills, experience and competencies of each individual Director and based thereupon, assessed the training needs of each individual Director;

- assessed the effectiveness of the Board, the ARMC and other Committees of the Board;

- reviewed the skills, experience and competencies of the Directors;
- assessed the adequacy of the size and composition of the Board;
- reviewed the proposed remuneration for the Non-Executive Directors of the Company;
- reviewed the retirement and re-election of the Directors pursuant to the Articles of Association of the Company;
- evaluated and recommended to the Board the CEO's BSC for the financial period under review; and
- reviewed and recommended to the Board the CEO's Balanced Scorecard for the new financial year.

III. REMUNERATION

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

The Non-Executive Directors are paid by way of fees for their services, as from time-to-time determined by shareholders in AGM and are not compensated based on the Company's (Group's) performance and results as this may impair the Directors' objectivity and independence, particularly when asked to endorse risky business decisions that may have a vast upside potential. The Non-Executive Directors are reimbursed for all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending the meetings of the Board or any Board Committees of the Company.

Section 230(1) of the Act provides amongst others, that "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting. In view that the "benefits payable to the directors" under the Act is not defined by the Act, the Board approved the NRC's recommendation to seek the approval of the shareholders for the benefits payable to the directors for the period from 28 November 2019 until the next AGM of the Company ("Relevant Period") at the forthcoming AGM of the Company.

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

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

The structure of the remuneration package for the Non-Executive Directors was last revised by the Board in respect of the financial year ended 31 December 2009 and since then the remuneration package for the Non-Executive Directors has remained unchanged. In view of the current challenges in the oil and gas industry and the financial condition of the Company, although with the increasing tasks, responsibilities, liabilities and burdens on Non-Executive Directors as well as tighter corporate and capital market rules and regulations, the Board concurred with the recommendation of the NRC to maintain the same remuneration policy and Directors' fees for the Non-Executive Directors in respect of the financial period ended 30 June 2019, which in turn is subject to the approval of the shareholders at the forthcoming AGM of the Company.

Nonetheless, the Non-Executive Directors did not receive any payment of Directors' fees since year 2018 in respect of the financial year ended 31 March 2018 despite the fees had been approved by the shareholders at the AGM, due to the financial position of the Company.

The remuneration of individual Directors of the Company, including the remuneration for services rendered to the Group for the financial period ended 30 June 2019, are as follows:-

The Group and the Company

Directors	Fee		Other Allowances		Total	
	Company	Group	Company	Group	Company	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tan Sri Nik Mohamed bin Nik Yaacob[(1)]	14	14	5	5	19	19
Dato' Sri Meer Sadik bin Habib Mohamed	58	58	18	18	76	76
Dato' Jamelah binti Jamaluddin	54	54	15	15	69	69
Mr Ravinder Singh Grewal A/L Sarbjit S	60	60	22	22	82	82
Mr Stephen Fredrick Bracker[(2)]	48	48	14	14	62	62
Dr Ir Jeyanthi A/P Ramasamy[(3)]	-	-	-	-	-	-
Cik Ruziah binti Mohd Amin[(3)]	-	-	-	-	-	-
Mr Lee Chun Fai	58	58	17	17	75	75
Encik Shah Hakim @ Shahzanim bin Zain[(4)]	48	826	8	23	56	849
Mr Sammy Tse Kwok Fai[(5)]	-	-	-	-	-	-
Grand Total	340	1,118	99	114	439	1,232

Notes:
(1) Resigned as an Independent Non-Executive Director and Chairman of the NRC on 19 July 2018.
(2) Re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 13 November 2018.
(3) Appointed as Independent Non-Executive Director effective 4 September 2019.
(4) Re-designated from Chief Executive Officer/Non-Independent Executive Director to Non-Independent Non-Executive Director effective 1 April 2018.
(5) Appointed as Executive Director effective 30 August 2018.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

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

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

The ARMC has met six (6) times during the financial period under review in order to carry out their duties in accordance with their Terms of Reference. The CEO and CFO formally presented to the ARMC and the Board the details of financial performance of the Company and the Group, for review of quarter-to-quarter and year-to-date performance against the proposed financial period ended 30 June 2019 budget.

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

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

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

The ARMC is also tasked by the Board to consider the appointment of the external auditor, the audit fee and any questions relating to the resignation or dismissal (if any) as well as all non-audit services to be provided by the external auditors to the Company with a view to auditor independence and to provide its recommendations thereon to the Board. The ARMC has received confirmation from the external auditors that for the audit of the financial statements of the Group and Company for the financial period ended 30 June 2019, they have maintained their independence in accordance with their firm's requirements and with the terms of relevant professional and regulatory requirements and they have reviewed the non-audit services provided to the Group during the financial period in accordance with the independence requirements and are not aware of any non-audit services that have compromised their independence as external auditors of the Group. The external auditors also reaffirmed their independence at the completion of the audit.

The ARMC had at its meeting held on 23 October 2019 undertook an annual assessment of the suitability and independence of the external auditors in accordance with the Policy on the Selection of External Auditors of the Company which was adopted in 2014. The Policy on the Selection of External Auditors of the Company is available on the Company's website at **www.scomienergy.com.my**.

KPMG PLT have been the external auditors for the Company and the Group since the financial year ended 31 March 2014. Being satisfied with KPMG PLT's performance, technical competency and audit independence as well as fulfilment of criteria as set out in the Policy on the Selection of External Auditors of the Company and Paragraph 15.21 of the Listing Requirements, the ARMC recommended the re-appointment of KPMG PLT as external auditors of the Company for the financial period ending 30 June 2020. The Board at its meeting held on 24 October 2019 concurred with the ARMC on its recommendation for the shareholders' approval to be sought at the forthcoming AGM on the re-appointment of KPMG PLT as external auditors of the Company for the financial period ending 30 June 2020.

The membership, Terms of Reference, roles and relationship with both the internal and external auditors and activities of the ARMC during the financial period ended 30 June 2019 are set out in the ARMC Report of this Annual Report.

II. Risk Management and Internal Control Framework

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

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

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

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

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

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

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

I. COMMUNICATION WITH STAKEHOLDERS

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

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

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

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

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

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

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

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

II. CONDUCT OF GENERAL MEETINGS

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

The financial year end of the Company has been changed from 31 March to 30 June. The Company has obtained approval from the Companies Commission of Malaysia for an extension of time for holding the AGM of the Company which is due to be held latest by 23 November 2019, i.e. within fifteen (15) months after the last preceding AGM pursuant to the Act. A notice period of more than 21 days will be given to the shareholders for the upcoming AGM in 2019 in line with the Act and the Listing Requirements of Bursa Securities.

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

In line with paragraph 8.29A of the Listing Requirements, all the resolutions set out in the notices of the 23rd AGM were put to vote by poll. The Company had appointed Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) as Poll Administrator to conduct the polling process, and Boardroom Corporate Services Sdn Bhd (formerly known as Symphony Corporatehouse Sdn Bhd) as Independent Scrutineers to verify the poll results. Voting at the previous AGMs was conducted through electronic poll voting (e-voting), where personalised wristbands were issued by the Share Registrar upon registration. The electronic poll voting was conducted upon completion of the deliberation of all items to be transacted at the AGMs. The Chairman, upon the verification of the poll results by the Independent Scrutineers, announced the results for each resolution, which include votes in favour and against and declared whether the resolutions were carried. The outcomes of the AGMs were announced to Bursa Securities on the same day the meeting was held. The Minutes of the AGMs were also made available on the Company's website at **www.scomienergy.com.my**.

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

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

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

At the 22nd AGM, all the Directors were present in person. Following the presentation by the CEO on the Group's strategy, the operations and financial performance of the Group, the major developments and the prospects of the Group to the shareholders, the Chairman of the AGM invited shareholders to raise questions pertaining to the Company's financial performance and other items for adoption at the meeting, before putting the resolutions to vote. The Directors, CEO, Management, internal and external auditors were in attendance to respond to the questions or concerns raised by shareholders. The minutes of the 22nd AGM of the Company is available at the Company corporate website, **www.scomienergy.com.my.**

FOCUS AREAS AND PRIORITIES ON CORPORATE GOVERNANCE

I. BOARDROOM DIVERSITY

The Board recognises and embraces the benefits of having gender diversity in the boardroom as a mix-gendered board would offer different viewpoints, ideas and market insights which enable better problem solving to gain competitive advantage in serving an increasingly diverse customer base than the boardroom that is dominated by one gender.

Currently, the Board composition includes three (3) women Directors namely, Dato' Jamelah binti Jamaluddin, Dr Ir Jeyanthi A/P Ramasamy and Cik Ruziah binti Mohd Amin, who are Independent Non-Executive Directors.

II. PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

An appropriate induction is provided to any newly appointed Director in order for him to familiarise himself with the Group's organisational structure, strategic plans, significant financial, accounting and risk issues and other important matters and become effective in his role within the shortest practicable time.

During the financial period ended 30 June 2019, the Board members have attended various training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies on areas relevant to the Group's business, Directors' roles, responsibilities, effectiveness and/or corporate governance issues. Training programmes, conferences, seminars and courses attended by Directors during the period under review are as follows:

Programmes Attended
• EO Taipan Masterclass • Mastering the Rockefeller Habits 2.0 with Verne Harnish • YPO Empowering the Rising Generation to Make Their Mark
• Bursa Cyber Security in the Boardroom – Accelerating from Acceptance to Action • PNB Leadership Forum 2019 – Positive Autocracy : A Leadership Model for Industry 4.0 • Invest Asia Conference 2019, Singapore • Talk on CG Watch : How Does Malaysia Rank? • 22nd Credit Suisse Asian Investment Conference, Hong Kong • 15th Invest Malaysia Conference – Invest Malaysia • PNB Leadership Forum • CIMB 11th Annual Malaysia Corporate Day • Talk on Corporate Liability : New Era of Corporate Liability under Malaysian Anti Bribery Laws by M/S Wong & Partners • Budget Talk 2019 by PWC • IJM Digital Strategy Workshop by Technical University of Munich • Investors' Conference – Malaysia : A New Dawn • CLSA Investors' Forum – Hong Kong • IJM Senior Management Forum – Waking Up to A New Reality • Daiwa Asean Corporate Day, Tokyo
• Forum on Results Management and Scoping Mission • Knowledge Sharing on Shariah Issues
• Corporate Governance Briefing : Understanding the Revised Code and Listing Rule Changes
• Mandatory Accreditation Programme

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

This Statement is made in accordance with the resolution of the Board dated 31 October 2019.

INTRODUCTION

The Board of Directors is pleased to provide the following statement which outlines the nature and scope of risk management and the internal control systems of the Group for the financial period ended 30 June 2019 in accordance with Paragraph 15.26 (b) of the Listing Requirements and the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

RESPONSIBILITY AND ACCOUNTABILITY

The Board

The Board acknowledges and affirms its ultimate responsibility for the adequacy, effectiveness, integrity and efficiency of the risk management and internal control systems to safeguard shareholders' investments and assets of the Group and to ensure that the Group's objectives and strategies are met. These systems are designed to manage the Group's risks within acceptable levels, rather than eliminate them. The internal controls implemented can only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud.

The Board has delegated the implementation of the risk management and internal control systems to the Management whilst the Audit and Risk Management Committee of the Board (the "ARMC") was tasked by the Board with oversight responsibility to review the adequacy and effectiveness of the systems. Meanwhile, the Board regularly reviews the Risk Management Framework and Internal Controls System with a view towards appraising the adequacy, effectiveness, integrity and efficiency of such system and also to ensure that these systems are viable and robust.

The Management

The Management acknowledges responsibility for implementing the processes to identify, assess, treat, monitor and report on risks and the effectiveness of the internal control systems, taking appropriate corrective actions as required.

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

RISK MANAGEMENT FRAMEWORK

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

An Enterprise Risk Management Framework ("The Framework") encompassing policies and procedures is in place to guide the Group to adopt and implement appropriate processes to identify, assess, treat, monitor and report significant risks.

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

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

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

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

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

INTERNAL AUDIT FUNCTION

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

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

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

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

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROL SYSTEM

Apart from risk management and internal audit, the other significant elements of the Group's internal control system are as follows:

- Establishment of a Board Charter and a Board Composition Policy which set out formal schedule of matters and outlines types of information required for the Board's attention and deliberation at Board meetings. The Board is supported by two (2) Board Committees which provide focus and counsel in the areas of Audit and Risk Management, and Nomination and Remuneration of Directors and CEO. Responsibilities on these areas are delegated from the Board to the Board Committees through Terms of Reference. Details of the Board Committees are contained in the Corporate Governance Overview Statement of this Annual Report.

- An organisational structure with clearly defined lines of responsibility that is aligned to its business requirements and also to ensure that checks and balances exist throughout the Organisation.

- An appropriate levels of delegation to the Management through a formally defined Delegated Authority Limit ("DAL") which is the primary instrument that governs and manages the business decision making process in the Group. Whilst the objective of the DAL is to empower the Management, the key principle adhered to in its formulation is to ensure that a system of internal controls, and checks and balances are incorporated therein.

- The utilisation of the Balanced Scorecard framework through which the goals and targets for individual employees are implemented and measured in alignment with the business objectives and strategies of the Group.

- A detailed annual budgeting process including establishment of strategic business plan which are reviewed, deliberated and approved by the Board. The expectations of the Board are discussed with, and understood by, the Management.

- Quarterly monitoring by the Board of the implementation of the strategic business plan and assessment of the actual performance of the Group against the annual business plan and budget as well as to provide guidance to the Management.

- Establishment of a Tender Committee to provide business units with an independent review and assessment on critical decisions related to proposed significant tender submissions and provision of quotations or contracts.

- Codes of Conduct for all directors and employees of the Group, together with a Whistleblower Framework and Policy to facilitate disclosure of any improper conduct within the Group.

- Implementation of Suppliers Code of Conduct on the registered Suppliers during execution of contract between the Group and the Supplier. Among others, the Suppliers are required to adhere, in all of its activities, to the laws, rules and regulations of the countries in which it operates. Action will be taken against the Supplier if the Suppliers Code of Conduct is breached.

- Documented processes into formalized internal policies and procedures to ensure compliance with internal controls and relevant rules and regulations. Reviews are performed to ensure that the policies and procedures remain current and relevant.

- Utilisation of SAP throughout most of the business units as the main Enterprise Resource Planning ("ERP") system.

- Documented Quality, Health, Safety and Environment ("QHSE") related matters into a formal manual to outline employees' roles and responsibilities towards the prevention of accidents, the elimination of hazards and in ensuring a safe working environment. The Group adopts strict standards and controls to continuously improve the application and performance of the safety management systems as a safe working environment is fundamental to the Group's success in business operations.

BOARD ASSURANCE AND LIMITATION

While the Board reiterates that the risk management framework and internal control systems should be continuously improved in line with evolving business developments, it should also be noted that the framework and system can only manage rather than eliminate the risks of the failure to achieve business objectives. The risk management framework and internal control systems in the Group can only provide reasonable but not absolute assurance against material misstatements, losses and frauds.

The Board has received assurance from the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that the Group's Risk Management Framework and Internal Controls System is operating adequately and effectively, in all material aspects except as disclosed below.

During the financial period, the Board of Directors has determined that the Company had omitted to announce certain related party transactions ("RPT") in accordance with the Main Market Listing Requirements and announcements in relation to these RPTs were made on 11 January 2019, 16 January 2019 and 17 January 2019. These RPTs relate to sums that have been advanced ("Advances") to its holding company, Scomi Group Bhd and its subsidiaries over a period of two (2) years from June 2016 to June 2018 and had been undertaken without prior authorisation from the Board.

The Board has commenced an investigation into the above matter and engaged a firm of solicitors to conduct a review of the Advances. Pursuant to the preliminary findings arising from the review, a firm of independent auditors were engaged to undertake an investigative review into the Advances.

This Statement is made in accordance with the resolution of the Board dated 31 October 2019.

The Audit and Risk Management Committee (the "ARMC" or "Committee") continued to play a key role in assisting the Board of Directors of Scomi Energy Services Bhd (the "Company", "SESB" or "Group") (the "Board") to fulfil the Board's oversight responsibilities for the Company during the financial period ended 30 June 2019 ("FY 2019").

The ARMC in FY 2019 was focused principally on assisting the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems including the management information system and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The ARMC is pleased to present this ARMC Report for FY 2019, which was approved by the Board.

TERMS OF REFERENCE

The Terms of Reference of the ARMC are available for reference on the Company's website at **www.scomienergy.com.my**.

MEMBERSHIP AND MEETINGS

Throughout FY 2019, the ARMC comprised of three (3) members, all of whom are Non-Executive Directors, with a majority of Independent Directors. This composition complies with paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

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

(i) the financial administration and reporting process and ensuring that the financial results of the Group and the Company are truly and fairly presented in its financial statements;
(ii) the adequacy and effectiveness of the risk management and internal control systems;
(iii) the performance of the external and internal audit functions; and
(iv) the fairness and reasonableness of the related party transactions ("RPTs") entered into by the Group with related parties.

A total of six (6) ARMC meetings were held during FY 2019, which were on 21 May 2018, 10 July 2018, 14 August 2018, 26 November 2018, 25 February 2019 and 28 May 2019. A quorum, established by the presence of a majority of members who are Independent Directors, was always met.

The Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Head of Group Internal Audit ("GIA") and the Head of Legal and Corporate Secretarial were invited to all ARMC meetings to provide a direct flow of information to the ARMC as well as to provide clarification in the event of any issues arising. The relevant senior personnel were invited to brief the ARMC when specific issues involving their respective areas of responsibility arise from risk management and internal audit reports, when necessary. The external auditors were also invited to present to the ARMC the audit plan, the audit findings, the independent auditors' report as well as any other matters as they considered were important for the ARMC's attention. The ARMC has conducted two (2) private meetings with the external auditors, to give opportunity to the external auditors to raise any matters without the presence of the Executive Board members and Management.

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

Name	ARMC	Designation	Attendance (attended/held)
Ravinder Singh Grewal A/L Sarbjit S	Chairman	Independent Non-Executive Director	6/6
Dato' Sri Meer Sadik Bin Habib Mohamed	Member	Independent Non-Executive Director	6/6
Lee Chun Fai	Member	Non-Independent Non-Executive Director	5/6

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

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

SUMMARY OF ACTIVITIES FOR THE FINANCIAL PERIOD

In accordance with the approved Terms of Reference of the ARMC, the ARMC carried out the following activities during FY 2019:

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

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

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

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

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

6. reviewed the external auditors' report on the status of the audit for the financial period and programme improvement observations thereto;

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

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

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

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

11. conducted two (2) private meetings with the external auditors, without the presence of the CEO, Management and Head of GIA, to give the external auditors the opportunity to raise any matters of concern and, arising therefrom, directed Management to take further action on such matters;

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

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

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

15. reviewed the independence of the GIA;

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

17. reviewed the transactions with related parties and/or involving conflicts of interest entered by the Group;

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

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

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

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

22. reviewed the proposed change in the financial period of the Company and recommended to the Board for approval;

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

24. reviewed and monitored the status of major tax refund from authorities and the status of surplus inventory balance within the Group;

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

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

INTERNAL AUDIT FUNCTION

The internal audit services for FY 2019 was provided by GIA. The GIA, led by the Head of GIA, are independent of management and operations. All the internal auditors carried out their functions according to the standards set by recognised professional bodies.

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

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

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

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

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

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

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

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

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

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

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

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

The total costs incurred by the Group for the internal audit function for FY 2019 was RM776,659.00.

This report is made in accordance with the resolution of the Board dated 31 October 2019.

Material Contract involving Directors' and Major Shareholders' Interest

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial period ended 30 June 2019 or entered into since the end of the previous financial year.

Utilisation of Proceeds

The Company did not raise and did not have any balance of proceeds from any corporate proposal during the financial period ended 30 June 2019.

Non-Audit Fees

Audit and non-audit fees incurred during the financial year amounted to RM3,908,000 and RM59,000 respectively and is disclosed in Note 23 of the financial statements.

Directors' Conflict of Interest

Save as disclosed below and the disclosures in the Notes to the Financial Statements of the Company for the financial period ended 30 June 2019, the Directors of the Company do not have any existing conflicts of interest or any personal interest in any business arrangement involving the Company:

Director of the Company	Nature of existing conflict of interest	Transactions
Shah Hakim @ Shahzanim bin Zain ("Encik Shah Hakim")	Encik Shah Hakim is the Non-Independent Non-Executive Director of the Company; and a substantial shareholder of Suria Business Solutions Sdn Bhd ("Suria").	Tenancy of office space at Dataran Prima, Petaling Jaya, Selangor provided by Scomi Oiltools Sdn Bhd, a subsidiary of the Company to Suria.
	Puan Mazlina binti Zain, the sister of, and person connected to, Encik Shah Hakim is the owner of Lintas Travel Services Sdn Bhd ("LTS").	Provision of airline ticketing reservation and ticket purchasing services by LTS to the Company and its subsidiaries.
Tan Sri Nik Mohamed Bin Nik Yaacob ("Tan Sri Nik"), Lee Chun Fai ("Mr Lee"), Encik Shah Hakim and Mr Sammy Tse Kwok Fai ("Mr Tse")	Both Tan Sri Nik and Mr Lee are the common directors of the Company and Scomi Group Bhd ("SGB"). Encik Shah Hakim is the Non-Independent Non-Executive Director of the Company and the substantial shareholder of SGB. Mr Tse is the Executive Director of the Company and the Executive Director/Chief Executive Officer and shareholder of SGB.	a. Renting premises from SGB for the Group Research and Technology Centre ("GRTC") by Scomi Oiltools Sdn Bhd, a subsidiary of the Company. b. Sale of GRTC by SGB to the Company. c. Sharing of rental of office premises 1 First Avenue and Level 15 Menara TSR between SGB and the Company d. Sharing of costs for Legal and Information & Communications Technology Services between SGB and the Company. e. Sharing of maintenance of accounting system between Scomi Solutions Sdn Bhd, a subsidiary of SGB and the Company.
In respect of each of the above transactions, the relevant Director concerned had declared the nature of his conflict of interest and had abstained from deliberating and voting on the relevant resolutions of the Board of Directors of the Company.		

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act 2016 ("the Act") to prepare the financial statements of Scomi Energy Services Bhd ("the Company") for each financial year which have been properly drawn up in accordance with the provisions of the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the applicable Financial Reporting Standards in Malaysia.

The Directors are responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Company and its subsidiaries ("the Group") at the end of the financial year and of the results and cash flows of the Group for the financial year.

In preparing the financial statements, the Directors have:

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

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

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

Financial Statements

Directors' report for the period ended 30 June 2019

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial period ended 30 June 2019.

Principal activities

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

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

Ultimate holding company

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

Subsidiaries

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

Change of financial year end

The financial year end of the Company was changed from 31 March to 30 June. Accordingly, the financial statements of the Company for the financial period ended 30 June cover a fifteen (15) months period compared to the twelve (12) months for the financial year ended 31 March 2018.

Results

	Group RM'000	Company RM'000
Loss for the period attributable to:		
Owners of the Company	(95,690)	(22,359)
Non-controlling interests	(7,772)	-
	(103,462)	(22,359)

Reserves and provisions

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

Dividend

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

Consolidation of subsidiaries with different financial year end

The following subsidiaries of the Company continue to have or to adopt a financial year which does not coincide with the Company in relation to the financial period ended 30 June 2019, subject to the following conditions:-

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

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

(a) Scomi Oiltools Russia LLC
(b) PT Inti Jatam Pura
(c) PT Scomi Oiltools
(d) PT Multi Jaya Persada
(e) PT Rig Tenders Indonesia Tbk
(f) KMC Oiltools India Pvt Ltd
(g) Wasco Oil Service Company Nigeria Ltd
(h) Rig Tenders Marine Pte. Ltd.
(i) CH Logistic Pte. Ltd.
(j) CH Ship Management Pte. Ltd.
(k) Grundtvig Marine Pte. Ltd.
(l) Rig Tenders Offshore Pte. Ltd.

Directors of the Company

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

Dato' Jamelah binti Jamaluddin
Lee Chun Fai
Ravinder Singh Grewal A/L Sarbjit S
Shah Hakim @ Shahzanim bin Zain
Stephen Fredrick Bracker
Dato' Sri Meer Sadik bin Habib Mohamed
Sammy Tse Kwok Fai (Appointed on 30 August 2018)
Dr. Ir. Jeyanthi A/P Ramasamy (Appointed on 4 September 2019)
Ruziah binti Mohd Amin (Appointed on 4 September 2019)
Tan Sri Nik Mohamed bin Nik Yaacob (Resigned on 19 July 2018)

List of Directors of Subsidiaries

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

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 period 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 1.4.2018	Bought	Sold	At 30.6.2019
The Company	’000	’000	’000	’000
Direct interests				
Dato' Sri Meer Sadik bin Habib Mohamed	42,784	-	-	42,784
Shah Hakim @ Shahzanim bin Zain	2,108	-	-	2,108[(1)]
Indirect interests				
Dato' Sri Meer Sadik bin Habib Mohamed	547	-	-	547[(2)]
Shah Hakim @ Shahzanim bin Zain	57	-	-	57[(3)]
Ultimate holding company				
Scomi Group Bhd ("SGB")				
Direct interests				
Shah Hakim @ Shahzanim bin Zain	1,865	-	-	1,865[(4)]
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	88,726	-	-	88,726[(5)]

	Number of warrants			
	At 1.4.2018	Bought	Sold	At 30.6.2019
	’000	’000	’000	’000
Ultimate holding company				
Scomi Group Bhd ("SGB")				
Direct interests				
Shah Hakim @ Shahzanim bin Zain	576	-	-	576[(6)]
Indirect interests				
Shah Hakim @ Shahzanim bin Zain	44,056	-	-	44,056[(7)]

Directors' interests in shares (continued)

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

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

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

(4) 886,214 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain.

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

(6) 372,821 warrants held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain.

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

Save as disclosed above, none of the other Directors holding office at 30 June 2019 had any interest in the shares of the Company and of its related corporations during the financial period.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those disclosed in Note 33 to the financial statements.

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

Issue of shares and debentures

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

Treasury shares

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

Options granted over unissued shares

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

Significant event subsequent to the financial period end

Details of the subsequent event after the financial period end are disclosed in Note 37 to the financial statements.

Indemnity and insurance costs

During the financial period, the total amount of insurance effected and insurance costs incurred for Directors and officers of the Company on group basis are RM50.0 million and RM142,460, respectively.

Other statutory information

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

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

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

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

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

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

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

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

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

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial period 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 period.

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 period which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except as disclosed in Note 23 to the financial statements, the financial performance of the Group and of the Company for the financial period ended 30 June 2019 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 period and the date of this report.

Auditors

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

The auditors' remuneration is disclosed in Note 23 to the financial statements.

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

……………………………………………………………
Lee Chun Fai
Director

……………………………………………………………
Sammy Tse Kwok Fai
Director

Petaling Jaya

Date: 31 October 2019

	Note	Group 30.6.2019 RM'000	Group 31.3.2018 RM'000	Company 30.6.2019 RM'000	Company 31.3.2018 RM'000
Assets					
Property, plant and equipment	3	298,990	384,624	-	11
Intangible assets	4	103,531	106,565	-	-
Investment properties	5	-	2,140	6,460	-
Investments in subsidiaries	6	-	-	352,852	383,165
Investments in joint ventures	7	2,084	16,756	-	-
Investments in associates	8	8,847	7,439	7,439	7,439
Deferred tax assets	9	529	2,183	-	-
Trade and other receivables	10	14,333	44,720	-	39,157
Total non-current assets		428,314	564,427	366,751	429,772
Trade and other receivables	10	267,439	263,789	96,937	63,756
Inventories	11	82,811	111,730	-	-
Current tax assets		13,493	20,174	-	-
Cash and bank balances	12	65,748	67,675	4,500	3,289
Total current assets		429,491	463,368	101,437	67,045
Total assets		857,805	1,027,795	468,188	496,817

		Group		Company	
	Note	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Equity					
Share capital	13	1,005,535	1,005,535	1,005,535	1,005,535
Treasury shares	14	(51)	(51)	(51)	(51)
Reserves	15	(600,709)	(509,772)	(563,331)	(540,972)
Equity attributable to owners of the Company		404,775	495,712	442,153	464,512
Non-controlling interests		33,221	40,993	-	-
Total equity		437,996	536,705	442,153	464,512
Liabilities					
Loans and borrowings	16	49,800	76,822	-	-
Provision for retirement benefits	17	8,401	8,932	-	-
Trade and other payables	18	1,028	3,738	-	2,923
Deferred tax liabilities	9	4,486	4,068	-	-
Total non-current liabilities		63,715	93,560	-	2,923
Loans and borrowings	16	136,006	140,904	-	-
Trade and other payables	18	200,336	231,047	26,035	29,382
Current tax liabilities		19,752	15,063	-	-
Derivative financial liabilities	19	-	10,516	-	-
Total current liabilities		356,094	397,530	26,035	29,382
Total liabilities		419,809	491,090	26,035	32,334
Total equity and liabilities		857,805	1,027,795	468,188	496,817

The notes on pages 62 to 176 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the period ended 30 June 2019

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group 1.4.2017 to 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company 1.4.2017 to 31.3.2018 RM'000
Revenue	20	643,494	613,957	3,855	32,054
Cost of sales/services		(519,993)	(539,495)	(3,754)	(31,007)
Gross profit		123,501	74,462	101	1,047
Selling and distribution expenses		(56,212)	(52,743)	-	-
Administrative expenses		(83,800)	(81,620)	(5,099)	(4,628)
Net loss on impairment of financial instruments		(34,506)	(17,837)	-	-
Other expenses		(6,020)	(65,721)	(19,944)	(489,807)
Results from operating activities		(57,037)	(143,459)	(24,942)	(493,388)
Finance costs	21	(23,139)	(29,348)	-	(7,324)
Finance income		3,762	1,296	2,583	112
Net finance (costs)/income		(19,377)	(28,052)	2,583	(7,212)
Share of loss of equity-accounted associates, net of tax		(2,299)	-	-	-
Share of loss of equity-accounted joint ventures, net of tax		(3,866)	(36,663)	-	-
Loss before tax	23	(82,579)	(208,174)	(22,359)	(500,600)
Tax expense	24	(20,883)	(17,744)	-	-
Loss for the period/year		(103,462)	(225,918)	(22,359)	(500,600)

Statements of Profit or Loss and Other Comprehensive Income

for the period ended 30 June 2019 (continued)

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group 1.4.2017 to 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company 1.4.2017 to 31.3.2018 RM'000
Other comprehensive income/ (loss), net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedges	15(b)	-	(16,329)	-	-
Foreign currency translation differences for foreign operations		16,066	(9,509)	-	-
Retirement benefits		470	350	-	-
Other comprehensive income/ (loss) for the period/year, net of tax	25	16,536	(25,488)	-	-
Total comprehensive loss for the period/year		(86,926)	(251,406)	(22,359)	(500,600)
Loss attributable to:					
Owners of the Company		(95,690)	(219,055)	(22,359)	(500,600)
Non-controlling interests		(7,772)	(6,863)	-	-
Loss for the period/year		(103,462)	(225,918)	(22,359)	(500,600)
Total comprehensive loss attributable to:					
Owners of the Company		(79,154)	(244,543)	(22,359)	(500,600)
Non-controlling interests		(7,772)	(6,863)	-	-
Total comprehensive loss for the period/year		(86,926)	(251,406)	(22,359)	(500,600)
Basic earnings per ordinary share (sen)	26	(4.09)	(9.35)		

The notes on pages 62 to 176 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the period ended 30 June 2019

Group	Note	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/------Attributable to owners of the Company------/						
		/---Non-distributable---/			Distributable			
At 1 April 2017		1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111
Foreign currency translation differences for foreign operations		-	-	(9,509)	-	(9,509)	-	(9,509)
Cash flow hedges - termination of hedge accounting	15(b)	-	-	(16,329)	-	(16,329)	-	(16,329)
Retirement benefits		-	-	-	350	350	-	350
Total other comprehensive loss for the year		-	-	(25,838)	350	(25,488)	-	(25,488)
Loss for the year		-	-	-	(219,055)	(219,055)	(6,863)	(225,918)
Total comprehensive loss for the year		-	-	(25,838)	(218,705)	(244,543)	(6,863)	(251,406)
At 31 March 2018/1 April 2018		1,005,535	(51)	(542,246)	32,474	495,712	40,993	536,705
Adjustment on initial application of MFRS 9, net of tax		-	-	(1,079)	(10,704)	(11,783)	-	(11,783)
At 1 April 2018, *restated*		1,005,535	(51)	(543,325)	21,770	483,929	40,993	524,922
Foreign currency translation differences for foreign operations		-	-	16,066	-	16,066	-	16,066
Retirement benefits		-	-	-	470	470	-	470
Total other comprehensive income for the period		-	-	16,066	470	16,536	-	16,536
Loss for the period		-	-	-	(95,690)	(95,690)	(7,772)	(103,462)
Total comprehensive loss for the period		-	-	16,066	(95,220)	(79,154)	(7,772)	(86,926)
At 30 June 2019		1,005,535	(51)	(527,259)	(73,450)	404,775	33,221	437,996

The notes on pages 62 to 176 are an integral part of these financial statements.

Statement of Changes in Equity

for the period ended 30 June 2019

Company	/---------Non-distributable----------		/		
	Share capital RM'000	**Treasury shares RM'000**	**Other reserves RM'000**	**Accumulated losses RM'000**	**Total equity RM'000**
At 1 April 2017	1,005,535	(51)	26,881	(67,253)	965,112
Loss and total comprehensive loss for the year	-	-	-	(500,600)	(500,600)
At 31 March 2018/1 April 2018	1,005,535	(51)	26,881	(567,853)	464,512
Adjustment on initial application of MFRS 9, net of tax	-	-	-	-	-
At 1 April 2018, *restated*	1,005,535	(51)	26,881	(567,853)	464,512
Loss and total comprehensive loss for the period	-	-	-	(22,359)	(22,359)
At 30 June 2019	1,005,535	(51)	26,881	(590,212)	442,153

The notes on pages 62 to 176 are an integral part of these financial statements.

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group 1.4.2017 to 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company 1.4.2017 to 31.3.2018 RM'000
Cash flows from operating activities					
Loss before tax		(82,579)	(208,174)	(22,359)	(500,600)
Adjustments for:					
Write-down of inventories	11	590	2,317	-	-
Amortisation of intangible assets	4	812	258	-	-
Depreciation of:					
- Property, plant and equipment	3	76,880	80,295	11	26
- Investment properties	5	169	154	40	-
Gain on disposal of investment properties		(3,643)	-	-	-
Loss on disposal of property, plant and equipment		34,793	6,486	-	-
Impairment loss on:					
- Amount due from ultimate holding company		33,772	-	7,871	-
- Amount due from subsidiary		-	-	5,209	-
- Amount due from joint venture		1,260	6,713	1,116	6,713
- Amount due from associate		-	371	144	371
- Investments in associate		6,111	-	-	225
- Investments in subsidiaries		-	-	14,088	459,906
- Investments in joint ventures		996	7,215	-	13,458
- Property, plant and equipment	3	1,542	4,322	-	-
- Receivables		4,522	10,753	-	-
Bad debts written off		-	-	88	-
Net unrealised (gain)/loss on foreign exchange		(18,091)	53,685	(6,531)	(9,807)
Property, plant and equipment written off	3	994	817	-	-
Reclassification from hedge reserve to profit and loss due to termination of hedge accounting		-	(29,218)	-	-
Reversal of impairment loss of receivables		(5,048)	(4,764)	-	-
Reversal of inventories written down	11	(3,983)	(4,602)	-	-
Provision for retirement benefits		912	1,880	-	-
Balance carried forward		50,009	(71,492)	(323)	(29,708)

Statements of Cash Flows

for the period ended 30 June 2019 (continued)

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group 1.4.2017 to 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company 1.4.2017 to 31.3.2018 RM'000
Cash flows from operating activities (continued)					
Balance brought forward		50,009	(71,492)	(323)	(29,708)
Share of loss of equity-accounted associates, net of tax		2,299	-	-	-
Share of loss of equity-accounted joint ventures, net of tax		3,866	36,663	-	-
Gain on disposal of subsidiary and branch	22	(2,181)	-	-	-
Finance costs	21	23,139	29,348	-	7,324
Finance income		(3,762)	(1,296)	(2,583)	(112)
Operating profit/(loss) before changes in working capital		73,370	(6,777)	(2,906)	(22,496)
Changes in working capital:					
Inventories		25,351	50,857	-	-
Trade and other receivables		(14,684)	38,718	3,496	10,348
Trade and other payables		(47,216)	(47,385)	(7,942)	(6,373)
Amount due to/from:					
- ultimate holding company		932	(20,495)	(4,771)	(23,684)
- subsidiaries		-	-	5,979	33,755
- related companies		(674)	183	4,901	(258)
- joint ventures		812	(799)	(1,315)	(11,060)
- associates		(3,964)	(1,112)	(282)	(1,660)
Cash generated from/ (used in) operations		33,927	13,190	(2,840)	(21,428)
Tax paid		(23,440)	(15,207)	-	-
Retirement benefits paid		(1,154)	(2,267)	-	-
Interest received		3,762	1,296	2,583	112
Net cash from/(used in) operating activities		13,095	(2,988)	(257)	(21,316)
Cash flows from investing activities					
Additional investment in joint ventures		-	(9,067)	-	-
Acquisition of property, plant and equipment	3	(25,204)	(22,114)	-	-
Proceeds from disposal of investment properties		5,712	-	-	-
Proceeds from disposal of property, plant and equipment		16,934	15,246	-	-
Proceeds from disposal of subsidiary and branch	22	19,054	-	-	-
Repayment from subsidiaries		-	-	-	13,769
Repayment from joint venture		9,810	-	-	-
Net cash from/(used in) investing activities		26,306	(15,935)	-	13,769

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group 1.4.2017 to 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company 1.4.2017 to 31.3.2018 RM'000
Cash flows from financing activities					
Net repayment of bank borrowings		(18,921)	(20,232)	-	-
Interest paid on bank borrowings		(19,705)	(11,394)	-	-
(Increase)/Decrease in short-term deposits pledged as securities		(6,213)	(233)	3,251	2,854
Net cash (used in)/from financing activities		(44,839)	(31,859)	3,251	2,854
Net increase/(decrease) in cash and cash equivalents		(5,438)	(50,782)	2,994	(4,693)
Effect of exchange rate fluctuations on cash held		7,328	(14,120)	1,468	(518)
Cash and cash equivalents at 1 April		36,778	101,680	38	5,249
Cash and cash equivalents at 30 June/31 March	(i)	38,668	36,778	4,500	38

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 30.6.2019 RM'000	Group 31.3.2018 RM'000	Company 30.6.2019 RM'000	Company 31.3.2018 RM'000
Cash and bank balances	12	40,842	46,553	4,500	38
Deposits placed with licensed banks	12	24,906	21,122	-	3,251
		65,748	67,675	4,500	3,289
Less: Pledged deposits and bank balances	12	(27,080)	(20,867)	-	(3,251)
Bank overdrafts	16	-	(10,030)	-	-
		38,668	36,778	4,500	38

The notes on pages 62 to 176 are an integral part of these financial statements.

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

Principal place of business and registered office
Level 15, Menara TSR
No. 12, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial period ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and joint ventures.

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

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

These financial statements were authorised for issue by the Board of Directors on 31 October 2019.

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 that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Company:

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123*, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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

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

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

- from the annual period beginning on 1 July 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 July 2019, except for amendments to MFRS 3, amendments to MFRS 11 and amendments to MFRS 128 which are not applicable to the Company.

- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 July 2020, except for amendments to MFRS 3 which is not applicable to the Company.

The Group and the Company do not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 July 2021 as it is not applicable to the Group and the Company.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the applicable accounting standards, amendments and 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 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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company expect to recognise right-of-use assets and lease liabilities on 1 July 2019. On overall, net current liabilities will be higher due to presentation of a portion of the lease liabilities as current liabilities.

(b) Basis of measurement

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

The Group has outstanding guaranteed serial bonds of RM105 million of which RM55 million is due for repayment on 14 December 2019 and the remaining RM50 million due for repayment on 14 December 2020. The guarantor of the serial bonds has a covenant which requires the Group to progressively build up the principal redemption in debt payment account for repayment of the bonds. By 30 June 2019, the Group was required to have built up principal redemption in debt payment account of RM51.5 million. However, at 30 June 2019, the total principal redemption build up in the debt payment account was RM18.6 million and there was a shortfall of RM32.9 million. The Group has obtained a waiver from the bond guarantor on 28 June 2019 to fulfill the redemption build up amount by 30 November 2019. The Board assessed the Group's financial position and does not expect its internally generated funds will be sufficient to meet the balance required for the repayment of the guaranteed serial bonds due on 14 December 2019.

The Group and its financial advisors are pursuing a debt restructuring plan to refinance the aforesaid guaranteed serial bonds and short-term bank borrowings. As the debt restructuring plan is not expected to be finalised in time to repay the guaranteed serial bonds, the Group is seeking to secure a bridging loan of RM35 million to enable repayment of the guaranteed serial bonds of RM55 million due on 14 December 2019.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

The Group has secured a bridging loan offer from a new lender but this is subject to the Group securing an irrevocable and unconditional financial guarantee of RM35 million in favour of the new lender as security. The Group is currently working on securing the financial guarantee.

The successful implementation of the proposed debt restructuring plan is uncertain as it is dependent on acceptance of a formalised plan by the current lender banks and the serial bond guarantor and the ability of the Group to secure the aforesaid financial guarantee.

These events or conditions indicate the existence of a material uncertainty which may affect the ability of the Group to continue to operate as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The validity of the preparation of the financial statements of the Group on a going concern basis is dependent on the successful implementation of the proposed debt restructuring plan and the successful drawdown of the RM35 million bridging loan as disclosed above.

Should the going concern basis for the preparation of the financial statements of the Group is no longer appropriate, adjustments will need to be made relating to the classification and recoverability of recorded asset amounts and to the classification and additional amounts of liabilities that may be necessary.

(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 period are addressed below.

(i) Impairment of goodwill

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

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units (“CGUs”) to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The recoverable amount of goodwill has been determined based on value-in-use calculations.

The Directors are of the opinion that there are no reasonable possible changes in any key assumptions that would cause the carrying amount of the goodwill to materially exceed the recoverable amount.

The carrying amount of goodwill and key assumptions used in the value-in-use calculation are disclosed in Note 4 to the financial statements.

(ii) Impairment of receivables

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. Under MFRS 9, for assets maturing in the medium term and longer term may involve making assumptions about changes in economic conditions relatively far into the future. The Group and the Company have developed methodologies to ensure that the managerial judgement are reasonable, supportable and applied consistently. On the date of initial application, MFRS 9 affected the measurement of financial assets, which has decreased by RM11.8 million as at 1 April 2018 as a result of applying the ECL model on receivables.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

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

The recoverable amounts of marine vessels have been determined based on the higher of fair value less costs of disposals and value-in-use calculations as disclosed in Note 3. There are significant judgements and assumptions used to determine the value-in-use amount.

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

The Group and Company assess the impairment of investments in subsidiaries, associates and joint ventures when there is an indication of impairment. The carrying amounts are disclosed in Notes 6, 7 and 8. The recoverable amount of investment in subsidiary was determined based on the value-in-use and involves significant judgements and assumptions.

(v) Adequacy of write-down of inventories to net realisable value

Write-down of inventories to net realisable value was mainly based on management's estimates, which had been derived from the assessment of the adequacy of write-down for slow moving and obsolete inventories. The Management focused on the risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value, the determination of which requires the management to exercise significant judgement in estimating the net realisable value of the inventories.

(vi) Income taxes

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

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

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(vi) Income taxes (continued)

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

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

(vii) Litigations

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

2. Significant accounting policies

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) impairment of financial assets; and
iii) revenue recognition

as compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 36.

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Business combinations

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

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

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

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Acquisitions of non-controlling interests

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

(iv) Acquisitions from entities under common controls

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

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost.

(vi) Associates

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Associates (continued)

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

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

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

(viii) Non-controlling interests

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(viii) Non-controlling interests (continued)

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

(ix) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Recognition and initial measurement (continued)

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(j)(i) where the effective interest rate is applied to the amortised cost.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

Current financial year (continued)

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets. On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

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

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

Previous financial year (continued)

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and bank balances.

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

Previous financial year (continued)

All financial assets, except for those measured at fair value through profit or loss, were subject to impairment assessment (see 28(d)).

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) Fair value through profit or loss

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

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities (continued)

Current financial year (continued)

(a) Fair value through profit or loss (continued)

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

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

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

Trade date accounting refers to:

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

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(iv) 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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) Financial guarantee contracts (continued)

Previous financial year

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

(v) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

Cash flow hedge

Current financial year

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

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

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

Cash flow hedge (continued)

Current financial year (continued)

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Previous financial year

In the previous financial year, cost of hedging was expensed to profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(vi) Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation

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

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

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

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

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

(e) Leased assets

(i) Finance leases

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

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

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance leases (continued)

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

(ii) Operating leases

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

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

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Intangible assets

(i) Goodwill

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

(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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Research and development (continued)

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(v) Amortisation

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

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

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

	30.6.2019	**31.3.2018**
• patent rights	-	1 year
• capitalised development costs for drilling waste equipment	9 years	10 years

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

Development costs work-in-progress are not amortised.

2. Significant accounting policies (continued)

(g) Investment properties

(i) Investment properties carried at cost

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

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

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

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

(ii) Reclassification to/from investment property

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

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

2. Significant accounting policies (continued)

(h) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

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

(i) Cash and bank balances

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

2. Significant accounting policies (continued)

(j) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and 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)

Current financial year (continued)

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery of amounts due.

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and associates and joint ventures) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in profit or loss and was 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 was reduced through the use of an allowance account.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

Previous financial year (continued)

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in profit or loss and was 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.

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

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax asset and investment properties) 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 that has indefinite useful life, 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) Compound financial instruments

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

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

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

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

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

2. Significant accounting policies (continued)

(m) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(iii) Defined benefit plans

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

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

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

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

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

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(iv) Termination benefits

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

(n) Provisions

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

2. Significant accounting policies (continued)

(o) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Rental income

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

(iii) 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.

2. Significant accounting policies (continued)

(p) Borrowing costs

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

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

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

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

(q) Income tax

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

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

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

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

2. Significant accounting policies (continued)

(q) Income tax (continued)

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

(r) Earnings per ordinary share

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

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

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

(s) Operating segments

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

2. Significant accounting policies (continued)

(t) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

(u) Fair value measurements

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

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

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

3. Property, plant and equipment

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Rental equipment RM'000	Non-rental equipment RM'000	Motor vehicles RM'000	Renovation, fittings, and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Cost										
At 1 April 2017	-	1,935	14,967	1,078,521	575,970	22,190	11,382	50,510	9,802	1,765,277
Additions	-	-	-	-	10,166	71	1,496	1,274	9,107	22,114
Disposals	-	-	-	(78,073)	(23,117)	(2,951)	(909)	(959)	-	(106,009)
Written off	-	-	-	-	(7,002)	-	(146)	(513)	-	(7,661)
Reclassification	-	-	-	16,356	-	-	-	-	(16,356)	-
Effect of movements in exchange rates	-	(243)	(514)	(129,815)	(36,484)	(3,619)	(3,270)	(134)	(714)	(174,793)
At 31 March 2018/ 1 April 2018	-	1,692	14,453	886,989	519,533	15,691	8,553	50,178	1,839	1,498,928
Additions	4,900	1,600	-	2,107	2,000	590	866	738	12,403	25,204
Disposals	-	-	-	(91,333)	(73,620)	(1,657)	(1,115)	(4,130)	-	(171,855)
Written off	-	-	-	-	(1,196)	-	-	(21)	-	(1,217)
Reclassification	-	-	-	9,075	-	-	-	-	(9,075)	-
Effect of movements in exchange rates	-	115	247	61,136	31,062	1,212	(112)	753	133	94,546
At 30 June 2019	4,900	3,407	14,700	867,974	477,779	15,836	8,192	47,518	5,300	1,445,606

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Rental equipment RM'000	Non-rental equipment RM'000	Motor vehicles RM'000	Renovation, fittings, and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment losses										
At 1 April 2017										
Accumulated depreciation	-	1,913	13,178	648,572	413,620	19,136	6,868	47,657	-	1,150,944
Accumulated impairment losses	-	-	280	86,180	1,882	-	-	-	-	88,342
	-	1,913	13,458	734,752	415,502	19,136	6,868	47,657	-	1,239,286
Depreciation for the year	-	8	375	43,973	33,423	1,055	267	1,194	-	80,295
Impairment losses	-	-	-	4,322	-	-	-	-	-	4,322
Disposals	-	-	-	(65,523)	(14,327)	(2,676)	(796)	(955)	-	(84,277)
Written off	-	-	-	-	(6,185)	-	(146)	(513)	-	(6,844)
Effect of movements in exchange rates	-	(241)	(431)	(89,404)	(23,348)	(3,161)	(294)	(1,599)	-	(118,478)
At 31 March 2018/1 April 2018										
Accumulated depreciation	-	1,680	13,074	537,618	402,554	14,354	5,899	45,784	-	1,020,963
Accumulated impairment losses	-	-	328	90,502	2,511	-	-	-	-	93,341
	-	1,680	13,402	628,120	405,065	14,354	5,899	45,784	-	1,114,304

3. Property, plant and equipment (continued)

Group	Freehold land RM'000	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Rental equipment RM'000	Non-rental equipment RM'000	Motor vehicles RM'000	Renovation, fittings, and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment losses (continued)										
At 1 April 2018										
Accumulated depreciation	-	1,680	13,074	537,618	402,554	14,354	5,899	45,784	-	1,020,963
Accumulated impairment losses	-	-	328	90,502	2,511	-	-	-	-	93,341
	-	1,680	13,402	628,120	405,065	14,354	5,899	45,784	-	1,114,304
Depreciation for the period	-	44	235	42,923	31,947	587	305	839	-	76,880
Impairment losses	-	-	-	1,542	-	-	-	-	-	1,542
Disposals	-	-	-	(39,311)	(67,168)	(1,385)	(1,113)	(4,089)	-	(113,066)
Written off	-	-	-	-	(202)	-	-	(21)	-	(223)
Effect of movements in exchange rates	-	108	225	43,401	20,785	910	458	1,292	-	67,179
At 30 June 2019										
Accumulated depreciation	-	1,832	13,582	584,631	388,545	14,466	5,549	43,805	-	1,052,410
Accumulated impairment losses	-	-	280	92,044	1,882	-	-	-	-	94,206
	-	1,832	13,862	676,675	390,427	14,466	5,549	43,805	-	1,146,616
Carrying amounts										
At 1 April 2017	-	22	1,509	343,769	160,468	3,054	4,514	2,853	9,802	525,991
At 31 March 2018/1 April 2018	-	12	1,051	258,869	114,468	1,337	2,654	4,394	1,839	384,624
At 30 June 2019	4,900	1,575	838	191,299	87,352	1,370	2,643	3,713	5,300	298,990

3. Property, plant and equipment (continued)

Company	Renovation and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 April 2017/31 March 2018/ 1 April 2018/30 June 2019	1,095	200	1,295
Accumulated depreciation			
At 1 April 2017	1,058	200	1,258
Depreciation for the year	26	-	26
At 31 March 2018/1 April 2018	1,084	200	1,284
Depreciation for the period	11	-	11
At 30 June 2019	1,095	200	1,295
Carrying amounts			
At 1 April 2017	37	-	37
At 31 March 2018/1 April 2018	11	-	11
At 30 June 2019	-	-	-

(a) Impairment loss - Marine vessels

During the financial period ended 30 June 2019, the prolonged decline in global oil and gas prices has resulted in a decrease in charter contracts for the Group vessels, which indirectly has an impact on the recoverable amount of the vessels. Accordingly, the Group reviewed the recoverable amount of its vessels, which resulted in an impairment loss during the financial period amounting to RM1,542,000 (year ended 31.3.2018: RM4,322,000).

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

3. Property, plant and equipment (continued)

(a) Impairment loss - Marine vessels (continued)

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

	30.6.2019	31.3.2018
	%	%
Discount rate	9.7	12.0
Terminal growth rate	2.0	0.0

The Directors are of the opinion that there are no reasonable possible changes in any key assumptions that would cost the carrying amount of the marine vessels to materially exceed the recoverable amount.

(b) Leased plant and equipment

In the prior financial year, the carrying amount of motor vehicles of the Group acquired under finance lease arrangements at the end of the reporting period was RM73,000.

(c) Leasehold buildings

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

(d) Security

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

	Group	
	30.6.2019	31.3.2018
	RM'000	RM'000
Marine vessels	140,359	164,756

4. Intangible assets

Group	Note	Goodwill RM'000	Patents and other intangible assets RM'000	*Capitalised development cost* Drilling waste equipment RM'000	*Development cost work-in-progress* EMS Engineering Package RM'000	Total RM'000
Cost						
At 1 April 2017		402,905	1,259	13,962	11,591	429,717
Effect of movements in exchange rates		(415)	(146)	(3,245)	-	(3,806)
At 31 March/1 April 2018		402,490	1,113	10,717	11,591	425,911
Disposal		(2,824)	-	-	-	(2,824)
Written off		-	-	-	(11,591)	(11,591)
Effect of movements in exchange rates		198	70	1,541	-	1,809
At 30 June 2019		399,864	1,183	12,258	-	413,305
Accumulated amortisation and impairment loss						
At 1 April 2017						
Accumulated amortisation		-	852	1,434	-	2,286
Accumulated impairment loss		300,361	-	7,576	11,591	319,528
		300,361	852	9,010	11,591	321,814
Amortisation for the year	(a)	-	45	213	-	258
Effect of movements in exchange rates		-	(94)	(2,632)	-	(2,726)
At 31 March/1 April 2018						
Accumulated amortisation		-	803	3,724	-	4,527
Accumulated impairment loss		300,361	-	2,867	11,591	314,819
		300,361	803	6,591	11,591	319,346
Amortisation for the period	(a)	-	330	482	-	812
Written off		-	-	-	(11,591)	(11,591)
Effect of movements in exchange rates		-	50	1,157	-	1,207
At 30 June 2019						
Accumulated amortisation		-	1,183	5,363	-	6,546
Accumulated impairment loss		300,361	-	2,867	-	303,228
		300,361	1,183	8,230	-	309,774
Carrying amounts						
At 1 April 2017		102,544	407	4,952	-	107,903
At 31 March/1 April 2018		102,129	310	4,126	-	106,565
At 30 June 2019		99,503	-	4,028	-	103,531

(a) Amortisation

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

4. Intangible assets (continued)

(a) Amortisation (continued)

The useful life of patent has expired while the remaining useful life of capitalised development costs is 9 years.

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

The carrying amount of goodwill allocated to the Group's cash-generating units ("CGU") is as follows:

	Group	
	30.6.2019	31.3.2018
	RM'000	RM'000
Drilling Services	99,503	99,401
Other	-	2,728
	99,503	102,129

Goodwill allocated to Drilling Services

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

The key assumptions used in the value-in-use calculations in the current financial period are as follows:

	30.6.2019	31.3.2018
	%	%
Discount rates	9.0 - 21.0	9.0 - 26.0
Terminal growth rates	0.0	0.0

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

Based on the calculations, no impairment has been recognised in the current financial period. The Directors are of the opinion that there are no reasonable possible changes in any key assumptions that would cause the carrying amount of the goodwill to materially exceed the recoverable amount.

5. Investment properties

	Group		Company	
	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Freehold land and buildings				
At cost				
At 1 April	4,860	5,075	-	-
Addition	-	-	6,500	-
Disposals	(2,069)	-	-	-
Effect of movements in exchange rates	99	(215)	-	-
At 30 June/31 March	2,890	4,860	6,500	-
Accumulated depreciation				
At 1 April	2,265	2,121	-	-
Depreciation for the period/year	169	154	40	-
Effect of movements in exchange rates	1	(10)	-	-
At 30 June/31 March	2,435	2,265	40	-
Accumulated impairment losses				
At 1 April/30 June/31 March	455	455	-	-
Carrying amounts				
At 1 April	2,140	2,499	-	-
At 30 June/31 March	-	2,140	6,460	-

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

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
Rental income	190	181	-	-

There were direct operating expenses arising from investment property that generated rental income during the period/year as all expenses were borne by the tenants.

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

Fair value information

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

	Group		Company	
	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Freehold land	-	5,431	-	-
Freehold land and buildings	-	3,950	6,600	-
	-	9,381	6,600	-

5. Investment properties (continued)

(b) Fair value information (continued)

Level 2 fair value

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

6. Investments in subsidiaries

		Company	
	Note	30.6.2019 RM'000	31.3.2018 RM'000
Unquoted shares, at cost		11,016	11,016
Deemed investment - capital contribution		1,456,962	1,473,187
		1,467,978	1,484,203
Less: Accumulated impairment losses	(a)	(1,115,126)	(1,101,038)
		352,852	383,165

(a) Impairment review of investments in subsidiaries

Due to the presence of impairment indicator during the financial period arising from sluggish operations of certain subsidiaries, the Company has undertaken an impairment assessment on investments in subsidiaries.

The recoverable amounts for these subsidiaries were determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The value-in-use was based on the key assumptions as disclosed in Note 4(b) for Drilling Services.

Based on the assessment of the Company, an impairment of RM14,088,000 (31.3.2018: RM459,906,000) has been recognised in the current financial period.

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 30.6.2019 %	Effective ownership interest 31.3.2018 %
Direct subsidiaries				
Scomi Oilfield Limited	Malaysia/ Bermuda	Investment holding	100	100

6. Investments in subsidiaries (continued)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 30.6.2019 %	Effective ownership interest 31.3.2018 %
Direct subsidiaries (continued)				
Scomi Marine Services Pte. Ltd. ("SMS")*	Singapore	Investment holding	100	100
Trans Advantage Sdn. Bhd.	Malaysia	Dormant	100	100
Scomi KMC Sdn. Bhd. (including 4% held by Scomi Oiltools Sdn. Bhd.)	Malaysia	Provision of oilfield equipment, supplies and services	52	52
Scomi Sosma Sdn. Bhd.	Malaysia	Distribution of chemical products and services	100	100
Scomi D&P Sdn. Bhd.	Malaysia	Investment holding	100	100
Significant subsidiaries of Scomi Oilfield Limited				
Scomi Oiltools Sdn. Bhd.	Malaysia	Provision of oilfield equipment, supplies and provision of management services	100	100
Scomi Oiltools (Cayman) Ltd*	United Arab Emirates & Saudi Arabia/ Cayman Islands	Provision of oilfield equipment, supplies and services	100	100
Scomi Oiltools (Africa) Limited	Congo & Nigeria/ Cayman Islands	Investment holding and provision of oilfield equipment, supplies and services	100	100

6. Investments in subsidiaries (continued)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 30.6.2019 %	Effective ownership interest 31.3.2018 %
Significant subsidiaries of Scomi Oilfield Limited (continued)				
Scomi Oiltools (Thailand) Ltd*	Thailand	Provision of oilfield equipment, supplies and services	100	100
KMCOB Capital Berhad	Malaysia	Undertake the issuance of private debt securities in such classes, series, form or denomination and to secure the redemption thereof and the utilisation of proceeds from such issuance and to undertake any refinancing exercise in respect of such private debt securities	100	100
Scomi Oiltools Oman LLC*	Oman	Provision of oilfield equipment, supplies and services	51	51
Scomi Oiltools Pty. Ltd.#	Australia	Provision of oilfield equipment, supplies and services.	100	100

6. Investments in subsidiaries (continued)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 30.6.2019 %	Effective ownership interest 31.3.2018 %
Significant subsidiary of Scomi Marine Services Pte. Ltd.				
PT Rig Tenders Indonesia, Tbk*+	Indonesia	Ship owning and chartering	80.54	80.54
Significant subsidiary of Scomi Sosma Sdn. Bhd.				
Scomi Anticor S.A.S^	France	Design and field deployment of various oil and gas production chemicals	-	100
Significant subsidiary of Scomi Oiltools (Africa) Limited				
WASCO Oil Services Company Nigeria Limited	Nigeria	Provision of oilfield equipment, supplies and services	100	100
Significant subsidiaries of Scomi Oiltools (S) Pte. Ltd.				
KMC Oiltools India Pvt. Ltd.# ß	India	Provision of oilfield equipment, supplies and services	100	100
PT Scomi Oiltools*	Indonesia	Provision of oilfield equipment, supplies and services	100	100
Scomi Oiltools (RUS) LLC*	Russia	Provision of oilfield equipment, supplies and services	100	100

6. Investments in subsidiaries (continued)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 30.6.2019 %	31.3.2018 %
Significant subsidiary of PT Rig Tenders Indonesia, Tbk				
Grundtvig Marine Pte. Ltd.*	Singapore	Investment holding	80.54	80.54
Significant subsidiary of Grundtvig Marine Pte. Ltd.				
PT Batuah Abadi Lines*	Indonesia	Ship owning and chartering	76.51	76.51

* Audited by other member firms of KPMG International.
\+ Listed on the Indonesian Stock Exchange.
ß Consolidated using unaudited management financial statements.
\# Not audited by member firms of KPMG International.
^ Subsidiary has been disposed during the financial period.

6. Investments in subsidiaries (continued)

(c) Non-controlling interests in subsidiaries

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

	Subsidiaries with material NCI RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
30.6.2019			
Carrying amount of NCI	31,431	1,790	33,221
Loss allocated to NCI	(6,012)	(1,760)	(7,772)
31.3.2018			
Carrying amount of NCI	30,550	10,443	40,993
(Loss)/Profit allocated to NCI	(8,693)	1,830	(6,863)

Summarised financial information of subsidiaries with material NCI before intra-group elimination

	30.6.2019 RM'000	31.3.2018 RM'000
As at 30 June/31 March		
Non-current assets	201,990	248,784
Current assets	70,211	114,177
Non-current liabilities	(3,560)	(3,435)
Current liabilities	(74,238)	(118,937)
Net assets	194,403	240,589
Period/Year ended 30 June/31 March		
Revenue	168,479	187,279
Loss for the period/year	(33,484)	(52,167)
Total comprehensive loss	(33,014)	(51,821)
Cash flows from operating activities	37,327	128
Cash flows from/(used) in investing activities	1,250	(552)
Cash flows used in financing activities	(37,460)	(16,516)
Net increase/(decrease) in cash and cash equivalents	1,117	(16,940)
Dividends paid to NCI	-	-

7. Investments in joint ventures

		Group		Company	
		30.6.2019	31.3.2018	30.6.2019	31.3.2018
	Note	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost - outside Malaysia		4,432	4,432	2,042	2,042
Deemed investment - capital contribution	(a)	51,241	61,051	15,053	15,053
Deemed investment - financial guarantee liabilities		329	329	329	329
Share of post-acquisition reserves		(46,234)	(42,368)	-	-
Accumulated Impairment losses	(b)	(7,684)	(6,688)	(17,424)	(17,424)
		2,084	16,756	-	-

(a) Deemed investment - capital contribution

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

(b) Impairment review of investment in joint venture

Due to presence of impairment indication during the financial period arising from sluggish operations of a joint venture, the Group has undertaken an impairment assessment on investment in joint venture.

The recoverable amount for the joint venture was determined based on value-in-use calculation. The value-in-use calculation use pre-tax cash flow projection based on financial budget approved by the Board covering one year period.

Based on the assessment of the Group, an impairment of RM996,000 (31.3.2018: RM6,688,000) after the Group's shares of losses up to carrying amount as at reporting date has been recognised in the current financial period.

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 30.6.2019 %	Effective ownership interest 31.3.2018 %
Held by the Company				
MarineCo Limited*	Malaysia	Dormant	51	51
Gemini Sprint Sdn. Bhd.*	Malaysia	Dormant	51	51

7. Investments in joint ventures (continued)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 30.6.2019 %	Effective ownership interest 31.3.2018 %
Held by the Company (continued)				
Transenergy Shipping Pte. Ltd.	Malaysia	Ship chartering	50	50
Transenergy Shipping Management Sdn. Bhd.	Malaysia	Ship chartering and management	50	50
Held by PT Rig Tenders Indonesia, Tbk				
Rig Tenders Offshore Pte. Ltd.*	Singapore	Ship owning and chartering	70	70
Held by Scomi Oilfield Limited				
Vibratherm Limited	England and Wales	Dormant	50	50
Held by Scomi Oiltools Sdn. Bhd.				
Scomi Platinum Sdn. Bhd.	Malaysia	Dormant	50	50
Global Oilfield Products Sdn. Bhd.	Malaysia	Manufacture of oilfield supplies	25	25
Held by Scomi D&P Sdn. Bhd.				
Ophir Production Sdn. Bhd.	Malaysia	Dormant	30	30

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

7. Investments in joint ventures (continued)

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

Summarised financial information of joint ventures

	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
Revenue	48,037	190,407
Loss for the period/year	(18,424)	(97,672)
Group's share of results for the period/year	(3,866)	(36,663)

	30.6.2019 RM'000	31.3.2018 RM'000
Total assets	15,403	370,002
Total liabilities	(6,598)	(275,788)
Net assets	8,805	94,214
Group's share of net assets	2,084	16,756

8. Investments in associates

		Group		Company	
		30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Unquoted shares, at cost - outside Malaysia		26,675	16,857	16,857	16,857
Share of post-acquisition reserves		(1,928)	371	-	-
Less: Accumulated impairment losses	(a)	(15,900)	(9,789)	(9,418)	(9,418)
		8,847	7,439	7,439	7,439

(a) Impairment review of investment in associate

Due to the presence of impairment indicator during the financial period arising from slowdown of operation of an associate, the Group has undertaken an impairment assessment on investment in the associate.

The recoverable amount for the associate was determined based on value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering a five-year period. The value-in-use was based on the following key assumptions:

	30.6.2019 %
Discount rates	20.0
Terminal growth rates	0.0

8. Investments in associates (continued)

(a) Impairment review of investment in associate (continued)

Based on the assessment, the Group has impaired the entire carrying amount of the associate of RM6,111,000 after the Group's share of losses in the current financial period.

(b) Details of the associates are as follows (continued):

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 30.6.2019 %	Effective ownership interest 31.3.2018 %
Held by the Company				
Southern Petroleum Transportation Joint Stock Company*	Vietnam	Owner and operator of oil tankers	13.84	13.84
Emerald Logistics Sdn. Bhd.	Malaysia	Dormant	49	49
Held by the Scomi Oilfield Ltd.				
Midgard Oilfield Services Ltd.	Turkmenistan /Cayman Islands	Provision of oilfield equipment, supplies and services	49	-
Held by Scomi Marine Services Pte. Ltd.				
King Bridge Enterprises Ltd.	British Virgin Islands	Investment holding	49	49

* Company with ownership less than 20% of the equity shareholding but treated as associates as the Group is able to exercise significant influence over the company.

8. Investments in associates (continued)

Summarised financial information of associates

30 June 2019 Group	Southern Petroleum Transportation Joint Stock Company RM'000	Other immaterial associates RM'000	Total RM'000
Summarised financial information			
As at 30 June 2019			
Non-current assets	128,003		
Current assets	23,230		
Non-current liabilities	(37,757)		
Current liabilities	(42,862)		
Net assets	70,614		
Financial period ended 30 June 2019			
Profit from continuing operations	10,172		
Other comprehensive income	-		
Total comprehensive income	10,172		
Included in the total comprehensive income is:			
Revenue	203,195		
Reconciliation of net assets to carrying amount as at 30 June 2019			
Group's share of net assets	9,973	14,774	24,747
Accumulated impairment losses	(1,126)	(14,774)	(15,900)
Carrying amount in the statement of financial position	8,847	-	8,847
Group's share of results for the financial period ended 30 June 2019			
Group's share of profit or loss from continuing operations	1,408	(3,707)	(2,299)
Group's share of other comprehensive income	-	-	-
Group's share of total comprehensive income	1,408	(3,707)	(2,299)
Other information			
Dividends received by the Group	-		

8. Investments in associates (continued)

Summarised financial information of associates (continued)

31 March 2018 **Group**	**Southern Petroleum Transportation Joint Stock Company** **RM'000**	**Other immaterial associates** **RM'000**	**Total** **RM'000**
Summarised financial information As at 31 March 2018			
Non-current assets	150,194		
Current assets	11,643		
Non-current liabilities	(59,413)		
Current liabilities	(37,145)		
Net assets	65,279		
Financial year ended 31 March 2018			
Profit from continuing operations	1,726		
Other comprehensive income	-		
Total comprehensive income	1,726		
Included in the total comprehensive income is:			
Revenue	119,720		
Reconciliation of net assets to carrying amount as at 31 March 2018			
Group's share of net assets	9,035	(2,064)	6,971
Carrying amount in the statement of financial position	9,035	(2,064)	6,971
Group's share of results for the financial year ended 31 March 2018			
Group's share of profit or loss from continuing operations	-	-	-
Group's share of other comprehensive income	-	-	-
Group's share of total comprehensive income	-	-	-
Other information			
Dividends received by the Group	-		

9. Deferred tax assets/(liabilities)

a) Recognised deferred tax assets/(liabilities)

Group	Assets 30.6.2019 RM'000	Assets 31.3.2018 RM'000	Liabilities 30.6.2019 RM'000	Liabilities 31.3.2018 RM'000	Net 30.6.2019 RM'000	Net 31.3.2018 RM'000
Tax losses and capital allowances	-	-	-	-	-	-
Property, plant and equipment	-	-	(694)	(1,700)	(694)	(1,700)
Deductible/(Taxable) temporary differences	529	2,183	(3,792)	(2,368)	(3,263)	(185)
Tax assets/(liabilities)	529	2,183	(4,486)	(4,068)	(3,957)	(1,885)
Set off	-	-	-	-	-	-
Net tax assets/(liabilities)	529	2,183	(4,486)	(4,068)	(3,957)	(1,885)

b) Movement in temporary differences during the period/year

Group	At 1.4.2017 RM'000	Recognised in profit or loss (Note 24) RM'000	Effect of movements in exchange rates RM'000	At 31.3.2018/ 1.4.2018 RM'000	Recognised in profit or loss (Note 24) RM'000	Effect of movements in exchange rates RM'000	At 30.6.2019 RM'000
Tax losses and capital allowances	3,097	(3,097)	-	-	-	-	-
Property, plant and equipment	(4,417)	2,485	232	(1,700)	882	124	(694)
Deductible/(Taxable) temporary differences	1,333	(2,931)	1,413	(185)	(2,291)	(787)	(3,263)
	13	(3,543)	1,645	(1,885)	(1,409)	(663)	(3,957)

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

c) Unrecognised deferred tax assets

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

	Group		Company	
	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Deductible temporary differences	9,407	12,709	31,997	23,824

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

10. Trade and other receivables

		Group		Company	
	Note	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Non-current					
Other receivables		14,333	5,525	-	-
Amount due from ultimate holding company	10.2	-	39,195	-	39,157
		14,333	44,720	-	39,157
Current					
Trade receivables		181,826	192,810	-	2,030
Less: Allowance for impairment losses		(44,758)	(51,771)	-	-
	10.3	137,068	141,039	-	2,030
Other receivables	10.1	80,020	72,571	-	1,608
Deposits		3,920	2,977	125	-
Prepayments		10,670	13,457	287	193
		94,610	89,005	412	1,801
Amount due from:					
- ultimate holding company	10.2	30,186	9,990	30,133	581
- related companies	10.4	1,444	21,454	357	311
- subsidiaries	10.4	-	-	65,982	58,993
- joint ventures	10.4	-	2,134	-	40
- associates	10.4	4,131	167	53	-
		35,761	33,745	96,525	59,925
		267,439	263,789	96,937	63,756
		281,772	308,509	96,937	102,913

10. Trade and other receivables (continued)

10.1 Included in other receivables are Value-Added-Tax ("VAT") recoverable amounting to RM18,968,000 (31.3.2018: RM25,600,000).

10.2 Amount due from ultimate holding company is non-trade in nature, unsecured and repayable over the next twelve months. Interest at 7% per annum is charged on the net amount due from ultimate holding company after deducting amount due to ultimate holding company as disclosed in Note 18. An impairment of RM33,772,000 (31.3.2018: RM Nil) was recognised in the current financial period as disclosed in Note 28(d).

10.3 Credit terms for trade receivables range from 30 to 90 days (31.3.2018: 30 to 90 days).

10.4 Amounts due from subsidiaries, related companies, joint ventures and associates are unsecured, interest-free and are repayable on demand.

11. Inventories

	Group	
	30.6.2019 RM'000	**31.3.2018 RM'000**
Raw materials	2,245	5,097
Finished goods	51,153	80,887
Consumables	29,413	25,746
	82,811	111,730
Recognised in profit or loss:		
Inventories recognised as cost of sales	179,482	228,350
Write down of inventories	590	2,317
Reversal of write-down of inventories	(3,983)	(4,602)

The write down and reversal of write-down of inventories are on account of subsequent sales and included in cost of sales.

12. Cash and bank balances

	Group		Company	
	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Cash and bank balances	40,842	46,553	4,500	38
Deposits placed with licensed banks	24,906	21,122	-	3,251
	65,748	67,675	4,500	3,289

The effective interest rates for short-term deposits placed with licensed banks of the Group and of the Company at the end of the reporting period range from 0.18% to 6.50% (31.3.2018: 0.18% to 6.50%) per annum.

Included in the Group's and the Company's bank balances and deposits placed with licensed banks are RM27,080,000 (31.3.2018: RM20,867,000) and RM Nil (31.3.2018: RM3,251,000), respectively pledged for repayment of Guaranteed Serial Bonds and bank facilities granted to the Group and the Company as disclosed in Notes 16(a) and 16(b), respectively.

13. Share capital

	Group and Company			
	30.6.2019		31.3.2018	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid At 1 April/30 June/30 March	1,005,535	2,341,775	1,005,535	2,341,775

Ordinary shares

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

14. Treasury shares

	Group and Company			
	30.6.2019		31.3.2018	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
At 1 April/30 June/31 March	51	154	51	154

None of the treasury shares repurchased has been sold as at 30 June 2019.

At the end of the financial period, 154,100 (31.3.2018: 154,100) ordinary shares are held as treasury shares at a carrying amount of RM51,000 (31.3.2018: RM51,000) and the number of outstanding shares in issue after setting off treasury shares is 2,341,621,335 shares (31.3.2018: 2,341,621,335 shares).

15. Reserves

		Group		Company	
	Note	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Translation reserve	(a)	(110,817)	(125,804)	-	-
Hedging reserve	(b)	-	-	-	-
Merger reserve	(c)	(443,323)	(443,323)	-	-
Capital reserve	(d)	26,881	26,881	26,881	26,881
(Accumulated losses)/Retained earnings		(73,450)	32,474	(590,212)	(567,853)
		(600,709)	(509,772)	(563,331)	(540,972)

(a) Translation reserve

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

15. Reserves (continued)

(b) Hedging reserve

	Group 30.6.2019 RM'000	Group 31.3.2018 RM'000
At 1 April	-	16,329
Reclassification to other comprehensive income		
- finance costs	-	12,889
Reclassification to profit or loss	-	(29,218)
At 30 June/31 March	-	-

The Group discontinued cash flow hedge accounting in the previous year. The hedging reserve comprised the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

In December 2017, the Group has obtained approval from the bond holders to extend the bond repayment from another 2 years. The Group also decided to discontinue the application of cash flow hedge accounting. The related cumulative gain or loss recognised in other comprehensive income (hedge reserve) was reclassified into profit or loss.

(c) Merger reserve

The merger reserve arose from the acquisition of the entire shareholdings of the ultimate holding company in Scomi Oilfield Limited, Scomi Sosma Sdn. Bhd. and Scomi KMC Sdn. Bhd. by the Company pursuant to the corporate exercise carried out by the ultimate holding company in 2013.

(d) Capital reserve

The capital reserve arose from the capital reduction exercise and repayment to shareholders of the Company completed in 2012.

16. Loans and borrowings

	Note	Group 30.6.2019 RM'000	Group 31.3.2018 RM'000
Non-current			
Guaranteed Serial Bonds - secured	(a)	50,000	77,500
Less: Bond arrangement costs		(200)	(678)
		49,800	76,822
Current			
Guaranteed Serial Bonds - secured	(a)	55,000	27,500
Less: Bond arrangement costs		(883)	-
		54,117	27,500
Bank loans - secured	(b)	40,618	58,462
Revolving credit - secured	(b)	41,271	44,890
Bank overdrafts - secured	(b)	-	10,030
Finance leases		-	22
		136,006	140,904
		185,806	217,726

Reconciliation of movement of loans and borrowings to cash flows arising from financing activities

Group

	At 1.4.2018 RM'000	Net changes from financing cash flows RM'000	Interest charge and amortisation of cost RM'000	Effect of movements in exchange rates RM'000	At 30.6.2019 RM'000
Guaranteed Serial Bonds	104,322	(11,428)	11,428	(405)	103,917
Bank loans	58,462	(22,445)	-	4,601	40,618
Revolving credit	44,890	(4,728)	-	1,109	41,271
Finance leases	22	(25)	-	3	-
Bank overdrafts	10,030	(10,030)	-	-	-
Total liabilities from financing activities	217,726	(48,656)	11,428	5,308	185,806

Group

	At 1.4.2017 RM'000	Net changes from financing cash flows RM'000	Interest charge and amortisation of cost RM'000	Effect of movements in exchange rates RM'000	At 31.3.2018 RM'000
Guaranteed Serial Bonds	101,884	(4,460)	6,669	229	104,322
Bank loans	89,780	(26,499)	-	(4,819)	58,462
Revolving credit	50,836	(617)	-	(5,329)	44,890
Finance leases	79	(50)	-	(7)	22
Bank overdrafts	2,478	7,552	-	-	10,030
Total liabilities from financing activities	245,057	(24,074)	6,669	(9,926)	217,726

16. Loans and borrowings (continued)

(a) RM300 million Guaranteed Serial Bonds ("the Bonds")

The Bonds are secured by an irrevocable and unconditional financial guarantee issued by Danajamin Nasional Berhad ("Danajamin") pursuant to a financial guarantee insurance facility.

During the financial period, there was a breach in the bonds covenant where the Group was unable to maintain the Group EBITDA to Group gross debt ratio of not less than 0.30 times. However, the Group obtained a waiver from Danajamin for this non-compliance.

Besides, there was an additional covenant which requires the Group to progressively build up the principal redemption in debt payment account for repayment of the bonds of RM55 million due on 14 December 2019. By 30 June 2019, the Group was required to have built up principal redemption in debt payment account of RM51.5 million. However, at 30 June 2019, the total principal redemption build up in the debt payment account was RM18.6 million and there was a shortfall of RM32.9 million. The Group has obtained a waiver from the bond guarantor on 28 June 2019 to fulfill the redemption build up amount by 30 November 2019.

The bonds and financial guarantee insurance facility are supported and secured by:

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

(ii) Pledge of shares of the Company and certain subsidiaries of the Company;

(iii) Assignment of contract proceeds;

(iv) Debentures made by certain subsidiaries of the Company.

(b) Bank loans, revolving credit and bank overdrafts

The bank loans, revolving credit and bank overdrafts are supported and secured by:

(i) Assignment and charge of relevant fixed deposits and bank balances of the Group and the Company;

(ii) Assignment of contract proceeds;

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

In the previous year, a subsidiary of the Group breached loan covenants in respect of compliance with debt to net cash accruals ratio, minimum tangible net worth and adjusted tangible net worth covenant a subsidiary of the Group. These loan covenants have not been regularised as at 30 June 2019. As a result of the breaches, the non-current portion of the bank loan amounted to RM6.6 million (31.3.2018: RM43.1 million) continued to be reclassed to current liabilities as the subsidiary was unable to obtain a waiver from the bank.

17. Provision for retirement benefits

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

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

	Group	
	30.6.2019 RM'000	31.3.2018 RM'000
Present value of unfunded obligations	8,401	8,932

Movement in net defined benefit liability

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

	Group	
	30.6.2019 RM'000	31.3.2018 RM'000
Balance at 1 April	8,932	10,800
Included in profit or loss		
Current service costs	788	1,621
Interest cost	124	258
Effect of movement of exchange rate	181	(1,130)
	1,093	749
Included in other comprehensive income		
- Financial assumption	-	138
- Experience adjustment	(470)	(488)
	(470)	(350)
Other		
Benefits paid	(1,154)	(2,267)
Balance at 30 June/31 March	8,401	8,932

The principal actuarial assumptions used were as follows:

	Group	
	30.6.2019	31.3.2018
Discount rates (per annum) (%)	8.0	7.0
Expected rates of salary increase (per annum) (%)	0.0 – 8.0	0.0 - 8.0
Normal retirement age (years)	55	55

The most recent actuarial valuation was carried out as at 18 June 2019 by independent professional actuaries using the projected unit credit method.

18. Trade and other payables

		Group		Company	
	Note	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Non-current					
Other payables		1,028	3,738	-	2,923
Current					
Trade payables	18.1	94,963	129,711	107	5,068
Other payables		8,447	8,325	931	1,383
Accruals	18.2	87,088	78,132	929	798
		95,535	86,457	1,860	2,181
Amount due to:					
- subsidiaries	18.3	-	-	22,850	20,900
- ultimate holding company	10.2	4,890	4,668	-	-
- related companies	18.3	4,948	10,149	1,136	1,171
- joint ventures	18.3	-	62	82	62
		9,838	14,879	24,068	22,133
		200,336	231,047	26,035	29,382
		201,364	234,785	26,035	32,305

18.1 Credit terms granted by suppliers to the Group range from cash terms to 90 days (31.3.2018: cash terms to 90 days).

18.2 Included in accruals are Value-Added-Tax ("VAT") payable amounting to RM9.7 million (31.3.2018: RM4.5 million).

18.3 The amounts due to subsidiaries, related companies and joint ventures are unsecured, interest-free and repayable on demand.

19. Derivative financial liabilities

Group	Nominal value 30.6.2019 RM'000	Liabilities 30.6.2019 RM'000	Nominal value 31.3.2018 RM'000	Liabilities 31.3.2018 RM'000
Cash flow hedges				
Cross currency interest rate swaps	-	-	(10,516)	(10,516)
	-	-	(10,516)	(10,516)
Included in:				
Current liabilities		-		(10,516)

Cross currency interest rate swaps ("CCIRSs")

The notional principal amount of the outstanding CCIRSs at 31 March 2018 was RM105 million.

The Group had entered into CCIRSs, that were designated as cash flow hedges to hedge the Group's exposure to foreign exchange risk on its Guaranteed Serial Bonds. These contracts entitled the Group to receive principal and fixed interest amounts in RM and obliged the Group to pay principal and fixed interest amounts in USD and the CCIRSs reflect the timing of these cash flows. The CCIRSs contracts had maturities of up to 5 years from 31 March 2013. The USD interest rates on the CCIRSs contracts designated as hedging instruments in the cash flow hedges ranged from 4.08% to 7.30% per annum and the interest rates in RM ranged from 4.10% to 7.20% per annum in the prior year. In December 2017, the Group decided to discontinue its application of hedge accounting on the cash flow hedge.

During the financial period ended 30 June 2019, the CCIRSs were closed out as there was a mis-match between the original hedge and the repayment of the Guaranteed Serial Bonds, which was extended in December 2017. Gains and losses recognised on the CCIRSs as of 31 March 2018 was released to the profit or loss within finance costs upon the close out of the CCIRSs.

20. Revenue

Group	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
Revenue from contracts with customers	520,768	540,181
Other revenue		
Rental income	122,726	73,776
Total revenue	643,494	613,957

Company	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
Revenue from contracts with customers	3,855	32,054

20. Revenue (continued)

20.1 Disaggregation of revenue

Group	Drilling services 1.4.2018 to 30.6.2019 RM'000	Drilling services 1.4.2017 to 31.3.2018 RM'000	Marine services 1.4.2018 to 30.6.2019 RM'000	Marine services 1.4.2017 to 31.3.2018 RM'000	Development and production asset and services 1.4.2018 to 30.6.2019 RM'000	Development and production asset and services 1.4.2017 to 31.3.2018 RM'000	Total 1.4.2018 to 30.6.2019 RM'000	Total 1.4.2017 to 31.3.2018 RM'000
Primary geographical markets								
Malaysia	67,044	82,510	3,855	32,054	12	1,241	70,911	115,805
Russia	101,460	90,706	-	-	-	-	101,460	90,706
West Africa	76,737	40,935	-	-	-	-	76,737	40,935
Indonesia	29,716	13,430	142,625	95,474	-	-	172,341	108,904
Middle East	70,725	54,940	-	-	-	-	70,725	54,940
Other countries	151,320	202,667	-	-	-	-	151,320	202,667
	497,002	485,188	146,480	127,528	12	1,241	643,494	613,957
Major products and services lines								
Drilling fluids services	46,305	47,427	-	-	-	-	46,305	47,427
Sales of drilling related chemicals and supplies	124,284	168,726	-	-	-	-	124,284	168,726
Drilling waste management services	99,386	79,548	-	-	-	-	99,386	79,548
Sales of drilling waste equipment related supplies and accessories	66,498	62,682	-	-	-	-	66,498	62,682
Transportation of coal services	-	-	146,480	127,528	-	-	146,480	127,528
Others	37,803	53,029	-	-	12	1,241	37,815	54,270
	374,276	411,412	146,480	127,528	12	1,241	520,768	540,181
Timing and recognition								
At a point in time	374,276	411,412	146,480	127,528	12	1,241	520,768	540,181
	374,276	411,412	146,480	127,528	12	1,241	520,768	540,181
Revenue from contracts with customers	374,276	411,412	146,480	127,528	12	1,241	520,768	540,181
Other revenue	122,726	73,776	-	-	-	-	122,726	73,776
Total revenue	497,002	485,188	146,480	127,528	12	1,241	643,494	613,957

20. Revenue (continued)

20.1 Disaggregation of revenue (continued)

Company	Marine services 1.4.2018 to 30.6.2019 RM'000	Marine services 1.4.2017 to 31.3.2018 RM'000
Primary geographical market		
Malaysia	3,855	32,054
Product and services line		
Transportation of coal services	3,855	32,054
Timing and recognition		
At a point in time	3,855	32,054
Revenue from contracts with customers	3,855	32,054

20. Revenue (continued)

20.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

Nature of goods or services	Timing of recognition or method used to recognised revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Drilling fluids services	Revenue is recognised when the services are performed and accepted by the customers at their premises.	Credit period of 30 – 90 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Sales of drilling related chemicals and supplies	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 – 90 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Drilling waste management services	Revenue is recognised when the services are performed and accepted by the customers at their premises.	Credit period of 30 – 90 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Sales of drilling waste equipment related supplies and accessories	Revenue is recognised when the goods are delivered and accepted by the customers at their premises.	Credit period of 30 – 90 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Transportation of coal services	Revenue is recognised when the delivery reaches the customers premises.	Credit period of 30 – 90 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

21. Finance costs

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
Interest expense on:				
- Guaranteed Serial Bonds	6,873	4,677	-	-
- Bank loans and other	12,832	6,717	-	-
- Effect of interest on CCIRSs	-	2,088	-	-
	19,705	13,482	-	-
Amortisation of bonds arrangement costs	3,434	7,186	-	-
Financial assets that are not at fair value through profit or loss	-	8,680	-	7,324
	3,434	15,866	-	7,324
	23,139	29,348	-	7,324

22. Disposal of subsidiary and branch

On 9 October 2018, the Group sold its equity interest of 51 shares in Scomi Oiltools Limited (Cayman Islands) – Turkmenistan branch ("SOLC") representing 51% of the total share capital of SOLC, for a total cash consideration of USD1,500,000 (approximately RM6,195,600).

On 31 January 2019, the Group sold its entire equity interest of 6,000 shares in Scomi Anticor S.A. ("Anticor") for a total cash consideration of USD3,700,000 (approximately RM15,282,480).

Effect of disposals on the financial position of the Group

	SOLC RM'000	Anticor RM'000	Total RM'000
Property, plant and equipment	6,609	453	7,062
Inventories	11,165	-	11,165
Intangible asset	-	2,724	2,724
Trade and other receivables	11,053	6,673	17,726
Trade and other payables	(8,798)	(3,192)	(11,990)
Cash and bank balances	-	2,487	2,487
Net assets and liabilities	20,029	9,145	29,174
Less:			
Equity interest retained as associates	(9,814)	-	(9,814)
(Loss)/Gain on disposal of subsidiary and branch	(5,049)	7,230	2,181
Consideration received, satisfied in cash	5,166	16,375	21,541
Cash and bank balances disposed of	-	(2,487)	(2,487)
Net cash inflow	5,166	13,888	19,054

23. Loss before tax

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group 1.4.2017 to 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company 1.4.2017 to 31.3.2018 RM'000
Loss before tax is stated after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
KPMG PLT		2,122	1,213	130	75
Overseas affiliates of KPMG PLT		1,725	2,432	-	-
Other auditors		61	325	-	-
- Non-audit fees					
KPMG PLT		59	66	6	6
Material expenses/(income)					
Amortisation of patent rights and development costs	4	812	258	-	-
Bad debts written off		-	-	88	-
Depreciation:					
- Property, plant and equipment	3	76,880	80,295	11	26
- Investment properties	5	169	154	40	-
Gain from disposal of investment property		(3,643)	-	-	-
Impairment loss:					
- Amount due from ultimate holding company		33,772	-	7,871	-
- Amount due from subsidiaries		-	-	5,209	-
- Amount due from joint venture		1,260	6,713	1,116	6,713
- Amount due from associate	8	-	371	144	371
- Receivables	28(d)	4,522	10,753	-	-
- Investments in associate		6,111	-	-	255
- Investments in subsidiaries		-	-	14,088	459,906
- Investments in joint ventures		996	7,215	-	13,458
- Property, plant and equipment	3	1,542	4,322	-	-
Inventories written down	11	590	2,317	-	-
Loss from disposal of property, plant and equipment		34,793	6,486	-	-
Net unrealised (gain)/loss on foreign exchange		(18,091)	53,685	(6,531)	9,807
Personnel expenses (including key management personnel):					
- Expenses related to defined benefit plans		912	1,880	-	-
Wages, salaries and others		173,229	150,516	-	-
Termination benefits		239	369	-	-
Contribution to state plans		7,051	6,535	-	-
Other employee benefits		14,060	14,188	-	-
Property, plant and equipment written off		994	817	-	-

23. Loss before tax (continued)

	Note	Group 1.4.2018 to 30.6.2019 RM'000	Group 1.4.2017 to 31.3.2018 RM'000	Company 1.4.2018 to 30.6.2019 RM'000	Company 1.4.2017 to 31.3.2018 RM'000
Material expenses/(income) (continued)					
Rental of premises		15,624	15,774	33	138
Rental of equipment		16,982	12,767	-	-
Termination costs for CCIRSs		-	29,350	-	-
Interest income from deposit placed with licensed banks		(1,252)	(1,296)	(73)	(112)
Interest income from ultimate holding company		(2,510)	-	(2,510)	-
Net realised gain on foreign exchange		(626)	(6,347)	(16)	(912)
Reclassification from hedge reserve to profit and loss due to termination of hedge accounting	15(b)	-	(29,218)	-	-
Rental income from a related company		(190)	(181)	-	-
Reversal of impairment loss of receivables	28(d)	(5,048)	(4,764)	-	-
Reversal of inventories written down	11	(3,983)	(4,602)	-	-

24. Tax expense

Recognised in profit or loss

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	**1.4.2017 to 31.3.2018 RM'000**	**1.4.2018 to 30.6.2019 RM'000**	**1.4.2017 to 31.3.2018 RM'000**
Current tax expense				
Malaysian income tax	-	167	-	-
Foreign income tax	16,041	13,842	-	-
Under provision in prior year	6,251	192	-	-
Total current tax expense	22,292	14,201	-	-
Deferred tax expense				
Origination and reversal of temporary differences	(1,372)	4,006	-	-
Over provision in prior year	(37)	(463)	-	-
Total deferred tax recognised in profit or loss	(1,409)	3,543	-	-
Total income tax expense	20,883	17,744	-	-
Reconciliation of tax expense				
Loss for the period/year	(103,462)	(225,918)	(22,359)	(500,600)
Total income tax expense	20,883	17,744	-	-
Loss before tax	(82,579)	(208,174)	(22,359)	(500,600)
Tax calculated at the Malaysian tax rate of 24% (31.3.2018: 24%)	(19,819)	(49,962)	(5,366)	(120,144)
Tax effects of:				
- different tax rates in other countries	12,800	5,713	-	-
- expenses not deductible for tax purposes	15,600	38,486	3,404	115,422
- income not subject to tax	(2,138)	(2,732)	-	-
- tax assets not recognised	8,226	26,510	1,962	4,722
Deferred tax - over provision in prior year	(37)	(463)	-	-
Current tax – under provision in prior year	6,251	192	-	-
	20,883	17,744	-	-

25. Other comprehensive income

Group	1.4.2018 to 30.6.2019 Before tax RM'000	1.4.2018 to 30.6.2019 Tax (expense)/ benefit RM'000	1.4.2018 to 30.6.2019 Net of tax RM'000	1.4.2017 to 31.3.2018 Before tax RM'000	1.4.2017 to 31.3.2018 Tax (expense)/ benefit RM'000	1.4.2017 to 31.3.2018 Net of tax RM'000
Items that are or maybe reclassified subsequently to profit or loss						
Cash flow hedges						
- Termination of hedge accounting	-	-	-	(16,329)	-	(16,329)
Foreign currency translation differences for foreign operations	16,066	-	16,066	(9,509)	-	(9,509)
Remeasurement of defined benefit liability	470	-	470	350	-	350
	16,536	-	16,536	(25,488)	-	(25,488)

26. Earnings per ordinary share

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 30 June 2019 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:

	Group	
	1.4.2018 to 30.6.2019	**1.4.2017 to 31.3.2018**
Loss attributable to owners of the Company (RM'000)	(95,690)	(219,055)
Weighted average number of ordinary shares outstanding ('000)	2,341,621	2,341,621
Basic earnings /(loss) per ordinary share (sen)	(4.09)	(9.35)

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

27. Operating segments

The Group has determined the operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM") i.e. the Group's Chief Executive Officer 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.

27. 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. 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 bank balances, and mainly excludes 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 liabilities.

27. Operating segments (continued)

30.6.2019	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Segment revenue				
External sales	497,002	146,480	12	643,494
Segment profit/(loss)	37,849	(17,633)	(5,557)	14,659
Included in the measure of the segment loss are:				
Impairment of receivables	(3,384)	(1,138)	-	(4,522)
Impairment of property, plant and equipment	-	(1,542)	-	(1,542)
Gain/(Loss) on disposal of property, plant and equipment	4,391	(39,636)	-	(35,245)
Written down of inventories	(590)	-	-	(590)
Share of gain/(loss) of equity-accounted joint venture, net of tax	392	-	(4,258)	(3,866)
Share of (loss)/gain of equity-accounted associates, net of tax	(3,707)	1,408	-	(2,299)
Not included in the measure of segment profit/(loss) but provided to CODM				
Depreciation and amortisation	(34,867)	(42,994)	-	(77,861)
Finance costs	(16,138)	(7,001)	-	(23,139)
Finance income	1,179	2,583	-	3,762
Tax expense	(20,553)	(330)	-	(20,883)
Segment assets	617,423	239,410	972	857,805
Included in the measure of segment assets are:				
Investments in associates	-	8,847	-	8,847
Investments in joint ventures	1,148	-	936	2,084
Additions to non-current assets other than financial instruments and deferred tax assets	-	-	-	-

27. Operating segments (continued)

31.3.2018	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Segment revenue				
External sales	485,188	127,528	1,241	613,957
Segment loss	(49,458)	(44,943)	(5,014)	(99,415)
Included in the measure of the segment loss are:				
Impairment of receivables	10,274	479	-	10,753
Impairment of property, plant and equipment	-	4,322	-	4,322
Impairment of intangible assets	-	-	-	-
Gain/(Loss) on disposal of property, plant and equipment	-	-	-	-
Write down of inventories	(2,319)	-	-	(2,319)
Share of loss of equity-accounted joint ventures, net of tax	-	(32,634)	(4,029)	(36,663)
Not included in the measure of segment loss but provided to CODM				
Depreciation and amortisation	(36,591)	(44,116)	-	(80,707)
Finance costs	(23,521)	(5,827)	-	(29,348)
Finance income	913	383	-	1,296
Tax expense	(16,810)	(934)	-	(17,744)
Segment assets	678,157	333,389	16,249	1,027,795
Included in the measure of segment assets are:				
Investments in associates	-	7,439	-	7,439
Investments in joint ventures	753	-	16,003	16,756
Additions to non-current assets other than financial instruments and deferred tax assets	-	-	5,039	5,039

Reconciliations of reportable segment of profit or loss

	Group 30.6.2019 RM'000	31.3.2018 RM'000
Profit of loss		
Total profit or loss for reportable segments	14,659	(99,415)
Depreciation and amortisation	(77,861)	(80,707)
Finance costs	(23,139)	(29,348)
Finance income	3,762	1,296
Consolidated loss before tax	(82,579)	(208,174)

27. Operating segments (continued)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segments assets are based on the geographical location of the assets. The amounts of no-current assets do not include financial instruments (including investments in associates) and deferred tax assets.

	Total revenue		Total non-current assets	
	30.6.2019 RM'000	31.3.2018 RM'000	30.6.2019 RM'000	31.3.2018 RM'000
Malaysia	70,911	115,805	11,464	8,095
Indonesia	172,341	110,967	204,924	274,185
Turkmenistan	-	68,507	-	4,346
Russia	101,460	90,706	6,377	7,565
Nigeria	70,725	54,940	1,545	645
Other countries	228,057	173,032	178,211	198,493
	643,494	613,957	402,521	493,329

Revenue is disclosed based on the location of the drilling services, sales of drilling related chemicals and supplies, drilling waste management services, sales of drilling waste related supplies and accessories and transportation of coal 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
	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000	
Customer A	74,165	-*	Marine
Customer B	82,491	73,883	Oilfield
	156,656	73,883	

*contributed less than 10% during the prior financial year

Revenue for 2 (31.3.2018: 1) major customers constitutes 24.3% (31.3.2018: 12.0%) of total consolidated revenue.

28. Financial instruments

(a) Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 June 2019 categorised as amortised cost ("AC").

30.6.2019	Carrying amount RM'000	AC RM'000
Group		
Financial assets		
Trade and other receivables*	252,134	252,134
Cash and bank balances	65,748	65,748
	317,882	317,882
Financial liabilities		
Loans and borrowings	(185,806)	(185,806)
Trade and other payables#	(191,640)	(191,640)
	(377,446)	(377,446)
Company		
Financial assets		
Trade and other receivables*	96,937	96,937
Cash and bank balances	4,500	4,500
	101,437	101,437
Financial liabilities		
Trade and other payables#	(26,035)	(26,035)

* Excluding prepayments and GST/VAT receivables
\# Excluding GST/VAT payables

28. Financial instruments (continued)

(a) Categories of financial instruments (continued)

The table below provides an analysis of financial instruments as at 31 March 2018 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").

31.3.2018	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
Group			
Financial assets			
Trade and other receivables*	269,452	269,452	-
Cash and bank balances	67,675	67,675	-
	337,127	337,127	-
Financial liabilities			
Loans and borrowings	(217,726)	(217,726)	-
Trade and other payables#	(230,267)	(230,267)	-
Derivative financial liabilities	(10,516)	-	(10,516)
	(458,509)	(447,993)	(10,516)
Company			
Financial assets			
Trade and other receivables*	102,913	102,913	-
Cash and bank balances	3,289	3,289	-
	106,202	106,202	-
Financial liabilities			
Trade and other payables#	(32,334)	(32,334)	-

* Excluding prepayments and GST/VAT receivables
\# Excluding GST/VAT payables

28. Financial instruments (continued)

(b) Net gains and losses arising from financial instruments

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
Net gains/(losses) on:				
Financial assets at fair value through profit or loss:				
- Held for trading	-	(2,088)	-	-
Financial assets at amortised cost	7,495	-	-	-
Financial liabilities at amortised cost	(22,360)	(27,260)	-	(5,982)
Loans and receivables	-	(4,693)	-	(10,124)
	(14,865)	(34,041)	-	(16,106)
Net loss on impairment of financial instruments:				
- Financial assets at amortised cost	(34,506)	(17,837)	-	-

(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 and amounts due from the ultimate holding company and related companies.

The Company's exposure to credit risk arises principally from advances to ultimate holding company, subsidiaries and unsecured financial guarantees given to banks for credit facilities granted to certain subsidiaries.

There are no significant changes as compared to prior periods.

28. Financial instruments (continued)

(d) Credit risk (continued)

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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

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.

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 180 days, which are deemed to have higher credit risk, are monitored individually.

Concentration of credit risk

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

	Group	
	30.6.2019 RM'000	**31.3.2018 RM'000**
Malaysia	8,029	27,096
Asia	77,633	74,270
Middle East and Africa	51,199	39,673
Others	207	-
	137,068	141,039

28. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay 90 to 120 days. The Group's debt recovery process is as follows:

a) Above 180 days past due after credit term, the Group will start to initiate a structured debt recovery process which is monitored by the sales management team; and
b) Above 365 days past due, the Group will evaluate options of commencing legal proceeding against the customer.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 180 days past due.

Loss rates are based on actual credit loss experience over the past 2 to 5 years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the period.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2019 which are grouped together as they are expected to have similar risk nature.

Group **30.6.2019**	**Gross carrying amount RM'000**	**Loss allowance RM'000**	**Net balance RM'000**
Current (not past due)	79,150	(905)	78,245
1 to 30 days past due	14,925	(459)	14,466
31 to 60 days past due	17,339	(1,257)	16,082
61 to 90 days past due	9,040	(269)	8,771
	120,454	(2,890)	117,564
Credit impaired			
More than 90 days past due	61,372	(41,868)	19,504
	181,826	(44,758)	137,068

28. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment losses of trade receivables during the financial period are shown below.

	Credit impaired Group RM'000
Balance at 1 April 2018 as per MFRS 139	51,771
Adjustments on initial application of MFRS 9	11,783
Balance at 1 April 2018 as per MFRS 9	63,554
Amounts written off	(20,431)
Net remeasurement of loss allowance	(526)
Currency translation differences	2,161
Balance at 30 June 2019	44,758

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 March 2018 was as follows:

Group **31.3.2018**	**Gross RM'000**	**Individual impairment RM'000**	**Net RM'000**
Not past due	54,555	-	54,555
Past due 1 to 30 days	40,898	-	40,898
Past due 31 to 60 days	21,942	-	21,942
Past due 61 to 90 days	4,194	-	4,194
Past due more than 90 days	71,221	(51,771)	19,450
	192,810	(51,771)	141,039

28. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment loss (continued)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement (continued)

Company **31.3.2018**	**Gross RM'000**	**Individual impairment RM'000**	**Net RM'000**
Not past due	1,873	-	1,873
Past due 1 to 30 days	-	-	-
Past due 31 to 60 days	77	-	77
Past due 61 to 90 days	-	-	-
Past due more than 90 days	80	-	80
	2,030	-	2,030

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

	Group RM'000
At 1 April 2017	55,607
Impairment loss recognised	10,753
Impairment loss reserved	(4,764)
Currency translation differences	(9,825)
At 31 March 2018	51,771

Cash and bank balances

The cash and bank balances are held with licensed banks and financial institutions. 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.

These licensed banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

28. Financial instruments (continued)

(d) Credit risk (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 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

As the Company does 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:

	Company	
	30.6.2019 RM'000	31.3.2018 RM'000
Corporate guarantees provided to banks - notional values	128,130	161,020

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

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provide unsecured advances to ultimate holding company, related companies and subsidiaries. The Group and the Company monitor the ability of the ultimate holding company, related companies and subsidiaries to repay the advances on an individual basis.

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.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

28. Financial instruments (continued)

(d) Credit risk (continued)

Inter-company advances (continued)

Recognition and measurement of impairment loss

Generally, the Group and the Company consider advances to ultimate holding company, related companies and subsidiaries to have low credit risk. The Group and the Company assume that there is a significant increase in credit risk when the ultimate holding company, related companies and subsidiaries' financial positions deteriorate significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the ultimate holding company, related companies and subsidiaries are not able to pay when demanded. The Company considers the ultimate holding company, related companies, and subsidiaries' advances to be credit impaired when:

- The ultimate holding company, related companies and subsidiaries are unlikely to repay its advance to the Company in full; or

- The ultimate holding company, related companies and subsidiaries are continuously loss making and are having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for the ultimate holding company, related companies and subsidiaries' advances as at 30 June 2019.

Group **30.6.2019**	**Gross carrying amount RM'000**	**Impairment loss allowance RM'000**	**Net balance RM'000**
Low credit risk	35,761	-	35,761
Credit impaired	33,772	(33,772)	-
	69,533	(33,772)	35,761

Company **30.6.2019**	**Gross carrying amount RM'000**	**Impairment loss allowance RM'000**	**Net balance RM'000**
Low credit risk	96,525	-	96,525
Credit impaired	14,340	(14,340)	-
	110,865	(14,340)	96,525

28. Financial instruments (continued)

(d) Credit risk (continued)

Inter-company advances (continued)

Recognition and measurement of impairment loss (continued)

The movements in the allowance for impairment in respect of ultimate holding company, related companies and subsidiaries' advances during the period are as follows:

	Credit impaired	
	Group RM'000	**Company RM'000**
Balance at 1 April 2018 as per MFRS 139	-	-
Adjustment on initial application of MFRS 9	-	-
Balance at 1 April 2018 as per MFRS 9	-	-
Net measurement of loss allowance	(33,772)	(14,340)
Balance at 30 June 2019	(33,772)	(14,340)

The significant increase in net measurement of loss allowance is primarily due to the amounts due from ultimate holding company and related companies which are not recoverable as the ultimate holding company and related companies are continuously loss making and having a deficit shareholders' fund.

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The movements in the allowance for impairment losses of inter-company advances during the financial year were:

	2018	
	Group RM'000	**Company RM'000**
At 1 April/ 31 March	-	-

(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 bank balances 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 fall due, other than as disclosed in Note1(b).

28. 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:

30.6.2019	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	40,618	3.6% - 6.7%	42,139	42,139	-	-
Revolving credit - secured	41,271	4.1% - 6.9%	43,541	43,541	-	-
Guaranteed Serial Bonds	103,917	4.75% - 4.9%	108,617	57,442	51,175	-
Trade and other payables	191,640	-	191,640	191,640	-	-
	377,446		385,937	334,762	51,175	-
Company						
Non-derivative financial liabilities						
Trade and other payables	26,035	-	26,035	26,035	-	-
Financial guarantees	-	-	128,130	128,130	-	-
	26,035		154,165	154,165	-	-

28. Financial instruments (continued)

(e) Liquidity risk (continued)

Maturity analysis (continued)

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 (continued):

31.3.2018	**Carrying amount RM'000**	**Contractual interest rate/ coupon**	**Contractual cash flows RM'000**	**Under 1 period RM'000**	**1 - 2 years RM'000**	**2 - 5 years RM'000**
Group						
Non-derivative financial liabilities						
Bank loans - secured	58,462	1.40% - 6.05%	64,212	64,212	-	-
Finance leases	22	2.32%	23	23	-	-
Revolving credit - secured	44,890	3.44% - 6.90%	45,238	45,238	-	-
Guaranteed Serial Bonds	104,322	3.90% - 4.90%	117,596	32,563	45,090	39,943
Bank overdraft - secured	10,030	10.01% - 12.01%	10,702	10,702	-	-
Trade and other payables	230,267	-	230,267	230,267	-	-
	447,993		468,038	383,005	45,090	39,943
Derivative financial liabilities						
Interest rate swaps:						
- Outflow	10,516	4.08% - 7.30%	61,835	61,835	-	-
- Inflow	-	4.10% - 7.20%	(51,370)	(51,370)	-	-
	458,509		478,503	393,470	45,090	39,943
Company						
Non-derivative financial liabilities						
Trade and other payables	32,334	-	32,334	32,334	-	-
Financial guarantees	-	-	161,020	161,020	-	-
	32,334		193,354	193,354	-	-

28. 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.

In prior financial year, the Group used 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 the 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 currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

	***Denominated in* USD**	
	30.6.2019 RM'000	**31.3.2018 RM'000**
Group		
Balances recognised in the statement of financial position		
Cash and bank balances	1,597	340
Trade and other receivables	4,441	6,891
Loans and borrowings	(17,437)	(46,316)
Trade and other payables	(28,341)	(31,785)
Net exposure	(39,740)	(70,870)

28. Financial instruments (continued)

(f) Market risk (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis

A 5% (31.3.2018: 5%) strengthening of the RM against the USD 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.

	Increase/(Decrease) Equity/Profit or loss	
	30.6.2019 RM'000	**31.3.2018 RM'000**
Group		
USD against RM		
- strengthened	(1,510)	(2,693)
- weakened	1,510	2,693

A 5% (31.3.2018: 5%) weakening of the RM against the USD at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair values 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.

28. 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 significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	30.6.2019	31.3.2018
	RM'000	RM'000
Fixed rate instruments		
Financial assets	24,906	21,122
Financial liabilities	(103,917)	(104,344)
	(79,011)	(83,222)
Floating rate instruments		
Financial liabilities	(81,889)	(113,382)

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 values 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	100 bp Decrease
Group	RM'000	RM'000
30.6.2019		
Floating rate instruments	(622)	622
31.3.2018		
Floating rate instruments	(862)	862

28. Financial instruments (continued)

(g) Hedging activities

Cash flow hedge

In prior financial year, the Group had 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 had the same nominal value of RM105,000,000 and is settled every six months, consistent with the interest repayment schedule of the Bonds.

The following table indicates the years 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
30.6.2019					
Interest rate swap	-	-	-	-	-
31.3.2018					
Interest rate swap	10,516	10,465	10,465	-	-

On December 2017, the Group has obtained approval from the bond holder for rescheduling of the bond payment. The cash flow hedge accounting is discontinued prospectively and the hedge is no longer highly effective. The related cumulative gain or loss recognised in other comprehensive income (hedge reserve) is reclassified into profit or loss.

(h) Fair value information

The carrying amounts of cash and bank balances, short-term receivables and payables and short-term borrowings approximate their 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.

28. 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					
Group	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**	**Total fair value RM'000**	**Carrying amount RM'000**
30.6.2019										
Financial liabilities										
Guaranteed Serial Bonds	-	-	-	-	-	103,917	-	103,917	103,917	103,917
31.3.2018										
Financial liabilities										
Guaranteed Serial Bonds	-	-	-	-	-	104,322	-	104,322	104,322	104,322
Finance leases	-	-	-	-	-	-	22	22	22	22
Cross currency interest rate swaps	-	10,516	-	10,516	-	-	-	-	10,516	10,516

28. Financial instruments (continued)

(h) Fair value information (continued)

Level 2 fair value

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

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 period (31.3.2018: no transfer in either directions).

29. 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 investors, creditors 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.

The debt-to-equity ratios at 30 June 2019 and 31 March 2018 were as follows:

		Group	
		30.6.2019	31.3.2018
	Note	RM'000	RM'000
Loans and borrowings	16	185,806	217,726
Less: Cash and bank balances	12	(65,748)	(67,675)
Net debt		120,058	150,051
Total equity		437,996	536,705
Debt-to-equity ratio		0.27	0.28

The Group has breached certain covenants of the bank guarantors and bank as disclosed in Note 16(a) and (b).

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

30. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	30.6.2019 RM'000	31.3.2018 RM'000
Less than one year	2,601	4,095
Between one and five years	3,658	5,562
	6,259	9,657

The Group leases building premises under operating leases. The leases typically run for a period of 1 to 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.

31. Capital and other commitments

	Group	
	30.6.2019 RM'000	31.3.2018 RM'000
Capital expenditure commitments		
Property, plant and equipment		
- not contracted for	20,895	34,847

32. Contingent liabilities (unsecured)

	Group	
	30.6.2019 RM'000	31.3.2018 RM'000
Taxation in foreign jurisdiction	2,000	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.

33. 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 company, significant investors, subsidiaries, associates, joint ventures and key management personnel.

Significant related party transactions

Related party transactions have been entered into 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	
	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
A. Ultimate holding company				
Rental expenses for office	(116)	(838)	243	(146)
Utilities	(20)	(8)	3	(8)
Support services recharge	2,190	-	207	-
Interest	2,510	-	2,510	-
Salary	2,847	-	2,563	-
Transfer of GRTC building	6,500	-	6,500	-

33. Related parties (continued)

Significant related party transactions (continued)

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
B. Related companies				
SAP maintenance fee expense	(187)	(2,132)	(187)	(151)
Training fee	-	(28)	-	-
C. Associates				
Recharge of expense paid on on behalf of/(by)	222	(715)	222	(715)
D. Companies connected to a Director				
Airline ticketing services - Lintas	(38)	(658)	-	(10)
Rental income for office - Suria	190	181	-	-
E. Key management personnel				
Salaries and short-term employee benefits	5,365	4,573	829	697
Defined contribution plan	261	96	100	96
	5,626	4,669	929	793

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.

There is no benefit-in-kind provided to the Directors of the Company as at the end of the reporting date.

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.

34. Directors' remuneration

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

	Group		Company	
	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000	1.4.2018 to 30.6.2019 RM'000	1.4.2017 to 31.3.2018 RM'000
Non-executive Directors				
Fees	364	332[1]	286	332[1]
Allowances	110	75[2]	84	75[2]
	474	407	370	407
Executive Directors				
Fees	-	748[1]	-	-
Allowances	-	14	-	-
	-	762	-	-
	474	1,169	370	407

(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 for the period from 1 April 2018 to 30 June 2019 is subject to the shareholders' approval at the forthcoming AGM of the Company.

35. Comparative figures

During the financial period, the Company changed its financial year end from 31 March to 30 June. Accordingly, the comparatives for the statements of profit or loss and other comprehensive income, changes in equity and cash flows as well as the comparatives in the notes to the financial statements relating to the statements of profit or loss and other comprehensive income for the year ended 31 March 2018 are not comparable to the results for the current financial period ended 30 June 2019.

36. Significant changes in accounting policies

During the financial period, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

36.1 Impacts on financial statements

The following table summarises the impacts arising from the adoption of MFRS 9 on the Group's financial statements.

a. Statement of financial position

Group	**As previously reported RM'000**	**MFRS 9 adjustments RM'000**	**As restated RM'000**
1 April 2018			
Trade and other receivables	308,509	(11,783)	296,726
Others	719,286	-	719,286
Total assets	1,027,795	(11,783)	1,016,012
Retained earnings	32,474	(10,704)	21,770
Other reserves	995,321	(1,079)	994,242
	1,027,795	(11,783)	1,016,012
Total equity and liabilities	1,027,795	(11,783)	1,016,012

There is no impact arising from the adoption of MFRS 9 on the Company's financial statements.

36. Significant changes in accounting policies (continued)

36.2 Accounting for financial instruments

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior period with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 31 March 2018 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments*: *Recognition and Measurement*.

ii) The determination of the business model within which a financial asset is held has been made based on the facts and circumstances that existed at the date of initial application.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

36. Significant changes in accounting policies (continued)

36.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9:

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 April 2018:

	31 March 2018	1 April 2018		
Category under MFRS 139	**Category under MFRS 139**	**Remeasurement**	**Reclassification to new MFRS 9 category Amortised cost ("AC")**	**Notes**
Group	**RM'000**	**RM'000**	**RM'000**	
Financial assets				
Loans and receivables				
Trade and other receivables	308,509	(11,783)	296,726	36.2(b)(i)
Cash and bank balances	67,675	-	67,675	
	376,184	(11,783)	364,401	

36. Significant changes in accounting policies (continued)

36.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued):

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 April 2018 (continued):

	31 March 2018	1 April 2018		
Category under MFRS 139	**Category under MFRS 139**	**Remeasurement**	**Reclassification to new MFRS 9 category Amortised cost ("AC")**	**Notes**
Company	**RM'000**	**RM'000**	**RM'000**	
Financial assets				
Loans and receivables				
Trade and other receivables	102,913	-	102,913	36.2(b)(i)
Cash and bank balances	3,289	-	3,289	
	106,202	-	106,202	

36. Significant changes in accounting policies (continued)

36.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued):

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 April 2018 (continued):

	31 March 2018	1 April 2018			
			Reclassification to new MFRS 9 category		
Category under MFRS 139	Category under MFRS 139	Remeasurement	Amortised cost ("AC")	Fair value through profit or loss ("FVTPL")	Notes
Group	RM'000	RM'000	RM'000	RM'000	
Financial liabilities					
Other financial liabilities measured at amortised cost					
Loans and borrowings	(217,726)	-	(217,726)	-	36.2(b)(i)
Trade and other payables	(230,267)	-	(230,267)	-	
	(447,993)	-	(447,993)	-	
Fair value through profit or loss – held for trading					
Derivative financial liabilities	(10,516)	-	-	(10,516)	36.2(b)(ii)

36. Significant changes in accounting policies (continued)

36.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued):

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 April 2018 (continued):

	31 March 2018	1 April 2018		
			Reclassification to new MFRS 9 category	
Category under MFRS 139	**Category under MFRS 139**	**Remeasurement**	**Amortised cost ("AC")**	**Fair value through profit or loss ("FVTPL")**
Company	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities				
Other financial liabilities measured at amortised cost				
Trade and other payables	(32,305)	-	(32,305)	-

36. Significant changes in accounting policies (continued)

36.2 Accounting for financial instruments (continued)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (continued):

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. An increase of RM11,783,000 in allowance for impairment was recognised in opening retained earnings of the Group at 1 April 2018 respectively on transition to MFRS 9.

(ii) Reclassification from FVTPL designated upon initial recognition to mandatorily recognition FVTPL

There were derivative financial liabilities, where the Group manages and assesses its performance on a fair value basis, in accordance to the Group's risk management strategy and it is provided to the key management personnel on a periodic basis is classified as FVTPL which are designated upon initial recognition. There is no change in the carrying amount as going forward those derivative financial liabilities are mandatorily recognised as FVTPL.

36.3 Accounting for revenue

There is no significant financial impact arising from the adoption of MFRS 15 to the financial statements of the Group and the Company.

37. Subsequent event

On 11 October 2019, the Company announced that it will undertake a proposed share capital reduction to reduce the issued and fully paid share capital by RM560 million pursuant to Section 116 of the Companies Act 2016 and followed by the proposed consolidation of every 5 existing ordinary shares in the Company into 1 share on an entitlement date to be determined and announced later. These proposals are intended to rationalize the financial position and share capital of the Company reducing its accumulated losses and the number of ordinary shares in issue.

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 53 to 176 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 30 June 2019 and of their financial performance and cash flows for the financial period then ended.

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

……………………………………………………………
Lee Chun Fai
Director

……………………………………………………………
Sammy Tse Kwok Fai
Director

Petaling Jaya

Date: 31 October 2019

Statutory Declaration

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

I, **Ramesh Veetikat Ramachandran**, 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 53 to 176 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 Ramesh Veetikat Ramachandran, Passport No: Z3965153, at Petaling Jaya in the State of Selangor Darul Ehsan on 31 October 2019.

………………………………………………
Ramesh Veetikat Ramachandran

Before me:

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 30 June 2019 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 period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 176.

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 30 June 2019, and of their financial performance and their cash flows for the period then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Material Uncertainty Related to Going Concern

We draw your attention to Note 1(b) to the financial statements which described the events and conditions that indicate a material uncertainty exists that may cast significant doubt on the ability of the Group to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current period. 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) - Significant accounting policies: Goodwill and Note 4 - Intangible assets.

The key audit matter

The Group has a carrying amount of goodwill of RM99.5 million in relation to its drilling services business as at 30 June 2019. The drilling services business continues to be affected by the prolonged decline in global oil and gas prices. In relation to goodwill, the Group is required to perform an annual impairment assessment. The goodwill impairment assessment is considered a key audit matter due to the continuing losses of the drilling services business in recent years and the judgement involved in the assessment of the recoverable amount of the drilling services cash-generating unit by the Group.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the key assumptions such as revenue, margin and operating costs applied in the discounted cash flow projection prepared by the Group for its goodwill impairment assessment by collaborating key market related assumptions to external data and approved budgets to contracts secured and historical performance;

- We engaged our valuation specialist when considering the appropriateness of the discount rates applied in the discounted cash flow projection;

- We assessed the sensitivity of key inputs to the impairment assessment in order to understand the impact of a reasonably possible change in key assumptions on the overall assessment; and

- We considered the adequacy of the Group's disclosures in relation to the goodwill impairment assessment.

Key Audit Matters (continued)

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

At 30 June 2019, included in the Group's property, plant and equipment was the carrying amount of marine vessels of RM191.3 million. The marine services sector continues to be affected by the prolonged decline in global oil and gas prices in recent years. This is an indication that the carrying amount of marine vessels may be impaired.

The Group estimates the recoverable amount of the marine vessels based on the discounted cash flow projections and/or by relying on external valuation reports.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the key assumptions such as revenue, terminal growth rate and discount rate applied in the discounted cash flow projections prepared by the Group for its marine vessel impairment assessment by collaborating key market related assumptions to external data and approved budget to contracts secured and historical performance;
- We assessed the sensitivity of key inputs to the impairment assessment in order to understand the impact of a reasonably possible change in key assumptions on the overall assessment;
- We assessed the competency, credentials and objectivity of the external valuation expert engaged by the Group; and
- We considered the adequacy of the Group's disclosure in relation to the marine vessels impairment assessment.

Key Audit Matters (continued)

iii) Valuation of investment in subsidiaries (Company level)

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

The key audit matter

The Company's investment in subsidiaries mainly consists of its investment in Scomi Oilfield Limited ("SOL") with a carrying amount of RM305.4 million. SOL has been incurring losses in recent years. There is an increased risk that the carrying amount of the Company's investment in subsidiaries might exceed its recoverable amount. The Group estimated the recoverable amount of investment in subsidiaries using discounted cash flow projection.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We assessed the key assumptions such as revenue, margin and operating costs applied in the discounted cash flow projection prepared by the Group for its investment in subsidiaries impairment assessment by collaborating key market related assumptions to external data and the approved budgets to contracts secured and historical performance;

- We engaged KPMG valuation specialist when considering the appropriateness of the discount rates applied in the discounted cash flow projection;

- We assessed the sensitivity of key inputs to the impairment assessment in order to understand the impact of a reasonably possible change in key assumptions on the overall assessment; and

- We considered the adequacy of the Group's disclosures in relation to the investment in subsidiaries impairment assessment.

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 do 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 period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

Other Matter

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

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Chan Chee Keong
Approval Number: 03175/04/2021 J
Chartered Accountant

Petaling Jaya

Date: 31 October 2019

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY

The list of directors who served on the boards of the subsidiary companies of the Company during the financial period until the date of the Directors' Report is set out below.

Name of Subsidiary Company	Name of Directors
Scomi Oilfield Limited	Tatang Tabrani Aminuddin Yusof Lana Shah Hakim @ Shahzanim bin Zain
Scomi Oiltools Sdn Bhd	Hilmy Zaini bin Zainal Zubaidi bin Harun
Scomi Oiltools Pty Ltd	Hilmy Zaini bin Zainal Ian Duncan Crabb Nicholas Harold Doust
KMCOB Capital Berhad	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud
Scomi Oiltools Ltd	Hilmy Zaini bin Zainal Ramesh Veetikat Ramachandran
Scomi KMC Sdn Bhd	Aminuddin bin Omar Azaddin Hilmy Zaini bin Zainal
Scomi Equipment Inc (Texas, USA)	Stephen Fredrick Bracker Nicholas Harold Doust
Scomi Oiltools (Thailand) Ltd	Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal Montri Bunprasit

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONTINUED)

The list of directors who served on the boards of the subsidiary companies of the Company during the financial period until the date of the Directors' Report is set out below (continued)

Name of Subsidiary Company	Name of Directors
Scomi Oiltools Oman LLC	Authorised Managers Michael George Fielding Ramesh Veetikat Ramachandran Norasazly bin Mohd Taha Muhammad Farook Khalid Muhammad Alizubair Alzubair Rashad Muhammad Alzubair Alzubair
Midgard Oilfield Services Ltd. – Pakistan (Branch) (formerly known as Scomi Oiltools Ltd.)	Shah Hakim @ Shahzanim bin Zain Ramesh Veetikat Ramachandran
PT Inti Jatam Pura	Dick Sadikin Sapi'ie Mastura binti Mansor
PT Multi Jaya Persada	Dick Sadikin Sapi'ie Mastura binti Mansor
PT Scomi Oiltools	Erwin Ariyanto Mastura binti Mansor Mukhnizam bin Mahmud
Scomi Oiltools (S) Pte Ltd (Singapore)	Mukhnizam bin Mahmud Tan Hoon Gee
Scomi Oiltools (Africa) Limited	Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal
KMC Oiltools India Private Limited	Pradip Kumar Sinha Mukhnizam bin Mahmud
Wasco Oil Service Company Nigeria Limited	Chief Samuel Odu Ezediaro Michael George Fielding Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONTINUED)

The list of directors who served on the boards of the subsidiary companies of the Company during the financial period until the date of the Directors' Report is set out below (continued)

Name of Subsidiary Company	Name of Directors
Scomi Oiltools (RUS) Limited Liability Company	Hilmy Zaini bin Zainal Mukhnizam bin Mahmud
Trans Advantage Sdn Bhd	Mukhnizam bin Mahmud Hilmy Zaini Bin Zainal
Scomi Anticor S.A.S	Ramesh Veetikat Ramachandran Jessie Chan Daniel Bertrand
Scomi Sosma Sdn Bhd	Hilmy Zaini bin Zainal Zubaidi bin Harun
Scomi Marine Services Pte Ltd	Mukhnizam bin Mahmud Tan Hoon Gee Shah Hakim @ Shahzanim bin Zain Rohaida binti Ali Badaruddin
PT Rig Tenders Indonesia Tbk	<u>Commissioners</u> Tatang Tabrani Mohammad Faisal Ibrahim Shah Hakim @ Shahzanim bin Zain Syed Abdullah bin Syed Abd Kadir Hilmy Zaini bin Zainal <u>Directors</u> Abdul Rahman Abbas Mukhnizam bin Mahmud Mastura binti Mansor
Rig Tenders Marine Pte Ltd	Mukhnizam bin Mahmud Tan Hoon Gee
Rig Tenders Offshore Pte Ltd	Shah Hakim @ Shahzanim bin Zain Sean Lee Yun Feng
CH Ship Management Pte Ltd	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud Tan Hoon Gee
CH Logistics Pte Ltd	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud Tan Hoon Gee

DIRECTORS OF SUBSIDIARY COMPANIES OF THE COMPANY (CONTINUED)

The list of directors who served on the boards of the subsidiary companies of the Company during the financial period until the date of the Directors' Report is set out below (continued)

Name of Subsidiary Company	Name of Directors
Grundtvig Marine Pte Ltd	Kanesan A/L Veluppillai Mukhnizam bin Mahmud Tan Hoon Gee
PT Batuah Abadi Lines	Hilmy Zaini bin Zainal Abdul Hadi
Scomi D&P Sdn Bhd	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud
Scomi Oiltools Egypt S.A.E	Amira Saad Zaghloul Muhammad Asri bin Omar Norasazly bin Mohd Taha
Scomi Argentina Sociedad Anonima (Argentina)	Osmar Ely Julio Cesar Pulisich
KMC Oiltools BV (Netherlands)	Stephen Fredrick Bracker Orangefield (Netherlands) B.V.

Share Capital

Total Number of Issued Shares	:	2,341,775,435 ordinary shares which includes 154,100 ordinary shares purchased by the Company under share buy-back scheme and retained as treasury shares
Class of shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share
No. of shareholders	:	6,350

Distribution of Shareholdings

Size of Shareholdings	Shareholders		Shareholding	
	No. of holders	%*	No. of shares held	%*
Less than 100	55	0.87	1,285	Negligible
100 to 1,000	637	10.03	425,258	0.02
1,001 to 10,000	2,782	43.81	15,763,100	0.67
10,001 to 100,000	2,225	35.04	89,039,080	3.80
100,001 to less than 5% of issued shares	648	10.20	789,399,900	33.71
5% and above of issued shares	3	0.05	1,446,992,712	61.79
Total	**6,350**	**100.00**	**2,341,621,335**	**100.00**

List of Top Thirty (30) Largest Shareholders

No	Name of Shareholder	No. of Shares Held	%
1.	Malaysian Trustees Berhad Pledged Securities Account For Scomi Group Bhd	870,446,322	37.17
2.	Scomi Group Bhd	370,504,790	15.82
3.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Scomi Group Bhd	206,041,600	8.80
4.	Urusharta Jamaah Sdn Bhd	108,317,600	4.63
5.	UOBM Nominees (Asing) Sdn Bhd TAEL One Partners Ltd for Petroworld Investments Inc	98,430,000	4.20
6.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Scomi Group Bhd	90,000,000	3.84
7.	Meer Sadik Bin Habib Mohamed	42,783,996	1.83
8.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	35,194,000	1.50
9.	Guoline (Singapore) Pte Ltd	16,665,400	0.71
10.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yap Yean (60000335)	15,048,400	0.64
11.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Choon Kiat	13,340,000	0.57

List of Top Thirty (30) Largest Shareholders (continued)

No	Name of Shareholder	No. of Shares Held	%
12.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged securities account for Hee Yuen Sang (MY2105)	9,900,000	0.42
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tze Aw (7000019)	8,800,000	0.38
14.	Ramly bin Abdullah	8,000,000	0.34
15.	AmBank (M) Berhad Pledged securities account for Ali bin Abdul Kadir (SMART)	7,200,000	0.31
16.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hee Yuen Sang	6,660,000	0.28
17.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-NR)	4,793,300	0.20
18.	SJ Sec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Francis Ho Ik Sing (SMT)	4,581,300	0.20
19.	Goh Chye Keat	4,200,000	0.18
20.	Hemant Hiralal Kothari	4,059,500	0.17
21.	Hee Yuen Sang	4,000,000	0.17
22.	Low Chu Mooi	4,000,000	0.17
23.	Sng Beng Hock Michael	4,000,000	0.17
24.	Yee Kim Ee	4,000,000	0.17
25.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Bank Julius Baer & Co. Ltd. (Singapore Bch)	3,700,000	0.16
26.	RHB Nominees (Tempatan) Sdn Bhd Soo Chew Sheng	3,606,000	0.15
27.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Poh Soon Sim (CEB)	3,459,000	0.15
28.	Tan Tze Aw	3,450,000	0.15
29.	RHB Nominees (Tempatan) Sdn Bhd Koh Kwee Hwa	3,299,600	0.14
30.	Ng Chai Go	3,262,000	0.14
	Total	**1,961,742,808**	**83.76**

Shareholdings of Substantial Shareholders

Name of substantial shareholders	Direct shareholding		Deemed interested shareholding	
	No. of shares	%	No. of shares held	%
Scomi Group Bhd	1,536,992,712[(1)]	65.64	350,000[(2)]	0.01

Notes:
* The percentage of shareholdings have been computed net of the Company's treasury shares.
[(1)] Includes 206,041,600 shares held through Maybank Nominees (Tempatan) Sdn Bhd, 870,446,322 shares held through Malaysian Trustees Berhad and 90,000,000 shares held through Affin Hwang Nominees (Tempatan) Sdn Bhd pledged Securities Account.
[(2)] Deemed interested by virtue of Section 8(4) of the Companies Act, 2016 ("the Act") through its shareholding in Scomi Energy Sdn Bhd, which in turn is interested in the Company.

Shareholdings of Directors

Directors	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Dato' Jamelah Binti Jamaluddin	-	-	-	-
Dato' Sri Meer Sadik bin Habib Mohamed	42,783,996	1.83	547,404[(1)]	0.02
Ravinder Singh Grewal A/L Sarbjit S	-	-	-	-
Stephen Fredrick Bracker	-	-	-	-
Dr Ir Jeyanthi A/P Ramasamy	-	-	-	-
Ruziah binti Mohd Amin	-	-	-	-
Lee Chun Fai	-	-	-	-
Shah Hakim @ Shahzanim bin Zain	2,108,000[(2)]	0.09	56,900[(3)]	Negligible

Notes:
[(1)] Deemed interested by virtue of Section 59(11)(c) of the Act through his spouse, Datin Zarida Binti Noordin's shareholdings in the Company.
[(2)] 886,214 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin).
[(3)] Deemed interested by virtue of Section 8(4) of the Act through his shareholdings in Rentak Rimbun Sdn Bhd, held through KAF Nominees (Tempatan) Sdn Bhd pledged securities Account for Rentak Rimbun Sdn Bhd (RE001).

Shareholdings of Directors in Related Corporation

Scomi Group Bhd

Name of Director	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Shah Hakim @ Shahzanim bin Zain	1,865,049[(1)]	0.17	88,726,369[(2)]	8.11

Notes:
[(1)] 886,214 shares held through Maybank Securities Nominees (Tempatan) Sdn. Bhd. pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn. Bhd. pledged Securities Account for Shah Hakim @ Shahzanim bin Zain.
[(2)] Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Kaspadu Sdn Bhd, Rentak Rimbun Sdn Bhd and Onstream Sdn Bhd.

No	Registered Owner	Description/ Location address	Existing use	Tenure of land: Freehold or leasehold (years)/date of acquisition	Land/ Built Up area	Audited NBV as at 30.06.19 (RM '000)	Approximate age of building (FY2019)
1	P.T. Rig Tenders Indonesia, Tbk	Land Jl Belitung Darat No.88 Banjarmasin 70116	Land for the building as mentioned in item 2	Freehold 09.01.2003	Land area: 190 sq metres Built-up area: n/a	11.5	n/a
2	P.T. Rig Tenders Indonesia, Tbk	Office building Jl Belitung Darat No.88 Banjarmasin 70116	Office building	Freehold 06.05.1997	Land area: n/a Built-up area: 972 sq metres	-	24 years
3	Scomi Oiltools Sdn Bhd	Master: Land held under Geran 46494, Lot 42410 Pekan Cempaka, Daerah Petaling, Negeri Selangor, Malaysia (formerly known as PT 42410 H.S.(D) 135924 part of Geran 35997 Lot 102 Geran 40176 Lot 15386 and Geran 43061 Lot 15386, Mukim of Sungai Buloh Daerah Petaling, Negeri Selangor, Malaysia)	Five storey shop office	Freehold 31.10.1999	Built up area: 11,755 sq ft	-	22 years
4	Scomi Energy Services Bhd	Land and buliding: Geran 58840 Lot 64254 Mukim of Damansara District of Petaling Selangor Darul Ehsan	Office and warehouse	Freehold 23.12.2009	Land area: 1,575m^2 Building area: 1,795m^2	Land and building: 6,460	14 years

CORPORATE

Malaysia

Scomi Group Bhd
Level 15, Menara TSR
No. 12, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Energy Services Bhd
Level 15, Menara TSR
No. 12, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Oiltools Sdn Bhd
Level 15, Menara TSR
No. 12, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Sosma Sdn Bhd
Level 15, Menara TSR
No. 12, Jalan PJU 7/3
Mutiara Damansara
47810 Petaling Jaya
Selangor Darul Ehsan
Malaysia

OPERATING LOCATIONS

Australia
Scomi Oiltools Pty Ltd
15 Boulder Road, Malaga
Perth, Western Australia 6090
Australia

Congo
Oiltools Africa Ltd
Zone Industrielle de la Foire
Avenue Jean Marie Mavoungou
BP 685 Pointe Noire
Republique du Congo

China
Scomi Oiltools Ltd
Beijing Representative Office
Room A0910, Tower A
North Star Huibin Plaza
No.8 Beichendonglu Road
Chao Yang District, Beijing
China

Egypt
Scomi Oiltools Egypt SAE
56 Farida Queen St from Ahmed
Badawy
Merage - Maadi
Cairo, Egypt

India
KMC Oiltools India Pvt. Ltd
Unit No.305, Western Edge II
3rd Floor, Near Western Express
Highway
Borivali, Mumbai 400066
Maharashtra
India

Indonesia
PT Rigtenders Indonesia TBK
Tetrapack Bld. 1st floor,
Jl. Buncit Raya Kav. 100
South of Jakarta
Indonesia

PT Scomi Oiltools
Jl. Mulawarman No.155
Rt 05, Kelurahan Manggar
Balikpapan76116
East Kalimantan
Indonesia

PT Rig Tenders Indonesia
PT Batuah Abadi Lines
Jl. Belitung Darat No.88
Rt 19, Banjarmasin
South Kalimantan
Indonesia

PT Scomi Oiltools
Jl. Raya Duri Dumai KM 131
Duri, Pekanbaru
Sumatra 28884
Indonesia

Malaysia
Global Research & Technology
Centre
No. 9 Jalan Astaka U8/83
Seksyen U8, 40150 Shah Alam
Selangor Darul Ehsan
Malaysia

Scomi Oiltools Sdn Bhd (Kemaman)
Warehouse 24, Letterbox No.72
Kemaman Supply base
24007 Kemaman
Terengganu Darul Iman
Malaysia

Scomi Oiltools Sdn Bhd (Labuan)
Labuan Integrated Base
Lot 205331935, Jalan Kinabenua
Letter Box 82023
87030 Labuan Federal Territory
Labuan, Malaysia

Marine Co Limited
Level 6-D, Main Office Tower
Financial Park, Jalan Merdeka
PO Box 80887
87018 Labuan Federal Territory
Labuan, Malaysia

Scomi Oiltools Sdn Bhd (Miri)
Lot 2164, 1st Floor Saberkas
Commercial Centre
Jalan Pujut-Lutong
98000 Miri, Sarawak
Malaysia

Scomi Sosma Sdn Bhd
Lot 32, Tangjung Kidurong
97000 Bintulu, Sarawak
Malaysia

Myanmar
Scomi Oiltools (Thailand) Ltd
c/o: Business Suite #4-11
Level 4, Sedona Hotel Yangon
No.1 Kaba Aye Pagoda Road
Yankin Township, Yangon
Myanmar

Nigeria
Wasco Oil Service Company
Nigeria Ltd
No.9 Wharf Road, Before Onne
Police Station
Onne, Rivers State,
Nigeria

Oman
Scomi Oiltools Oman LLC
Building 272, Way No 44803,
Office No 1104 (2nd Floor)
P.O. Box 302, Postal Code 130,
Azaiba
Oman

Pakistan
Scomi Oiltools Ltd
Plot No. 212, East Service Road,
Industrial Area I-10/3
Islamabad
Pakistan

Scomi Oiltools Ltd
Plot No. A-146
SITE, Superhighway
Karachi
Pakistan

Russia
Scomi Oiltools (Rus) LLC
Bld.1, 24/2 Sretenka Str.
107045 Moscow
Russia

Scomi Oiltools (Rus) LLC
Western Siberia Office
Bld.8, 5 Kuzovatkina Str.
628600 Nizhnevartovsk
Tyumen Region
Russia

Scomi Oiltools (Rus) LLC
Western Siberia Office
Quarter 04 Block 01
Yugozapadnaya Industrial District
628305 Nefteyugansk Town
Tyumen Region
Russia

Saudi Arabia
Scomi Oiltools (Cayman) Ltd
803, 8th Floor, Al Jarbou Tower
Custodian of the Two Holy Mosque Rd
Aqrabia P.O.Box 31151
Al Khobar 31952
Saudi Arabia

Thailand
Scomi Oiltools (Thailand) Ltd
21 Floor CTI Tower, 191/45,
Ratchadapisek Road, Khet Klongtoey
Bangkok 10110
Thailand

Scomi Oiltools (Thailand) Ltd
163, Moo 6 Tumbol Lankrabue
Amphur Lankrabue
Kamphaengphet
62170 Thailand

Scomi Oiltools (Thailand) Ltd
424/9, Moo 6 Songkhla-Koh Yor Road
Amphur Muang, Songkhla
Kamphaengphet
90100 Thailand

Turkmenistan
Midgard Oilfield Services Ltd
Office L7, 12th Floor, Berkarar Business Center
82, Ataturk (1972) Street
744028 Ashgabat
Turkmenistan

Midgard Oilfield Services Ltd
(Turkmenistan Branch)
High Road 9 Kilometer
745030 Hazar
Turkmenistan

Midgard Oilfield Services Ltd
(Turkmenistan Branch)
Petronas Base, Turkmenbashy City
Balkan Region

UAE
Scomi Oiltools (Cayman) Ltd
Mezzanine Floor M02, Liwa Tower
P.O Box 45333, Liwa Street,
Abu Dhabi
United Arab Emirates

Scomi Oiltools (Cayman) Ltd
Oilfield Supply Centre, Building B-40,
Jebel Ali Free Zone
P.O. Box 1779
Dubai
United Arab Emirates

USA
Scomi Equipment Inc
6607 Theall Road,
Houston, TX 77066,
Texas
USA

Vietnam
Scomi Oiltools Ltd
c/o: 9A, Pham Van Nghi
Thang Nhat ward
Vung Tau City
Vietnam

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 23rd Annual General Meeting of **SCOMI ENERGY SERVICES BHD.** ("the Company") will be held at Persatuan Alumni Universiti Malaya, Lot 10476, Jalan Susur Damansara (Jalan Damansara Lama), Off Jalan Gegambir, 50480 Kuala Lumpur on Thursday, 28 November 2019 at 2.00 p.m. to transact the following business:

AS ORDINARY BUSINESS:

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

1. To receive the Audited Financial Statements for the financial period ended 30 June 2019 and the Reports of the Directors and Auditors thereon. (Please refer to Note 2)

2. To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Articles of Association and being eligible, have offered themselves for re-election:
   (i) Dato' Jamelah binti Jamaluddin (Ordinary Resolution 1)
   (ii) Stephen Fredrick Bracker (Ordinary Resolution 2)

3. To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association and who being eligible, have offered themselves for re-election:
   (i) Sammy Tse Kwok Fai (Ordinary Resolution 3)
   (ii) Dr Ir Jeyanthi A/P Ramasamy (Ordinary Resolution 4)
   (iii) Ruziah binti Amin (Ordinary Resolution 5)

4. To approve the payment of Directors' fees amounting to RM340,079.00 for Non-Executive Directors in respect of the financial period ended 30 June 2019. (Ordinary Resolution 6)

5. To approve the payment of Directors' Remuneration (excluding Directors' fees) to Non-Executive Directors up to an amount of RM200,000.00 from 28 November 2019 until the next Annual General Meeting of the Company. (Ordinary Resolution 7)

6. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 30 June 2020 and to authorise the Directors to fix their remuneration. (Ordinary Resolution 8)

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following as Ordinary Resolutions and Special Resolution:

7. **Authority for Dato' Sri Meer Sadik bin Habib Mohamed to continue to act in office as an Independent Non-Executive Director** (Ordinary Resolution 9) (Please refer to Note 6)

   "**THAT** authority be and is hereby given to Dato' Sri Meer Sadik bin Habib Mohamed who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue in office as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2017."

8. **Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016** (Ordinary Resolution 10) (Please refer to Note 6)

   "**THAT**, subject always to the Companies Act, 2016, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and the approvals of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Companies Act, 2016 to issue and allot shares in the Company, at any time and from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided it does not exceed 10% of the total number of issued shares of the Company as prescribed by the MMLR at the time of issuance of shares and such authority under this resolution shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is earlier.

9. **Proposed Adoption of the Constitution of the Company** (Special Resolution)
(Please refer to Note 6)

"**THAT** the existing Memorandum of Association and Articles of Association of the Company be and are hereby deleted in its entirety **AND THAT** the new Constitution of the Company as set out in the Circular to Shareholders dated 31 October 2019 be and is hereby adopted as the new Constitution of the Company **AND THAT** the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

10. To transact any other business of the Company for which due notice shall have been given in accordance with the Companies Act, 2016 and the Articles of Association of the Company.

By Order of the Board

SIM BEE SIN (MAICSA 7056323)
Company Secretary
Petaling Jaya
Date: 31 October 2019

Note 1: Appointment of Proxy

(i) 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 to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.
(ii) 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.
(iii) Where a member or an exempt authorised nominee appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
(iv) The instrument appointing a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.
(v) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the 23rd Annual General Meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
(vi) The lodging of a completed Form of Proxy to the Share Registrar of the Company will not preclude a member from attending and voting in person at the meeting should the member subsequently wish to do so. If a member subsequently decide to attend and vote in person at the meeting, the member is requested to rescind his/her earlier appointment of proxy(ies), and notify the Share Registrar of the Company as soon as practicable.
(vii) For the purpose of determining a member who shall be entitled to attend the forthcoming 23rd Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 18 November 2019. Only depositor whose name appears on the General Meeting Record of Depositors as at 18 November 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Note 2: Audited Financial Statements for the financial period ended 30 June 2019 and the Reports of the Directors and Auditors thereon

The Audited Financial Statements under Agenda 1 are laid before the shareholders for discussion only as under the provisions of Section 340(1)(a) of the Companies Act, 2016, the Audited Financial Statements do not require a formal approval of the shareholders and hence, the matter is not put forward for voting.

Note 3: Abstention from voting

(i) The interested Directors of the Company who are shareholders of the Company will abstain from voting on the relevant resolutions in respect of their re-election as the Director of the Company at the 23rd Annual General Meeting.

(ii) All the Non-Executive Directors of the Company who are shareholders of the Company will abstain from voting on Ordinary Resolutions 6 and 7 concerning fees and remuneration to Non-Executive Directors at the 23rd Annual General Meeting.

Note 4: Explanatory Notes on Directors' Fees

Ordinary Resolution 6

The fees for the Non-Executive Directors as set out below have been implemented since financial year 2009 and the Board had agreed that the Directors' Fees in respect of the financial period ended 30 June 2019 be maintained as follows:

		Annual Fee(RM)
a.	Chairman of the Board of Directors	60,000.00
b.	Chairman of the Audit & Risk Management Committee ("ARMC")	60,000.00
c.	Non-Executive Director who is a member of the ARMC	58,000.00
d.	Non-Executive Director who is not a member of the ARMC	48,000.00

The payment of the Directors Fees in respect of the financial period ended 30 June 2019 will only be made if the proposed Ordinary Resolution 6 has been approved at the 23rd Annual General Meeting of the Company.

Note 5: Explanatory Notes on Directors' Remuneration (excluding Directors' fees)

Ordinary Resolution 7

Pursuant to Section 230 of the Companies Act 2016, which came into force on 31 January 2017, any fees and benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The Company is therefore seeking the shareholders' approval for the payment of Directors' Remuneration (excluding Directors' fees) to its Non-Executive Directors for the period commencing 28 November 2019 until the next Annual General Meeting to be held in 2020 ("Relevant Period") in accordance with the remuneration structure set out below, payable as and when incurred:

1	Meeting Allowance	Board of Directors	RM1,000 per meeting
2	Meeting Allowance	Board Committee	RM1,000 per meeting
3	Transport allowance for attending Annual General Meeting, Board Meetings, Board Committee Meetings, Directors' Training and the Company's events	Non-Executive Director who is based in Malaysia but outside of Wilayah Persekutuan Kuala Lumpur and Selangor	RM500 per trip

In determining the estimated total Directors' Remuneration (excluding Directors' Fees) for the Relevant Period, the size of the Board and Board Committees and the number of meetings estimated to be held during the Relevant Period based on the above remuneration structure were taken into consideration.

Note 6: Explanatory Notes on Special Business:

Ordinary Resolution 9
- Authority for Dato' Sri Meer Sadik bin Habib Mohamed to continue to act in office as an Independent Non-Executive Director

The Board of Directors has via the Nomination and Remuneration Committee conducted an annual performance evaluation and assessment of Dato' Sri Meer Sadik bin Habib Mohamed who has served as Independent Director of the Company for a cumulative term of more than nine (9) years and recommended him to continue to act as Independent Director of the Company based on the following justifications:-

(a) that he fulfils the criteria set out in the definition of "Independent Director" in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad;
(b) that his vast experience and expertise enable the Board to discharge its duties effectively and in a competent manner;
(c) that although he has served the Company as Independent Director for a cumulative term of more than nine (9) years, he has at all times acted in the best interest of the Company, providing independent views to the deliberations and decision making of the Board and Board Committees and fully understand and provide critical oversight over the Company's objective and strategies as well as the business operation of the Company and the Group;
(d) that he has proven to be reliable Independent Director with his professionalism, aptitude and business outlook and perspectives, devoted sufficient time and attention to his professional obligations for informed and balanced decision making. He has also exercised due care and diligence during his tenure in the best interest of the Company and the shareholders; and
(e) that he has provided confirmation in writing that he is independent of the Management, the Board and major shareholders and are free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company and the Group.

Ordinary Resolution 10
- Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The Ordinary Resolution 10 is proposed pursuant to Sections 75 and 76 of the Companies Act, 2016, and if passed, will give the Directors of the Company authority from the date of the forthcoming 23rd Annual General Meeting of the Company, to issue and allot shares in the Company at any time up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors deem fit and in the interest of the Company ("Share Mandate"). This Share Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting of the Company is required by law to be held.

With this Share Mandate, the Company will have the flexibility to raise capital from the equity market in a shorter period of time compared to a situation without the Share Mandate, for any purpose including funding future investment project(s), working capital and/or acquisition(s) without convening an Extraordinary General Meeting ("EGM"). In addition, the costs involved will also be lower as the need to have an EGM will be dispensed with if the proposed issuance of shares is within the 10% threshold. The Company will have to seek shareholders' approval at an EGM to be convened in the event that the proposed issuance of shares exceeds the 10% threshold allowed by the Share Mandate.

The proposed resolution is to seek a renewal of the Share Mandate which was approved by the shareholders at the 22nd Annual General Meeting of the Company held on 24 August 2018. As the date of this notice, no new shares in the Company were issued and allotted pursuant to that Share Mandate, which will lapse at the conclusion of the forthcoming 23rd Annual General Meeting to be held on 28 November 2019.

Special Resolution
– Proposed Adoption of the Constitution of the Company

The Special Resolution, if passed, will align the Constitution of the Company with the Companies Act 2016, the MMLR of Bursa Malaysia Securities Berhad and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout. Details of which as set out in the Circular to Shareholders dated 31 October 2019.

Note 7: 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 23rd Annual General 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 23rd Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 23rd Annual General 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.

Form of Proxy

SCOMI ENERGY SERVICES BHD
Company No. 199601025627 (397979-A)
Registered Office: Level 15, Menara TSR
No. 12, Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor Darul Ehsan

CDS Account No.	
No. of Ordinary Shares Held	

I/We* ______________________________ NRIC/Passport No. ______________
(Full Name)

of ____
(Full Address)

being a *member/members of Scomi Energy Services Bhd., hereby appoint ______________

______________________________ NRIC/Passport No. ______________
(Full Name)

of ____
(Full Address)

or failing him/her ______________________________ NRIC/Passport No ______________
(Full Name)

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 23rd Annual General Meeting of the Company to be held at Persatuan Alumni Universiti Malaya, Lot 10476, Jalan Susur Damansara (Jalan Damansara Lama), Off Jalan Gegambir, 50480 Kuala Lumpur on Thursday, 28 November 2019 at 2.00 p.m. or any adjournment thereof.

Resolutions		**For**	**Against**
Ordinary Business			
	To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Articles of Association and being eligible, have offered themselves for re-election:		
Ordinary Resolution 1	(i) Dato' Sri Jamelah binti Jamaluddin		
Ordinary Resolution 2	(ii) Stephen Fredrick Bracker		
	To re-elect the following Directors who retire in accordance with Article 93 of the Company's Articles of Association and who being eligible, have offered themselves for re-election:		
Ordinary Resolution 3	(i) Sammy Tse Kwok Fai		
Ordinary Resolution 4	(ii) Dr Ir Jeyanthi a/p Ramasamy		
Ordinary Resolution 5	(iii) Ruziah binti Mohd Amin		
Ordinary Resolution 6	To approve the payment of Directors' fees amounting to RM340,079.00 for Non-Executive Directors in respect of the financial period ended 30 June 2019.		
Ordinary Resolution 7	To approve the payment of Directors' Remuneration (excluding Directors' fees) to Non-Executive Directors up to an amount of RM200,000.00 from 28 November 2019 until the next Annual General Meeting of the Company.		
Ordinary Resolution 8	To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 30 June 2020 and to authorise the Directors to fix their remuneration.		
Special Business			
Ordinary Resolution 9	Authority for Dato' Sri Meer Sadik bin Habib Mohamed to continue to act in office as an Independent Non-Executive Director.		
Ordinary Resolution 10	Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016.		
Special Resolution	Proposed Adoption of the Constitution of the Company.		

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

Dated this __________ *day of* ____________________ *2019* *Signature/Seal* ____________________

Fold this flap for sealing

Notes:

(i) 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 to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.

(ii) 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.

(iii) Where a member or an exempt authorised nominee appoints more than one proxy, the appointments shall be invalid unless he/she specifies the prop¬ortion of his/her holding to be represented by each proxy.

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

(v) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time for holding the 23rd Annual General Meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

(vi) The lodging of a completed Form of Proxy to the Share Registrar of the Company will not preclude a member from attending and voting in person at the meeting should the member subsequently wish to do so. If a member subsequently decide to attend and vote in person at the meeting, the member is requested to rescind his/her earlier appointment of proxy(ies), and notify the Share Registrar of the Company as soon as practicable.

(vii) For the purpose of determining a member who shall be entitled to attend the forthcoming 23rd Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 54 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 18 November 2019. Only depositor whose name appears on the General Meeting Record of Depositors as at 18 November 2019 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her 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 23rd Annual General Meeting and any adjournment thereof, the member accepts and agrees to the personal data privacy terms as set out in the Notice of 23rd Annual General Meeting dated 31 October 2019.

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Affix
Stamp

The Registrar of Scomi Energy Services Bhd
Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
11th Floor, Menara Symphony
No. 5, Jalan Prof Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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