Scomi

ANNUAL REPORT 2020

Realising *Potential*

Scomi Energy Services Bhd

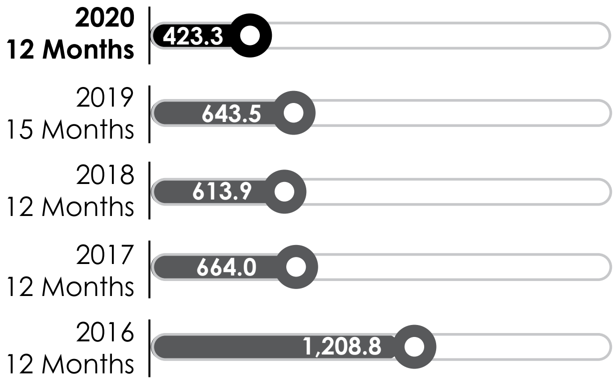
Inside This Report

Key Financial Indicators

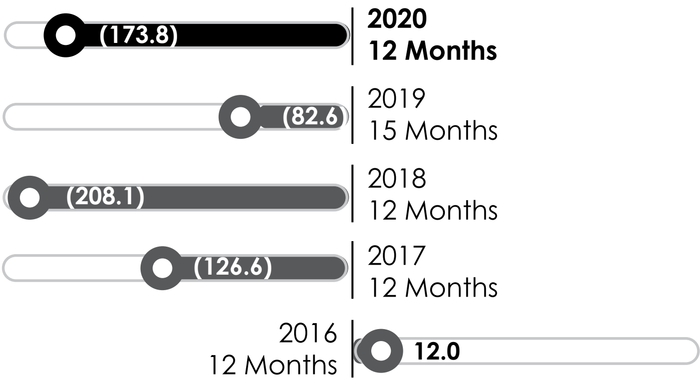
	2020 RM'000	2019 RM'000 (15 months)	2018 RM'000	2017 RM'000	2016 RM'000
Revenue	423,320	643,494	613,957	664,012	1,208,784
EBITDA@	19,078	65,465	(47,528)	31,853	157,319
Depreciation	(60,277)	(77,049)	(80,449)	(95,176)	(100,622)
Finance costs	(15,594)	(23,139)	(29,348)	(20,606)	(27,279)
Share of profit/(loss) in associated companies	842	(2,299)	-	-	495
Share of (loss)/profit from joint ventures	-	(3,866)	(36,663)	(24,208)	(10,628)
(Loss)/Profit before tax	(173,778)	(82,579)	(208,174)	(126,637)	11,996
Taxation	(12,517)	(20,883)	(17,744)	(9,128)	(23,914)
(Loss)/Profit after tax	(186,295)	(103,462)	(225,918)	(135,765)	(11,918)
Non-controlling interests	1,208	7,772	6,863	9,359	9,184
(Loss)/Profit after tax after non-controlling interests	(187,503)	(95,690)	(219,055)	(126,406)	(2,734)
Number of shares assumed in issue ('000)	468,324	2,341,621	2,341,621	2,341,621	2,341,630
Weighted average number of shares used to compute diluted earnings per share ('000)	468,324	2,341,621	2,341,621	2,341,621	2,341,630
Basic and diluted - Net EPS (sen)	(40.04)	(4.09)	(9.35)	(5.40)	(0.12)
Total assets	563,040	857,805	1,027,795	1,374,019	1,559,942
Net tangible assets	197,727	301,244	389,147	632,352	690,686
Shareholders' Fund	197,727	404,775	495,712	740,255	808,565
Net assets per share (sen)	42.22	17.28	21.2	31.6	34.5

@ Earnings before interest, tax, depreciation, amortization, share of results of joint venture and associates, impairment of intangible assets, impairment of amount due from holding company and impairment of investment and amount due from joint venture and associate.

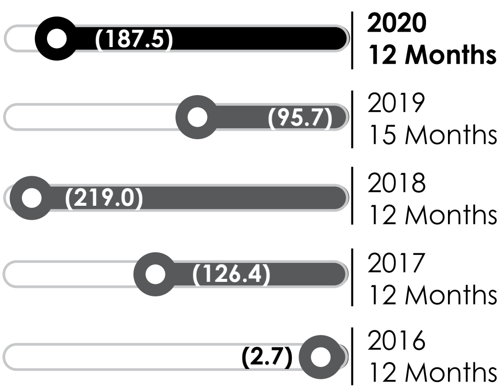
Turnover (RM Million)



(Loss)/Profit Before Tax (RM Million)



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



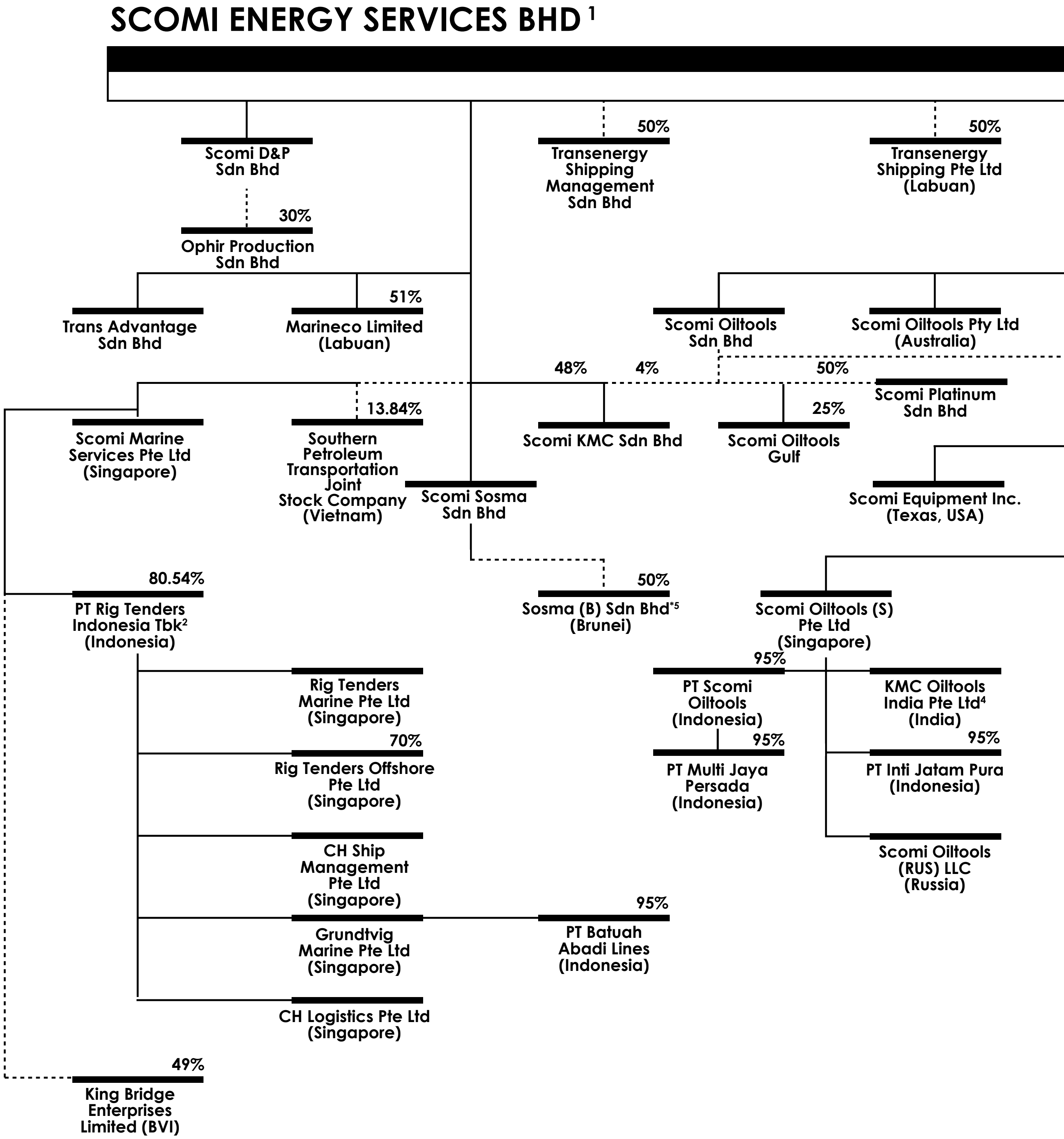
Total Assets
(RM Million)
563.0
2019 : 857.8

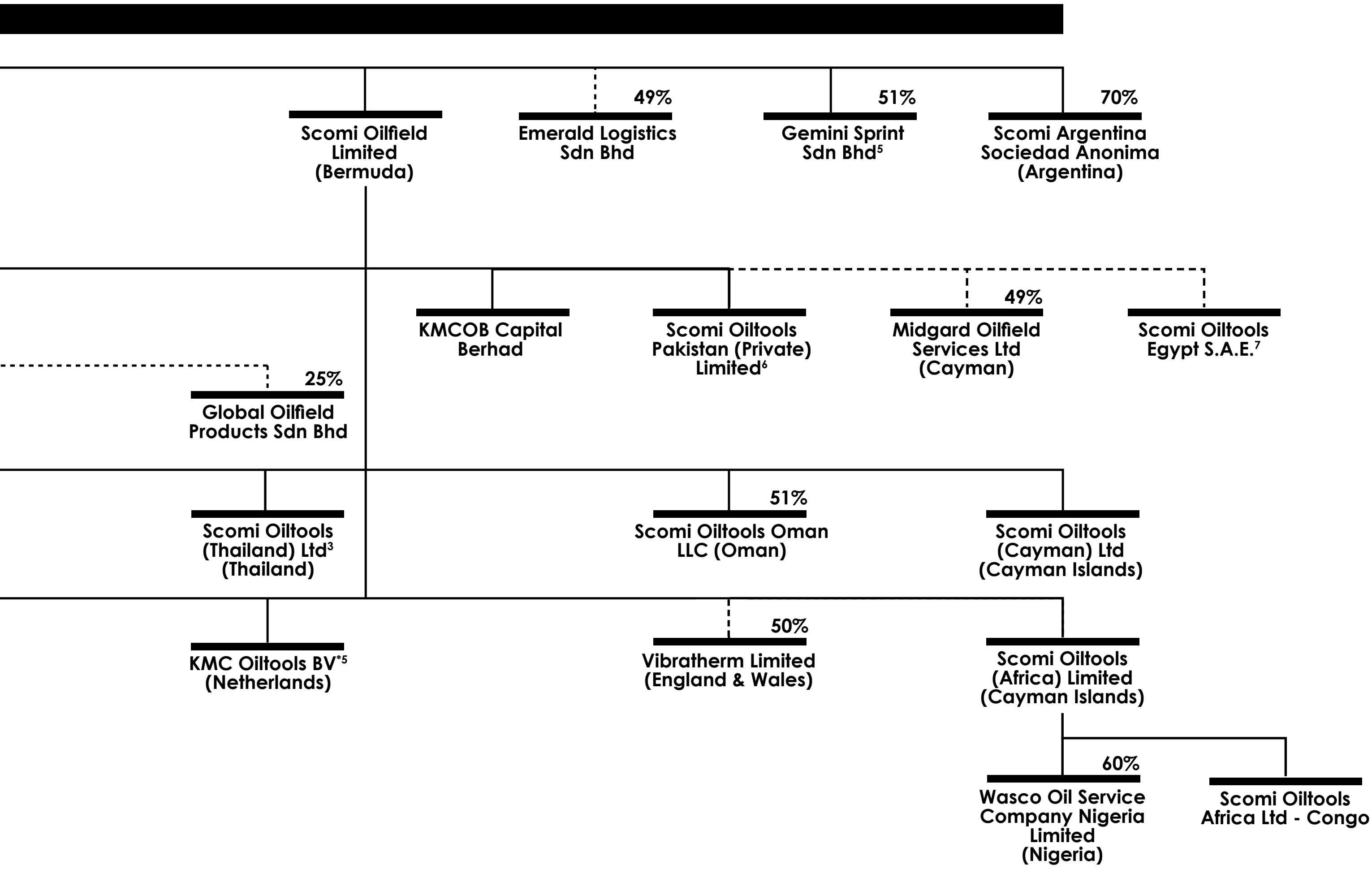
RM
Net Tangible Assets
(RM Million)
197.7
2019 : 301.2

RM
Shareholder's Fund
(RM Million)
197.7
2019 : 404.8

RM
Net Assets Per Share
(sen)
42.22
2019 : 17.3

Corporate Structure as at 29 October 2020





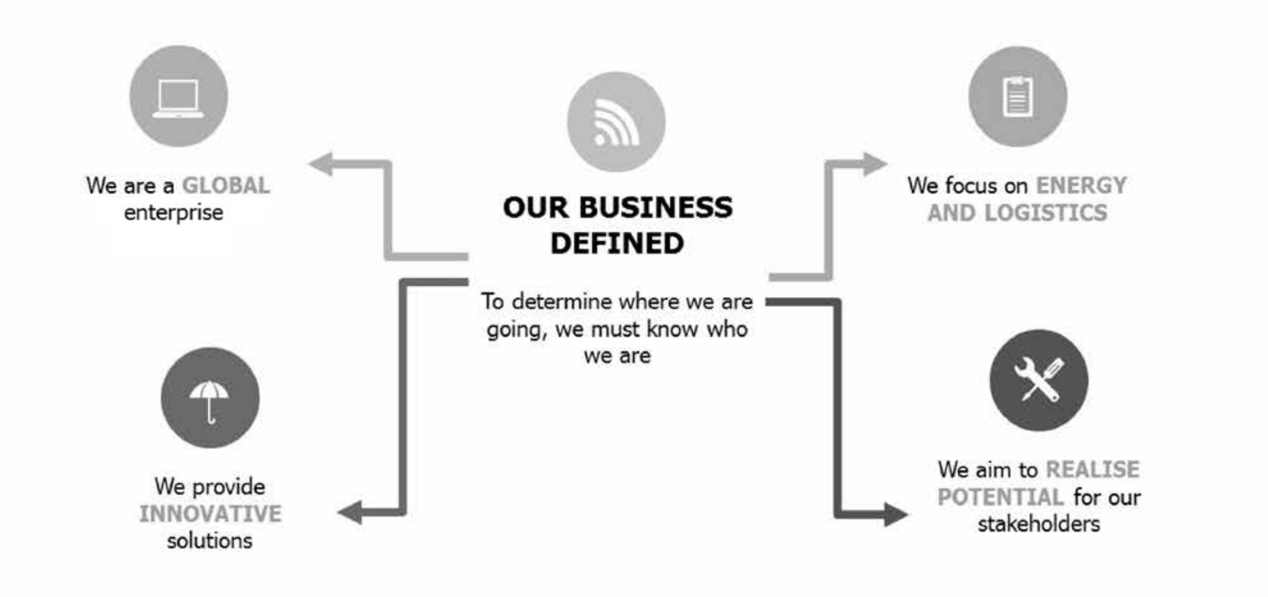
Key:

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.
6. Includes 1 share each held in trust by Hilmy Zaini bin Zainal and Zahid Hasan Butt for Scomi Oilfield Limited
7. Includes 1 share each held by Midgard Oilfield Services Ltd (formerly known as Scomi Oiltools Ltd) and Scomi Oiltools (Cayman) Ltd.

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 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 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

Stephen Fredrick Bracker
Independent Non-Executive Chairman

Dato' Jamelah binti Jamaluddin
Independent Non-Executive Director

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

Ruziah binti Mohd Amin
Independent Non-Executive Director

Wong Mun Keong
Non-Independent Non-Executive Director

Aminodin bin Ismail
Non-Independent Non-Executive Director

Amirul Azhar bin Baharom
Executive Director

CHIEF EXECUTIVE OFFICER
Amirul Azhar bin Baharom

SENIOR INDEPENDENT DIRECTOR
Ruziah binti Mohd Amin
Email: sid.sesb@scomigroup.com

AUDIT AND RISK MANAGEMENT COMMITTEE
Ravinder Singh Grewal A/L Sarbjit S (Chairman)
Wong Mun Keong
Ruziah binti Mohd Amin

NOMINATION AND REMUNERATION COMMITTEE
Stephen Fredrick Bracker (Chairman)
Dato' Jamelah binti Jamaluddin
Ravinder Singh Grewal A/L Sarbjit S
Aminodin bin Ismail

REGISTERED OFFICE
No 2-1 Jalan Sri Hartamas 8
Sri Hartamas, 50480 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur
Tel : +603 6201 1120
Fax : +603 6201 3121

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

SHARE 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
Helpdesk Tel No : +603-7890 4700
Fax : +603 7890 4600
Email : ssr.helpdesk@boardroomlimited.com

JOINT COMPANY SECRETARIES
Chen Wee Sam (LS 0009709)(SSM PC No. 202008002853)
Thong Pui Yee (MAICSA 7067416)(SSM PC No. 202008000510)

AUDITORS
KPMG PLT (LLP0010081-LCA & AF 0758)
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : +603 7721 3388
Fax : +603 7721 3399

PRINCIPAL BANKERS

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

OCBC Bank (Malaysia) Berhad
17th Floor Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur, Malaysia

Hong Leong Bank Berhad
Level 11, Menara Hong Leong
No. 6 Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur, Malaysia

CIMB Bank Berhad Labuan Offshore Branch
Level 14(A) Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Labuan F.T 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

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

CURRENCY
Ringgit Malaysia (RM)

INVESTOR RELATIONS
Amirul Baharom
Level 15, Menara TSR, No. 12, Jalan PJU 7/3
Mutiara Damansara, 47810 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Email : info.sesb@scomigroup.com

Board of Directors

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

Steve, male, 65, an Australian, was appointed to the Board as Non-Independent Non-Executive Director on 30 September 2015 and was subsequently redesignated as Independent Non-Executive Director on 13 November 2018. He was redesignated as the Independent Non-Executive Chairman on 24 August 2020.

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 to2007, 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 also chairs the Nomination and Remuneration Committee. He attended 13 out of the 14 Board Meetings held in the financial year ended 30 June 2020.

Steve does not hold any directorship in any other public companies and listed issuers.

Dato' Jamelah binti Jamaluddin
Independent Non-Executive Director

Dato´ Jamelah, female, 63, a Malaysian, is an Independent Non-Executive Director of the Company. She was appointed as a member of the Board on 15 November 2013. She was redesignated as Independent Non-Executive Chairman on 29 November 2018 and subsequently redesignated as Independent Non-Executive Director on 18 March 2020.

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 and is also a Council Member of Majlis Amanah Rakyat (MARA).

Dato' Jamelah is a member of the Nomination and Remuneration Committee of the Board. She attended 12 out of the 14 Board Meetings held in the financial year ended 30 June 2020.

Ravinder Singh Grewal a/l Sarbjit S ("Ravinder")
Independent Non-Executive Director

Ravinder, male, 51, 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 13 out of the 14 Board Meetings held in the financial year ended 30 June 2020.

He does not hold any directorship in any other public companies and listed issuers.

Ruziah binti Mohd Amin
Independent Non-Executive Director

Cik Ruziah, female, 59, a Malaysian, is an Independent Non-Executive Director of the Company. She was appointed to the Board on 4 September 2019 and appointed as a member of the Audit and Risk Management Committee on 16 July 2020.

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 attended 12 out of the 13 Board Meetings held from the date of her appointment up to the financial year ended 30 June 2020.

She does not hold any directorship in any other public companies and listed issuers.

Wong Mun Keong
Non-Independent Non-Executive Director

Mr Wong Mun Keong, male, 59, a Malaysian, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board on 27 February 2020.

Mr Wong holds a Bachelor of Commerce in Accounting, Finance and Systems (Honours) from University of New South Wales, Australia.

He has held various capacities related to finance and investment in Malaysia and Australia from 1987 to 2006. Subsequently, he joined REI Group in 2007 until March 2007. He is currently the Chief Investment Officer at Rohas Tecnic Berhad and Director at Syarikat Pengeluar Air Selangor Holdings Berhad.

Mr Wong is a member of the Audit and Risk Management Committee. He attended all of the 8 Board Meetings held from the date of his appointment up to the financial year ended 30 June 2020.

Board of Directors

Aminodin bin Ismail
Non-Independent Non-Executive Director

Encik Aminodin, male, 53, a Malaysian, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board on 15 July 2020 and appointed as a member of Nomination and Remuneration Committee on 16 July 2020.

Encik Aminodin holds a Degree in Accounting and Finance from Liverpool John Moores University, United Kingdom and is a Fellow of the Association of Chartered Certified Accountants, United Kingdom.

He has 5 years of merchant banking experience gained from working in Aseambankers Malaysia Berhad from 1991 to 1995 and BSN Merchant Bank Berhad from 1995 to 1997 where his work entailed providing corporate finance advisory services on proposals for listings, mergers, acquisitions and capital raisings. He left the merchant banking industry in 1997 to join Renong Berhad as Senior Finance Manager where he was primarily responsible for monitoring the performance of the subsidiaries and implementation of corporate exercises undertaken by companies within the Renong Group. He left Renong Berhad in July 1999. He was appointed to the Board of Jin Lin Wood Industries Berhad in 2000 as an Executive Director overseeing the finance function of the group of companies and subsequently resigned in April 2002. He was appointed as Non-Independent Non-Executive Director of Mudajaya Group Berhad in March 2004 and was redesignated as Independent Non-Executive Director in December 2011. He subsequently left from the Board of Mudajaya Group Berhad in February 2012. Currently, he sits on the Board of several private companies.

He did not attend any of the Board Meetings held during the financial year ended 30 June 2020 as he was appointed after the financial year.

Amirul Azhar bin Baharom
Executive Director

Encik Amirul, male, 46, a Malaysian, is an Executive Director and Chief Executive Officer of the Company. He was appointed to the Board on 18 May 2020.

Encik Amirul Azhar graduated with a LLB Hons from Staffordshire University, United Kingdom in 1996.

He began his career as a Research Analyst with Cazenove & Co and had been in the financial services industry for a number of years where he was amongst others, with the Securities Commission, BDO Capital Consultants Sdn Bhd and KAF Fund Management Sdn Bhd.

He had also previously served as the Group Managing Director and CEO of Vastalux Energy Berhad and Acting Group Chief Executive Officer of Avillion Berhad.

His directorships in other public companies include Independent Non-Executive Chairman of UMS Neiken Group Berhad and Independent Non-Executive Director of Rohas Tecnic Berhad. He had also previously sat on the boards of DWL Resources Berhad, Avillion Berhad, Admiral Marina Berhad and Vastalux Energy Berhad.

He attended all of the 2 Board Meetings held from the date of his appointment up to the financial year ended 30 June 2020.

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 regulatory bodies during the financial year ended 30 June 2020.*

Amirul Azhar bin Baharom
Chief Executive Officer
Scomi Energy Services Bhd

Encik Amirul, male, 46, a Malaysian, was appointed as the Chief Executive Officer of the Company on 1 July 2020.

Encik Amirul Azhar graduated with a LLB Hons from Staffordshire University, United Kingdom in 1996.

He began his career as a Research Analyst with Cazenove & Co and had been in the financial services industry for a number of years where he was amongst others, with the Securities Commission, BDO Capital Consultants Sdn Bhd and KAF Fund Management Sdn Bhd.

He had also previously served as the Group Managing Director and CEO of Vastalux Energy Berhad and Acting Group Chief Executive Officer of Avillion Berhad.

His directorships in other public companies include Independent Non-Executive Chairman of UMS Neiken Group Berhad and Independent Non-Executive Director of Rohas Tecnic Berhad. He had also previously sat on the boards of DWL Resources Berhad, Avillion Berhad, Admiral Marina Berhad and Vastalux Energy Berhad.

Ramesh Veetikat Ramachandran
Chief Financial Officer
Scomi Energy Services Bhd

Ramesh, male, aged 54, 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 February 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.

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 regulatory bodies during the financial year ended 30 June 2020.*

Management Discussion & Analysis

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

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

It has two business divisions namely Drilling Services ("DS") and Marine Services ("MS"). The provision of Drilling Fluids services ("DF"), Drilling Waste Management services ("DWM") and Production Enhancement Chemicals falls under the DS division whilst marine logistic services of tugs and barges for the commodity sector and offshore support vessels for the oil and gas sector falls under the MS division.

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

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

Our operations are managed by a dedicated team of management and staff and governed by an experienced Board of Directors. During the financial year under review, Dato Jamelah Binti Jamaluddin stepped down as the Chairman of the Board of Directors and was succeeded by Dato' Mohd Zakhir Siddqy bin Sidek who had been appointed as a Non-Independent Non-Executive Director on 27 February 2020. Subsequently he resigned from the Board of Directors on 14 July 2020 and Mr Stephen Fredrick Bracker, Independent Non-Executive Director was then appointed as the Chairman of the Board of Directors on 24 August 2020. Further, Mr Wong Mun Keong, En Amirul Azhar bin Baharom and En Aminodin bin Ismail joined the Board of Directors while Mr Sammy Tse Kwok Fai, Mr Lee Chun Fai, En Shah Hakim bin Zain, Dr Ir Jeyanthi Ramasamy and Dato' Sri Meer Sadik bin Habib Mohamed resigned from their directorship. During the year under review, the Chief Executive Officer, En Hilmy Zaini bin Zainal resigned effective 30 June 2020 and he is succeeded by En Amirul Azhar bin Baharom, who is also an Executive Director of the Company. We thank our Directors, management and staff for their efforts during the period.

KNOWN TRENDS AND EVENTS

The past financial year could hardly be more challenging. There were exceptionally difficult moments with the global COVID-19 pandemic and the oil price crash, both within Quarter 3 and 4 of the financial year under review.

The global COVID-19 outbreak and the resulting confinement measures led to several disruptions worldwide. The oil market witnessed a collapse in demand, inventories approaching breaking point and an unprecedented level of volatility and commodity price weakness. Consequently, drilling and exploration activity softened, capex spend lowered and cost reductions became the focus.

Rig count dropped by more than 50% from February 2020 to June 2020 while Brent crude dropped from $67.3/bbl in December 2019 to $18.4/bbl in April 2020, before gradually stabilising at circa $40/bbl in June 2020.

The year also witnessed a softening in demand for Indonesia coal amid significant Chinese and Indian domestic stockpiles, as these countries prioritise their domestic production.

FINANCIAL HIGHLIGHTS

The current financial year ("FY20") represents 12 months while the comparative period comprises 15 months ("FY19") as the Company had changed its financial year end from 31st March to 30th June.

	Year ended 30-Jun-20 (RM'000)	Period ended 30-Jun-19 (RM'000)
Revenue	423,320	643,494
Cost of sales	(346,118)	(519,993)
Gross Profit	77,202	123,501
Gross Profit %	18%	19%
Administration & Selling expenses	(71,904)	(140,012)
Other expenses	(164,984)	(40,526)
Result from operating activities	(159,686)	(57,037)
Finance Cost	(15,594)	(23,139)
Net Loss After Tax	(186,295)	(103,462)
Total Equity Attributable to owners of the Company	197,727	404,775
Borrowings	124,644	185,806
Net Debt/Equity Ratio	0.33	0.27
Earnings Per Share (sen)	(40.04)	(4.09)
Net Assets Per Share (sen)	42.22	17.28

The oil price crash and the global COVID-19 pandemic impacted the financial performance of SESB resulting in lower revenue compared to previous period. Revenue was lower by 18% as compared to FY19 (on an annualized basis) while Gross Profit (GP) margin fell by 1%.

Administration and selling expense were lower by 36% as compared to FY19 (on an annualized basis) as a result of several cost reduction measures undertaken.

Loss after tax of RM186.3million was impacted by certain one-off items such as impairment of goodwill and intangible assets amounting to RM100 million, impairment of other receivables of RM13 million, impairment of loan to associate of RM4.3million and impairment of fixed assets of RM1.3million.

DS generated a revenue of RM327.0 million for the financial year under review, a drop of 18% as compared to FY19 (on an annualized basis) primarily due to reduced activity caused by the oil price crash and the global COVID-19 pandemic.

MS revenue dropped 18% as compared to FY19 (on an annualized basis) on account of lower vessel utilisation and also due to lower tonnage carried caused by the drop in demand for coal. Nevertheless, the various cost management initiatives helped to manage the GP margin. MS ended the financial year under review with a higher GP margin of 21% versus 16.5% in FY19.

Management Discussion & Analysis

CAPITAL STRUCTURE AND SIGNIFICANT CHANGES TO ASSETS

Assets	30 June 2020 (RM'000)	30 June 2019 (RM'000)
Non-current	298,714	428,314
Current	264,326	429,491
Total Assets	563,040	857,805

Non-current asset was lower than previous year due to depreciation charge for the year and impairment of goodwill and intangible assets.

Current asset was lower than previous year due to lower level of inventories, receivables and cash.

Equity & Liabilities Capital and Reserves Attributable to Owners of the Company	30 June 2020 (RM'000)	30 June 2019 (RM'000)
Share Capital	445,535	1,005,535
Total Equity Attributable to Owners of the Company	197,727	404,775
Total Equity	232,156	437,996
Non-Current Liabilities	17,845	63,715
Current Liabilities	313,039	356,094
Total Liabilities	330,884	419,809
Total Equity and Liabilities	563,040	857,805
Net Assets Per Share (sen)	42.22	17.28

The Company embarked on a corporate exercise of Capital Reduction and Share Consolidation during the year. The capital reduction, whereby, the share capital was reduced by RM560million and off-set against accumulated losses of the Company, was completed on 14 February 2020.

The share consolidation exercise which consolidated the number of shares on the basis of 5 existing shares into 1 share was completed on 28 February 2020 and 468,355,087 consolidated shares was listed on the Main Market of Bursa Securities on 2 March 2020.

Total Liabilities declined from the previous year due to repayment of borrowings and lower trade payables in line with the lower activity. Lower Equity was due to further losses registered during the year.

CASH FLOW, CASH AND BANK BALANCES

	30 June 2020 (RM'000)	30 June 2019 (RM'000)
Net cash from operating activities	49,119	13,095
Net cash (used in)/from investing activities	(2,068)	26,306
Net cash used in financing activities	(46,587)	(44,839)
Net increase/(decrease) in cash and cash equivalents	464	(5,438)
Cash and bank balances	48,537	65,748
Cash and cash equivalents at the beginning of the period	38,668	36,778
Cash and cash equivalents at the end of the period	45,023	38,668

As in the prior financial period, cash flow constraints lingered on with the freeze on working capital lines by the banks, which has also impacted operations and growth. During the year, KMCOB Capital Berhad ("KMCOB"), a subsidiary, defaulted on payment of Series E bond amounting to RM55 million.

On 31 October 2019, the PN17 criteria was triggered as a result of a material uncertainty related to going concern that had been included in the auditors' report for the audit of the Group financial statements for the financial period ended 30 June 2019; and the shareholders' equity of the Group as of 30 June 2019 on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the Group. The uncertainty was relating to the settlement of the guaranteed serial bonds of RM105 million of which RM55 million was due for repayment on 14 December 2019 and the remaining RM50 million due for repayment on 14 December 2020. At 30 June 2019, the Group had a shortfall of RM32.9 million for the settlement of the guaranteed serial bonds falling due on 14 December 2019. The Group had secured a bridging loan offer from a new lender but this was subject to the Group securing an irrevocable and unconditional financial guarantee of RM35 million in favour of the new lender as security.

The Company had submitted a PN17 waiver application to Bursa on 1 November 2019.

On 13 December 2019, the Company announced that the Group had defaulted in redeeming or repaying the guaranteed serial bond ("the bond") issued amounting to RM55 million.

On 20 January 2020, the Company announced that it had been classified as an affected listed issuer pursuant to Paragraph 2.1 (e) of Practice Note 1 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") subsequent to Bursa rejecting the waiver application.

The Group requested for a remedial period from the Bondholders to extend the redemption of the bond to 28 February 2020, which was approved by Bondholders on 21 January 2020. On 10 February 2020, the Group requested for another extension of time from the Bondholders as the Group could not complete the fulfillment of the conditions precedent for the drawdown of the bridging loan granted by lender. However, the Bondholders rejected the Group's request for a second extension.

On 12 March 2020, the Company announced that the facility agent under the guaranteed serial bonds and Financial Guarantee Insurance Facility, had declared an event of default totaling RM80.4million. The event of default further gave rise to cross defaults on the Group's other credit facilities. The guarantor of the guaranteed serial bonds, and other lenders are entitled to the enforcement of various securities granted by the Company and various subsidiaries of the Group including Scomi Oiltools Sdn. Bhd. ("SOSB"), Scomi KMC Sdn. Bhd. ("SKMC") and KMCOB Capital Berhad ("KMCOB") (collectively the "Affected Subsidiaries") in accordance with the financial guarantee insurance agreement and other credit facility agreements.

The Company and the Affected Subsidiaries had then filed an application with the High Court of Malaya at Shah Alam ("the Court") on 2 April 2020 to obtain a Judicial Management Order ("JMO") pursuant to Sections 404, 405, 406 and 407 of the Companies Act 2016 ("CA 2016") and Rule 8 of the Company (Corporate Rescue Mechanism) Rules 2018 with the primary intent of rehabilitating and restructuring the financial position of the Group and the Affected Subsidiaries. The application for the JMO immediately put into effect a moratorium for the period commencing with the application of the JMO and ending with the grant or dismissal of the application, during which no resolution shall be passed or order shall be made for the winding-up of the Company and Affected Subsidiaries.

On 14 August 2020, the Court granted the JMO applications filled by the Affected Subsidiaries and Datuk Duar Tuan Kiat of Ernst & Young, was appointed as the Judicial Manager ("JM"). The Court allowed SESB to withdraw its application for JMO as it would accord greater flexibility to the Company to implement a group-wide restructuring for the rehabilitation of its businesses while continuing to access the capital markets.

Following the appointment of the JM and pursuant to section 420(1)(a) of the CA 2016, the JM is required to present a statement of proposal within 60 days or such longer period as the Court may allow after the grant of the JMO, to the Registrar of Companies and to all creditors and members of the Affected Subsidiaries.

In accordance with Section 420(1) (b) and Section 421(2) of the CA 2016, the JM shall lay the statement of proposal before a meeting of the creditors of the Affected Subsidiaries and the proposal will require the approval of at least 75% of the total value for all creditors whose claims have been accepted by the JM, present and voting at the meeting either in person or by proxy and the proposal may be approved with modifications subject to the consent of the JM to each modification. Once approved by the creditors, with or without modifications, the proposal shall be binding on all creditors of the Company. The JM shall report the result of the meeting to the Court and shall give notice of that result to the Registrar and such other persons or bodies as the Court may approve.

On 6 October 2020, the JM applied to the Court for an extension of 60 days commencing from 13 October 2020 to finalise the statement of proposal. On 8 October 2020, the Court approved the application for the extension.

On 5 October 2020, an Independent Financial Advisor ("IFA") was appointed by the Company to advise the Group on the group wide restructuring to strengthen the financial position of the Group.

The JM is working closely with the stakeholders to develop a statement of proposal; together with the advice and guidance from the IFA, the Company shall develop a debt restructuring plan ("Plan") and with the Plan, the Group and the Company believes that it would be able to generate sufficient cash flows to meet its financial obligations.

In respect of the advances made to the former holding company, Scomi Group Bhd ("SGB") the Company has received repayment of RM12.16 million during the financial year. The Company has filed a suit for recovery of the balance due of RM54 million, with the matter coming up for hearing in November 2020.

OPERATIONAL HIGHLIGHTS

The Company started FY2020 with the intention to continue on its key focuses of the previous financial period which were expansion of markets for the oil and gas industry and increasing product offering to existing clients. While there were successes arising from this focus of winning contracts, due to various reasons, primarily financial health, the Company had to be selective in bidding and accepting contracts.

Activity in both segments was slower than anticipated particularly in the last two quarters with the impact of external market forces – oil price and COVID-19. The Company focussed on executing current contracts while managing cost rationalisation. In the Drilling services segment, Russia, Nigeria, Middle East and Malaysia were the main contributors to the revenue during the year.

The Company also recorded contract wins during the year under review. In Malaysia, the Company won a drilling fluids contract with MDC Oil & Gas Ltd (Mubadala Petroleum) while subsequent to the year end, the Company also won the renewal of the mud engineering contract with Saudi Aramco. The operations in Kuwait have commenced in the last quarter of the financial year and is progressing well.

The Company continues to optimise its operational costs and corporate overhead costs which include amongst others manpower, rentals, asset utilisation and inventory. During the year manpower in corporate office was further reduced. The lack of working capital facilities and cash flow constraints have impacted operations and consequently growth.

OUTLOOK & PROSPECTS IN FY2021

Reduced economic activity, globally, due to the COVID-19 pandemic has caused changes in the energy demand and supply pattern and will continue to affect these patterns in the future. With governments now progressively easing restrictions that has been imposed to contain the pandemic, together with the enormous financial and fiscal stimulus packages that have been announced, prospects for a rebalancing of the oil market has improved. It is expected that low oil prices will continue in the short-term while oil majors re-strategise their capex spend. However, initiatives taken by the OPEC and other oil producers in cutting production have helped flatten the curve of inventory builds and have contributed towards an expectation of a rebalanced market going forward into the year 2021. Drilling and exploration activities will continue, focussing on lower cost models while agility and operational flexibility will be the key success factors.

The prime focus area in the coming year is on financial rehabilitation of the Company for business growth and operational stability. In line with this focus is to complete its debt restructuring which is the key to the future of the business moving forward. Hand in hand is cost optimization and improving operational efficiencies which will continue to be looked into. Among the ongoing initiatives is the appointment of the Judicial Manager for affected subsidiaries in Malaysia, monetising and exiting businesses which are not the Company's key focus and to review markets with a view to exit loss-making markets.

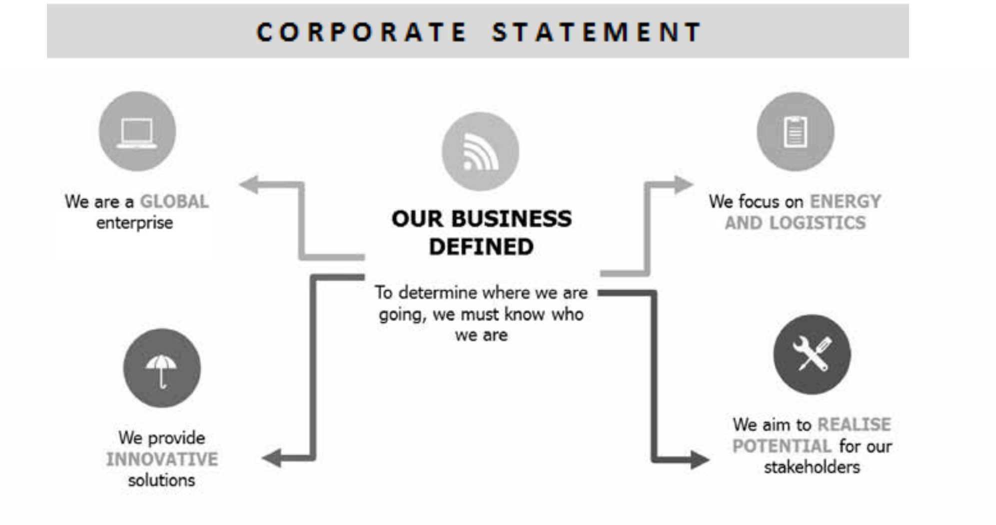
Research & Development ("R&D") initiatives into green technology and alternative solutions for its drilling fluids has continued however the recent global events have temporarily halted its continued progress. With the ground work that has been ongoing in the last several years, the Company is poised to unlock the value of its R&D, however this is dependent upon global recovery of economies and the industry as a whole.

As at June 2020, SESB has an order book of approximate USD260 million and has a prospective tender pipeline of an estimated value of USD596 million. While this has decreased from the previous period, the Company continues to explore the options to capture these opportunities through various prospects including partnerships with financially stable partners.

Whilst the current overwhelming need is the financial revival of the Company, the inherent strengths of the Company lies in its global experience and technical expertise. Based on this foundation and coupled with the financial rehabilitation of the Company and the optimism of a rebalancing industry, the Company plans to revitalise itself, rethink its business models and rebuild its business sustainability within the energy sector.

OUR BUSINESS SUSTAINABILITY

Scomi Energy Services Bhd's ("SESB", the "Company") sustainability statement revolves around its Corporate Statement, *"we are a global 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.



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 globally. We are also engaged in the services of marine logistics to support coal transportation.

SUSTAINABILITY FRAMEWORK & SCOPE

SESB first reported its Sustainability Statement in the financial year 2018 with the view towards developing a sustainability framework, its strategic thrusts and its continued developments in the forthcoming financial years. However, the Company has had to re-think and re-strategise its resources in the recent financial years predominantly due to the business challenges that it has faced. The extreme volatility of oil prices that impacted the oil and gas industry globally was a major setback for the Company. SESB has faced numerous financial challenges that has escalated in the financial year under review. Amongst the challenges was the volatile oil price, severe cashflow constraints, the material uncertainty as a going concern raised by the auditor during the financial period 2019 and the resultant PN17 classification of the Company.

In view of these challenges, the Company's sustainability focus centred around one strategic thrust which is financial stability for business viability. Several initiatives have been taken towards achieving this objective and amongst them are :

- Capital Reduction and Share Consolidation corporate exercise.
- Application for Judicial Management Orders for several subsidiaries of the Company namely Scomi KMC Sdn Bhd, Scomi Oiltools Sdn Bhd and KMCOB Capital Berhad (collectively called the "Affected Companies"). The appointment of a judicial manager under the Companies Act 2016 and the Company (Corporate Rescue Mechanism) Rules 2018 allows options for rehabilitation and restructuring of the affected companies while protecting the companies from legal actions under a moratorium.
- Formulation of a groupwide restructuring plan
- Sale of loss making entities
- Monetisation of entities where SESB is not the major shareholder or from which business SESB wishes to exit.
- Arrangement with partners and interested parties with the financial strength, to work together to ensure successful execution of contracts in hand.

Sustainability Statement

To this effect, during the year under review and the current year, the Company has moved forward on the following :

- Off-set accumulated losses of the Company against RM560million arising from the capital reduction exercise.
- Obtained court orders for the appointment of a Judicial Manager for the Affected Companies
- Appointed an Independent Financial Advisor to advise the Company and to develop a groupwide debt restructuring plan.
- In the process to exit its Turkmenistan and Egypt business which were not showing the expected profitability due to the financial constraints of the Company to grow these markets.
- Reviewing options to sell its shares in entities that were involved in the Marine Services business division primarily managing vessels as this industry segment is showing a decline.
- Reviewed its human resource requirements and streamlined operations with a right-sizing exercise which was completed in May 2020.

The Company is also mindful that to ensure its business sustainability, the responsibility lies not only with the Company but also with each individual business unit within its group of companies. Hence the management of each business unit addresses its business sustainability activities through its annual business performance and budget which is presented and discussed with the respective Boards of Directors and the Management and Board of Directors of SESB.

While SESB's strategic thrust today focuses on financial stability, the Company continues to plan for the future to meet the competitive nature of our businesses in the domestic and global arena. For sustainability and competitiveness, the future of the business will be to focus on two more thrusts which would be :

- Expansion of markets for oil & gas industry
- Increase product offering to existing clients

These thrusts will be looked into in greater details in the coming financial years once the financial stability of the organisation is improved.

Above and beyond the business thrusts, the Company and its business units continue to prioritise on Health, Safety and Environment ("HSE") activities. The HSE departments in every business unit played a major role during this Covid-19 pandemic in monitoring the health of the employees and ensuring their safety at all times.

Further, the Company has always engaged with its stakeholders and the communities where it operates. However, in these challenging times, the focus has shifted from the community at large to its community at work which is its workforce. Where staff have been required to continue to work throughout the pandemic due to client requirements, the necessary precautions were strictly adhered to ensure the health of the staff. Where ever possible, non-essential staff such as administrative staff were allowed to practice Work From Home to help the efforts to flatten the curve of infection.

The collation of information and its presentation still requires development and improvement which the Company is optimistic to move towards in its future reports once the financial status of the Company is stabilised and brought to even keel.

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

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 year ended 30 June 2020 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 2020 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 2020 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 is 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") as reviewed and recommended by the Nomination and Remuneration Committee ("NRC").

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

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 year ended 30 June 2020 budget, the results of the corresponding quarter of financial period ended 30 June 2019 ("FY 2019") 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 team. 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; and

The Board, through the 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 year, the NRC reviewed the remuneration of the CEO and the Management presented the new organisation structure of the Group.

A Board Oversight Committee ("BOC") was formed by the Board upon the recommendation of the NRC for a period of three (3) months from 5 May 2020 to 5 August 2020 during the change of CEO to oversee the implementation and monitoring of the Board's decisions, to make decisions in carrying out its roles and to provide strategic guidance for the Group as delegated by the Board, including and specifically to carry out the following matters :

(i) To review and provide input and guidance in the implementation and monitoring of the strategies, business plans and budgets as well as critical operational matters as determined and approved by the Board.
(ii) To review the rehabilitation plan of the Group which includes appointment of Judicial Manager, formulation of a turnaround plan for the Group and to oversee the process of the turnaround plan that is approved/accepted by the Court and/or the lenders.
(iii) To review any re-organisation plan of the Group.
(iv) To monitor the retrenchment and salary reduction exercises duly approved by the Board.
(v) To consider such other matters as may be determined by the Board from time-to-time.

Upon completing its objectives of overseeing the implementation and monitoring of the Board's decisions during the change of CEO, the BOC was dissolved on 5 August 2020.

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;

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 Communications 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 Communications 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 30 September 2020.

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 4.2 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.

None of the Independent Non-Executive Directors of the Company has served the Board for more than (9) years.

Board Committees

The Board has put in place 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**) to assist the Board in carrying out its fiduciary duties. 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		
Mr Stephen Fredrick Bracker(1)	-	C
Dato' Jamelah binti Jamaluddin(2)	-	M
Non-Independent Non-Executive Chairman		
Dato' Mohd Zakhir Siddiqy bin Sidek(3)	-	M
Independent Non-Executive Directors		
Dato' Sri Meer Sadik bin Habib Mohamed(4)	M	-
Mr Ravinder Singh Grewal a/l Sarbjit S	C	M
Dr Ir Jeyanthi a/p Ramasamy(5)	M	-
Cik Ruziah binti Mohd Amin(6)	M	-
Non-Independent Non-Executive Directors		
Mr Lee Chun Fai(7)	M	M
Encik Shah Hakim @ Shahzanim bin Zain(8)	-	-
Mr Wong Mun Keong(9)	M	-

	Board Committees	
	ARMC	NRC
Encik Aminodin bin Ismail[10]	-	M
Executive Directors		
Mr Sammy Tse Kwok Fai[11]	-	-
Encik Amirul Azhar bin Baharom[12]	-	-

Notes:
C: Chairman
M: Member

(1) Redesignated from Independent Non-Executive Director to Independent Non-Executive Chairman effective 24 August 2020.
(2) Re-designated from Independent Non-Executive Chairman to Independent Non-Executive Director on 18 March 2020.
(3) Appointed as Non-Independent Non-Executive Director on 27 February 2020. He was re-designated as Non-Independent Non-Executive Chairman and appointed as Member of the NRC effective 18 March 2020. He subsequently resigned as Non-Independent Non-Executive Director and Member of the NRC on 14 July 2020.
(4) Resigned as Independent Non-Executive Director and Member of the ARMC on 10 July 2020.
(5) Appointed as Independent Non-Executive Director effective 4 September 2019 and Member of ARMC effective 18 March 2020. She subsequently resigned as Independent Non-Executive Director and Member of the ARMC on 1 June 2020.
(6) Appointed as Member of ARMC effective 16 July 2020.
(7) Resigned as Non-Independent Non-Executive Director and Member of both ARMC and NRC on 4 March 2020.
(8) Resigned as Non-Independent Non-Executive Director on 4 March 2020.
(9) Appointed as Non-Independent Non-Executive Director effective 27 February 2020 and Member of the ARMC effective 18 March 2020.
(10) Appointed as Non-Independent Non-Executive Director effective 15 July 2020 and Member of the NRC effective 16 July 2020.
(11) Resigned as Executive Director on 4 March 2020.
(12) Appointed as Executive Director effective 18 May 2020 and CEO effective 1 July 2020.

The schedule of meetings of the Board and its Committees as well as the annual general meeting ("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 year ended 30 June 2020, fourteen (14) Board Meetings, five (5) ARMC Meetings and seven (7) NRC Meetings were held. Due to the COVID-19 pandemic and the Movement Control Order in place, from March 2020 all meetings were conducted virtually via video-conferencing. 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			
Mr Stephen Fredrick Bracker[1]	13/14	-	7/7
Dato' Jamelah binti Jamaluddin[2]	12/14	-	7/7
Non-Independent Non-Executive Chairman			
Dato' Mohd Zakhir Siddiqy bin Sidek[3]	8/8	-	2/2
Independent Non-Executive Directors			
Dato' Sri Meer Sadik bin Habib Mohamed[4]	12/14	5/5	-
Mr Ravinder Singh Grewal a/l Sarbjit S	13/14	5/5	7/7
Dr Ir Jeyanthi a/p Ramasamy[5]	9/11	-	-
Cik Ruziah binti Mohd Amin[6]	12/13	-	-
Non-Independent Non-Executive Directors			
Mr Lee Chun Fai[7]	6/7	3/4	3/4
Encik Shah Hakim @ Shahzanim bin Zain[8]	5/7	-	-
Mr Wong Mun Keong[9]	8/8	1/1	-
Encik Aminodin bin Ismail[10]	-	-	-

	Meeting Attendance		
	BOARD	ARMC	NRC
Executive Directors			
Mr Sammy Tse Kwok Fai[11]	7/7	-	-
Encik Amirul Azhar bin Baharom[12]	2/2	-	-

Notes:

[1] Redesignated from Independent Non-Executive Director to Independent Non-Executive Chairman effective 24 August 2020.
[2] Re-designated from Independent Non-Executive Chairman to Independent Non-Executive Director on 18 March 2020.
[3] Appointed as Non-Independent Non-Executive Director on 27 February 2020. He was re-designated as Non-Independent Non-Executive Chairman and appointed as Member of the NRC effective 18 March 2020. He subsequently resigned as Non-Independent Non-Executive Director and Member of the NRC on 14 July 2020.
[4] Resigned as Independent Non-Executive Director and Member of the ARMC on 10 July 2020.
[5] Appointed as Independent Non-Executive Director effective 4 September 2019 and Member of ARMC effective 18 March 2020. She subsequently resigned as Independent Non-Executive Director and Member of the ARMC on 1 June 2020.
[6] Appointed as Member of ARMC effective 16 July 2020.
[7] Resigned as Non-Independent Non-Executive Director and Member of both ARMC and the NRC on 4 March 2020.
[8] Resigned as Non-Independent Non-Executive Director on 4 March 2020.
[9] Appointed as Non-Independent Non-Executive Director effective 27 February 2020 and Member of the ARMC effective 18 March 2020.
[10] Appointed as Non-Independent Non-Executive Director effective 15 July 2020 and Member of the NRC effective 16 July 2020.
[11] Resigned as Executive Director on 4 March 2020.
[12] Appointed as Executive Director effective 18 May 2020 and CEO effective 1 July 2020.

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 Secretaries appointed by the Board. The Company Secretaries are qualified to act as company secretary under Section 235 of the Companies Act 2016 ("the Act"). They are 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 Constitution of the Company provides for a minimum of two (2) directors and a maximum of fifteen (15) 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 seven (7) members, six (6) of whom are Non-Executive Directors with four (4) of them being independent. The Independent Directors make up 57% of the composition of the Board. Hence, the composition of the Board fulfils the prescribed requirement under Paragraph 15.02(1) of the Listing Requirement and adopts the best practice 4.1 of the Code.

The composition of the Board reflects a diversity of backgrounds, skills and experiences in the areas of business, economics, finance, legal, 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 : Cik Ruziah binti Mohd Amin, Senior Independent Director
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 (3) 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 year 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; and
(c) the size and the composition of the Board is adequate to meet the Company's requirements.

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 year ended 30 June 2020:

- 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 Committee of the Board;
- assessed the adequacy of the size and composition of the Board and Board Committees;
- reviewed the proposed fees and benefits for the Non-Executive Directors of the Company;
- reviewed the retirement and re-election of the Directors pursuant to the Constitution of the Company;
- reviewed and recommended to the Board the CEO's Balanced Scorecard for the new financial year;
- evaluated the performance of the CEO and proposed remuneration for the CEO; and
- reviewed the job scope and remuneration package of the senior management.

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 the AGM and are not compensated based on the Company's or 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 expense 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 24 December 2020 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. 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' fees and benefits 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 reviewed during the financial year ended 30 June 2020. 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 year ended 30 June 2020, 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 and financial period ended 30 June 2019 despite the fees had been approved by the shareholders at the relevant AGMs, due to the financial position of the Company.

The remuneration of individual Non-Executive Directors of the Company, including the remuneration for services rendered to the Group for the financial year ended 30 June 2020, are as follows:-

<u>The Group and the Company</u>

Directors	Fee		Other Allowances		Total	
	Company	Group	Company	Group	Company	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Mr Stephen Fredrick Bracker[(1)]	48	48	23	23	71	71
Dato' Jamelah binti Jamaluddin[(2)]	57	57	20	20	77	77
Dato' Mohd Zakhir Siddiqy bin Sidek[(3)]	20	20	12	12	32	32
Dato' Sri Meer Sadik bin Habib Mohamed[(4)]	58	58	18	18	76	76
Mr Ravinder Singh Grewal a/l Sarbjit S	60	60	27	27	87	87
Dr Ir Jeyanthi a/p Ramasamy[(5)]	46	46	9	9	55	55
Cik Ruziah binti Mohd Amin[(6)]	48	48	12	12	60	60
Mr Lee Chun Fai[(7)]	39	39	14	14	53	53
Encik Shah Hakim @ Shahzanim bin Zain[(8)]	33	71	5	20	38	91
Mr Wong Mun Keong[(9)]	19	19	11	11	30	30
Encik Aminodin bin Ismail[(10)]	-	-	-	-	-	-
Mr Sammy Tse Kwok Fai[(11)]	-	-	-	-	-	-
Encik Amirul Azhar bin Baharom[(12)]	-	-	-	-	-	-
Grand Total	428	466	151	166	579	632

Notes:

(1) Redesignated from Independent Non-Executive Director to Independent Non-Executive Chairman effective 24 August 2020.

(2) Re-designated from Independent Non-Executive Chairman to Independent Non-Executive Director on 18 March 2020.

(3) Appointed as Non-Independent Non-Executive Director on 27 February 2020. He was re-designated as Non-Independent Non-Executive Chairman and appointed as Member of the NRC effective 18 March 2020. He subsequently resigned as Non-Independent Non-Executive Director and Member of the NRC on 14 July 2020.

(4) Resigned as Independent Non-Executive Director and Member of the ARMC on 10 July 2020.

(5) Appointed as Independent Non-Executive Director effective 4 September 2019 and Member of ARMC effective 18 March 2020. She subsequently resigned as Independent Non-Executive Director and Member of the ARMC on 1 June 2020.

(6) Appointed as Member of ARMC effective 16 July 2020.

(7) Resigned as Non-Independent Non-Executive Director and Member of both ARMC and the NRC on 4 March 2020.

(8) Resigned as Non-Independent Non-Executive Director on 4 March 2020.

(9) Appointed as Non-Independent Non-Executive Director effective 27 February 2020 and Member of the ARMC effective 18 March 2020.

(10) Appointed as Non-Independent Non-Executive Director effective 15 July 2020 and Member of the NRC effective 16 July 2020.

(11) Resigned as Executive Director on 4 March 2020.

(12) Appointed as Executive Director effective 18 May 2020 and CEO effective 1 July 2020.

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 five (5) times during the financial year under review in order to carry out their duties in accordance with their Terms of Reference. The CEO and Chief Financial Officer ("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 year ended 30 June 2020 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 accessing the suitability, objectivity and independence of the external auditors, which also includes the provision of non-audit services by the external auditors 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. The ARMC met the external auditors without the presence of Executive Directors or the Management whenever necessary, with a minimum of once 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 during the financial year under review.

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 for the financial year ended 30 June 2020, 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 year 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 2020 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 ("KPMG") has 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 year ending 30 June 2021. The Board at its meeting held on 26 October 2020 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 year ending 30 June 2021.

The membership, Terms of Reference, roles and relationship with both the internal and external auditors and activities of the ARMC during the financial year ended 30 June 2020 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 involves 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 Communications 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. The Group recognises the need for due diligence in maintaining, updating and clearly identifying the accuracy, veracity and relevance of information on the website. The Corporate Communications department has ongoing responsibility for ensuring that information on the website is up-to-date.

In addition, the email address, name and contact number of the Company's designated person is listed on 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.

A notice period of more than twenty-one (21) days will be given to the shareholders for the upcoming AGM in 2020 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 notice of the Twenty-Fourth (24^{th}) AGM are to be put to vote by poll. The Company has appointed Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd) as Poll Administrator to conduct the polling process, and Shareworks Sdn Bhd as Independent Scrutineer to verify the poll results. Voting at the forthcoming AGM shall be conducted through electronic poll voting (e-voting), where personalised wristbands shall be issued by the Share Registrar upon registration. The electronic poll voting shall be conducted upon completion of the deliberation of all items to be transacted at the AGM. The Chairman, upon the verification of the poll results by the Independent Scrutineer, shall announce the results for each resolution, which shall include votes in favour and against and declared whether the resolutions were carried. The outcomes of the AGM shall be announced to Bursa Securities on the same day the meeting is held. The Minutes of the AGM shall also be 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, will be 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

Group, 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 Group'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 Twenty-Third AGM ("23rd AGM"), eight out of nine 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 Group'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 23rd 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 two (2) women Directors namely, Dato' Jamelah binti Jamaluddin 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. Due to the COVID-19 pandemic and the Movement Control Order implemented by the Government, the Company did not propose training programmes for the Directors.

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.

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 30 October 2020.

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 Scomi Energy Services Bhd and its group of companies ("Group") for the financial year ended 30 June 2020 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 reviews the Risk Management Framework and Internal Controls System every quarter, 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 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.

In 2019, the Board of Directors declared the omission to announce certain related party transactions ("RPTs") 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. The RPTs related to sums that were advanced ("Advances") to Scomi Group Bhd and its subsidiaries over a period of two (2) years from June 2016 to June 2018, which were undertaken without prior authorisation from the Board.

Pursuant to the preliminary findings arising from a review by a firm of solicitors, the Board of Directors authorised the appointment of an independent auditor to undertake an investigative review into the Advances. The independent auditor made various recommendations to enhance the internal control systems and governance framework with a view to mitigate against the risk of any such events, which the Board of Directors have agreed to adopt and the measures recommended are in the process of being implemented.

This Statement is made in accordance with the resolution of the Board dated 30 October 2020.

Audit and Risk Management Committee Report

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" or "SESB") (the "Board") to fulfil the Board's oversight responsibilities for the Company during the financial year ended 30 June 2020 ("FY 2020").

The ARMC in FY 2020 was focused principally on assisting the Board to review the adequacy and integrity of the Company'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 2020, 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 2020, 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 five (5) ARMC meetings were held during FY 2020, which were on 22 August 2019, 23 October 2019, 19 November 2019, 27 February 2020 and 16 June 2020. 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") or Manager of Group Internal Audit and the Head of Legal and Corporate Secretarial were invited to all the 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 one (1) private meeting 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
Ravinder Singh Grewal A/L Sarbjit S	Chairman	Independent Non-Executive Director	5/5
Dato' Sri Meer Sadik Bin Habib Mohamed	Member	Independent Non-Executive Director	5/5
Lee Chun Fai (1)	Member	Non-Independent Non-Executive Director	3/4
Wong Mun Keong (2)	Member	Non-Independent Non-Executive Director	1/1

(1) Resigned on 4 Mar 2020
(2) Appointed on 18 Mar 2020

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 YEAR

In accordance with the approved Terms of Reference of the ARMC, the ARMC carried out the following activities during FY 2020:

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 year, management letter and management's response 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 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 one (1) private meeting 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 year;

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 action plans 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 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;

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

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

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

INTERNAL AUDIT FUNCTION

The internal audit services for FY 2020 was provided by GIA for the Company and its subsidiaries ("Group"). 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 Group undertakes regular and systematic reviews of the risk management and internal controls system so as to provide reasonable assurance that such internal controls system continues 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 year 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 year 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 2020 was approximately RM891,543.43.

This report is made in accordance with the resolution of the Board dated 30 October 2020.

Material Contract involving Directors' and Major Shareholders' Interest
There was no material contract entered into by the Company and its subsidiaries ("Group") involving the interests of the Directors, chief executive who is not a director or major shareholders, either still subsisting at the end of the financial year ended 30 June 2020 or entered into since the end of the previous financial period.

Utilisation of Proceeds
The Company did not raise and did not have any balance of proceeds from any corporate proposal during the financial year ended 30 June 2020.

Non-Audit Fees
Audit and non-audit fees incurred by the Company and the Group during the financial year ended 30 June 2020 amounted to RM3,190,000 and RM38,000 respectively and is disclosed in Note 23 of the audited 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 year ended 30 June 2020, 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
Lee Chun Fai ("Mr Lee"), Encik Shah Hakim and Mr Sammy Tse Kwok Fai ("Mr Tse")	Mr Lee is the common director of the Company and Scomi Group Bhd ("SGB"). He resigned from the Board of Directors of the Company on 4 March 2020. Encik Shah Hakim is the Non-Independent Non-Executive Director of the Company and the substantial shareholder of SGB. He resigned from the Board of Directors of the Company on 4 March 2020. Mr Tse is the Executive Director of the Company and the Executive Director/Chief Executive Officer and shareholder of SGB. He resigned from the Board of Directors of the Company on 4 March 2020.	a. Sharing of rental of office premises at Level 15 Menara TSR between SGB and the Company. b. Sharing of costs for Legal and Information & Communications Technology Services between SGB and the Company. c. Interest charged by the Company on advances to SGB.
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, that will enable them to ensure 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

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2020.

Principal activities

The principal activities of the Company are investment holding and provision of management services to its subsidiaries and an associate whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Holding company

The Company was a subsidiary of 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, and regarded by the Directors as the Company's holding company in the previous financial period. On 26 February 2020, Scomi Group Bhd lost control of the Company and the details are disclosed in Note 33(i) to the financial statements.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

Results

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	(187,503)	(209,144)
Non-controlling interests	1,208	-
	(186,295)	(209,144)

Reserves and provisions

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

Dividend

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

Consolidation of subsidiaries with different financial year end

The 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 year ended 30 June 2020, 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 (RUS) LLC
(b) KMC Oiltools India Pvt. Ltd.
(c) Wasco Oil Service Company Nigeria Limited
(d) Rig Tenders Marine Pte. Ltd.
(e) CH Logistic Pte. Ltd.
(f) CH Ship Management Pte. Ltd.
(g) Rig Tenders Offshore Pte. Ltd.

Directors of the Company

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

Dato' Jamelah binti Jamaluddin
Ravinder Singh Grewal A/L Sarbjit S
Ruziah binti Mohd Amin
Stephen Fredrick Bracker
Wong Mun Keong (Appointed on 27 February 2020)
Amirul Azhar bin Baharom (Appointed on 18 May 2020)
Aminodin bin Ismail (Appointed on 15 July 2020)
Lee Chun Fai (Resigned on 4 March 2020)
Shah Hakim @ Shahzanim bin Zain (Resigned on 4 March 2020)
Sammy Tse Kwok Fai (Resigned on 4 March 2020)
Dr. Ir. Jeyanthi A/P Ramasamy (Resigned on 1 June 2020)
Dato' Sri Meer Sadik bin Habib Mohamed (Resigned on 10 July 2020)
Dato' Mohd Zakhir Siddiqy bin Sidek (Appointed on 27 February 2020 and resigned on 14 July 2020)

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

	Number of ordinary shares			
The Company	**At 1.7.2019 '000**	**Bought '000**	**Sold '000**	**At 30.6.2020 '000**
Direct interests				
Dato' Sri Meer Sadik bin Habib Mohamed	8,557	-	-	8,557
Indirect interests				
Dato' Sri Meer Sadik bin Habib Mohamed	109 [(1)]	-	-	109 [(1)]
Dato' Mohd Zakhir Siddiqy bin Sidek	-	84,793[(2)]	-	84,793[(2)]

(1) 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.

(2) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in United Flagship Sdn. Bhd., the holding company of Gelombang Global Sdn. Bhd., which in turn is interested in the Company.

Save as disclosed above, none of the other Directors holding office at 30 June 2020 had any interest in the shares of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial period, 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 31 to the financial statements.

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

Issue of shares and debentures

During the year, the Group and the Company undertook a share capital reduction exercise to reduce its share capital from RM1,005,535,000 to RM445,535,000 which was completed on 14 February 2020. This was followed by the consolidation of the existing shares of 2,341,775,435 units into 468,355,087 units on the basis of 5 existing shares into 1 share pursuant to Section 116 of the Companies Act 2016, which was completed on 28 February 2020 and the consolidated shares were listed on the Bursa Malaysia Securities Berhad on 2 March 2020. There were no debentures issued during the year. Details of issued and paid-up capital are set out in Note 14 to the financial statements.

Treasury shares

Details of the treasury shares are as set out in Note 15 to the financial statements.

Options granted over unissued shares

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

Significant events during the financial year

Details of the significant events during the financial year are disclosed in Note 33 to the financial statements.

Subsequent events after the financial year end

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

Indemnity and insurance costs

During the financial year, the total amount of insurance effected and insurance costs incurred for Directors and officers of the Company on group basis are RM50 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 year and which secures the liabilities of any other person, or

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

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

In the opinion of the Directors, except as disclosed in Notes 23, 33(iv) and 34 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

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:

…………………………………………………………
Amirul Azhar bin Baharom
Director

…………………………………………………………
Stephen Fredrick Bracker
Director

Petaling Jaya

Date: 30 October 2020

Statements of Financial Position as at 30 June 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	258,778	298,990	6,380	-
Right-of-use assets	4	14,289	-	-	-
Intangible assets	5	-	103,531	-	-
Investment properties	6	-	-	-	6,460
Investments in subsidiaries	7	-	-	223,453	352,852
Investments in joint ventures	8	-	2,084	-	-
Investments in associates	9	9,689	8,847	7,439	7,439
Deferred tax assets	10	1,199	529	-	-
Trade and other receivables	11	14,759	14,333	-	-
Total non-current assets		298,714	428,314	237,272	366,751
Trade and other receivables	11	129,480	267,439	21,531	96,937
Inventories	12	72,277	82,811	-	-
Current tax assets		14,032	13,493	-	-
Cash and cash equivalents	13	48,537	65,748	50	4,500
Total current assets		264,326	429,491	21,581	101,437
Total assets		563,040	857,805	258,853	468,188

Statements of Financial Position as at 30 June 2020 (continued)

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Equity					
Share capital	14	445,535	1,005,535	445,535	1,005,535
Treasury shares	15	(51)	(51)	(51)	(51)
Reserves	16	(247,757)	(600,709)	(212,475)	(563,331)
Equity attributable to owners of the Company		197,727	404,775	233,009	442,153
Non-controlling interests		34,429	33,221	-	-
Total equity		232,156	437,996	233,009	442,153
Liabilities					
Loans and borrowings	17	-	49,800	-	-
Lease liabilities		6,031	-	-	-
Provision for retirement benefits	18	7,011	8,401	-	-
Trade and other payables	19	1,074	1,028	-	-
Deferred tax liabilities	10	3,729	4,486	-	-
Total non-current liabilities		17,845	63,715	-	-
Loans and borrowings	17	124,644	136,006	-	-
Lease liabilities		7,633	-	-	-
Trade and other payables	19	158,293	200,336	25,579	26,035
Current tax liabilities		22,469	19,752	265	-
Total current liabilities		313,039	356,094	25,844	26,035
Total liabilities		330,884	419,809	25,844	26,035
Total equity and liabilities		563,040	857,805	258,853	468,188

The notes on pages 60 to 158 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Revenue	20	423,320	643,494	-	3,855
Cost of sales/services		(346,118)	(519,993)	-	(3,754)
Gross profit		77,202	123,501	-	101
Selling and distribution expenses		(29,070)	(56,212)	-	-
Administrative expenses		(42,834)	(83,800)	(5,439)	(5,099)
Net loss on impairment of financial instruments		(13,016)	(34,506)	(78,630)	(7,952)
Other expenses		(151,968)	(6,020)	(124,810)	(11,992)
Results from operating activities		(159,686)	(57,037)	(208,879)	(24,942)
Finance costs	21	(15,594)	(23,139)	-	-
Finance income		660	3,762	-	2,583
Net finance (costs)/income		(14,934)	(19,377)	-	2,583
Share of profit/(loss) of equity-accounted associates, net of tax		842	(2,299)	-	-
Share of loss of equity-accounted joint ventures, net of tax		-	(3,866)	-	-
Loss before tax	23	(173,778)	(82,579)	(208,879)	(22,359)
Tax expense	24	(12,517)	(20,883)	(265)	-
Loss for the year/period		(186,295)	(103,462)	(209,144)	(22,359)

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020 (continued)

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Other comprehensive (loss)/ income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(19,629)	16,066	-	-
Retirement benefits		84	470	-	-
Other comprehensive (loss)/ income for the year/period, net of tax	25	(19,545)	16,536	-	-
Total comprehensive loss for the year/period		(205,840)	(86,926)	(209,144)	(22,359)
(Loss)/profit attributable to:					
Owners of the Company		(187,503)	(95,690)	(209,144)	(22,359)
Non-controlling interests		1,208	(7,772)	-	-
Loss for the year/period		(186,295)	(103,462)	(209,144)	(22,359)
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(207,048)	(79,154)	(209,144)	(22,359)
Non-controlling interests		1,208	(7,772)	-	-
Total comprehensive loss for the year/period		(205,840)	(86,926)	(209,144)	(22,359)
Basic loss per ordinary share (sen)	26	(40.04)	(4.09)		

The notes on pages 60 to 158 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2020

Group	Note	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
		/----Attributable to owners of the Company----						
		/----Non-distributable----/			Distributable (Accumulated losses)/			
At 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	25	-	-	16,066	470	16,536	-	16,536
Loss for the period		-	-	-	(95,690)	(95,690)	(7,772)	(103,462)
Total comprehensive (loss)/income for the period		-	-	16,066	(95,220)	(79,154)	(7,772)	(86,926)
At 30 June 2019/1 July 2019		1,005,535	(51)	(527,259)	(73,450)	404,775	33,221	437,996
Foreign currency translation differences for foreign operations		-	-	(19,629)	-	(19,629)	-	(19,629)
Retirement benefits		-	-	-	84	84	-	84
Total other comprehensive (loss)/income for the year	25	-	-	(19,629)	84	(19,545)	-	(19,545)
(Loss)/profit for the year		-	-	-	(187,503)	(187,503)	1,208	(186,295)
Total comprehensive (loss)/income for the year		-	-	(19,629)	(187,419)	(207,048)	1,208	(205,840)
Contributions by and distributions to owners of the Company:								
Capital reduction	14	(560,000)	-	-	560,000	-	-	-
Total transactions with owners of the Company		(560,000)	-	-	560,000	-	-	-
At 30 June 2020		445,535	(51)	(546,888)	299,131	197,727	34,429	232,156

The notes on pages 60 to 158 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2020

Company	Note	/---------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 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 July 2019		1,005,535	(51)	26,881	(590,212)	442,153
Loss and total comprehensive loss for the year		-	-	-	(209,144)	(209,144)
Contributions by and distributions to owners of the Company:						
Capital reduction	14	(560,000)	-	-	560,000	-
Total transactions with owners of the Company		(560,000)	-	-	560,000	-
At 30 June 2020		445,535	(51)	26,881	(239,356)	233,009

The notes on pages 60 to 158 are an integral part of these financial statements.

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Cash flows from operating activities					
Loss before tax		(173,778)	(82,579)	(208,879)	(22,359)
Adjustments for:					
Write-down of inventories	12	6,272	590	-	-
Amortisation of intangible assets	5	219	812	-	-
Depreciation of:					
- Property, plant and equipment	3	51,554	76,880	80	11
- Investment properties	6	-	169	-	40
- Right-of-use assets	4	8,723	-	-	-
Gain on disposal of investment properties		-	(3,643)	-	-
Loss on disposal of property, plant and equipment		694	34,793	-	-
Impairment loss on:					
- Amount due from former holding company	11.2	11,833	33,772	11,630	7,871
- Amount due from subsidiary		-	-	67,864	5,209
- Amount due from joint venture		-	1,260	-	1,116
- Amount due from related parties		-	-	311	-
- Amount due from associate		4,281	-	236	144
- Intangible assets	5	100,334	-	-	-
- Investments in associate	9	-	6,111	-	-
- Investments in subsidiary	7	-	-	127,320	14,088
- Investments in joint ventures	8	1,161	996	-	-
- Property, plant and equipment	3	1,320	1,542	-	-
- Receivables		10,001	4,522	-	-
Bad debts written off		-	-	-	88
Net unrealised gain on foreign exchange		(9,909)	(18,091)	(2,484)	(6,531)
Property, plant and equipment written off	3	-	994	-	-
Reversal of impairment loss on:					
- Amount due from subsidiary		-	-	(1,064)	-
- Amount due from joint venture		-	-	(347)	-
- Receivables		(8,818)	(5,048)	-	-
Reversal of write-down of inventories	12	(164)	(3,983)	-	-
Provision for retirement benefits		273	912	-	-
Balance carried forward		3,996	50,009	(5,333)	(323)

Statements of Cash Flows
for the year ended 30 June 2020 (continued)

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Cash flows from operating activities (continued)					
Balance brought forward		3,996	50,009	(5,333)	(323)
Share of (gain)/loss of equity-accounted associates, net of tax		(842)	2,299	-	-
Share of loss of equity-accounted joint ventures, net of tax		-	3,866	-	-
Gain on disposal of subsidiary and branch	22	-	(2,181)	-	-
Finance costs	21	15,594	23,139	-	-
Finance income		(660)	(3,762)	-	(2,583)
Operating profit/(loss) before changes in working capital		18,088	73,370	(5,333)	(2,906)
Changes in working capital:					
Inventories		13,347	25,351	-	-
Trade and other receivables		60,841	(14,684)	345	3,496
Trade and other payables		(43,666)	(47,216)	301	(7,942)
Amount due from/(to):					
- former holding company		13,463	932	-	(4,771)
- subsidiaries		-	-	(16,749)	5,979
- related parties		(3,202)	(674)	16,849	4,901
- joint ventures		(1,207)	812	211	(1,315)
- associates		4,118	(3,964)	(231)	(282)
Cash generated from/ (used in) operations		61,782	33,927	(4,607)	(2,840)
Tax paid		(11,482)	(23,440)	-	-
Retirement benefits paid		(1,841)	(1,154)	-	-
Interest received		660	3,762	-	2,583
Net cash from/(used in) operating activities		49,119	13,095	(4,607)	(257)
Cash flows from investing activities					
Investment in joint ventures		18	-	-	-
Acquisition of property, plant and equipment	3	(8,607)	(25,204)	-	-
Proceeds from disposal of investment properties		-	5,712	-	-
Proceeds from disposal of property, plant and equipment		6,521	16,934	-	-
Proceeds from disposal of subsidiary and branch	22	-	19,054	-	-
Repayment from joint venture		-	9,810	-	-
Net cash (used in)/ from investing activities		(2,068)	26,306	-	-

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Cash flows from financing activities					
Net repayment of bank borrowings		(52,300)	(18,921)	-	-
Interest paid on bank borrowings		(9,864)	(19,705)	-	-
Decrease /(Increase) in short-term deposits pledged		23,566	(6,213)	-	3,251
Payment of lease liabilities		(7,989)	-	-	-
Net cash (used in)/from financing activities		(46,587)	(44,839)	-	3,251
Net increase/(decrease) in cash and cash equivalents		464	(5,438)	(4,607)	2,994
Effect of exchange rate fluctuations on cash held		5,891	7,328	157	1,468
Cash and cash equivalents at 1 July/1 April		38,668	36,778	4,500	38
Cash and cash equivalents at 30 June	(i)	45,023	38,668	50	4,500

Cash outflows for leases as a lessee

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Included in net cash from operating activities:					
Payment relating to short-term leases	23	1,809	-	-	-
Payment relating to leases of low-value assets	23	4,921	-	-	-
Interest paid in relation to lease liabilities	21	1,442	-	-	-
Included in net cash from financing activities:					
Payment of lease liabilities		(9,431)	-	-	-
Total cash outflows for leases		(1,259)	-	-	-

Note 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 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash and bank balances	13	45,023	40,842	50	4,500
Short-term deposits	13	3,514	24,906	-	-
		48,537	65,748	50	4,500
Less: Pledged deposits and bank balances	13	(3,514)	(27,080)	-	-
		45,023	38,668	50	4,500

Statements of Cash Flows
for the year ended 30 June 2020 (continued)

Reconciliation of movements of liabilities 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 cost RM'000	Effect movements in exchange rates RM'000	At 30.6.2019 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.7.2019 RM'000	Reclassification RM'000	Net changes from financing cash flows RM'000	Acquisition of new leases RM'000	Effect movements in exchange rates RM'000	Other changes RM'000	At 30.6.2020 RM'000
Guaranteed Serial Bonds	104,322	(11,428)	11,428	(405)	103,917	-	103,917	(103,917)	-	-	-	-	-
Bank loans	58,462	(22,445)	-	4,601	40,618	-	40,618	-	(29,623)	-	(6,696)	3,150	7,449
Loan	-	-	-	-	-	-	-	103,917	(30,384)	-	3,329	849	77,711
Revolving credits	44,890	(4,728)	-	1,109	41,271	-	41,271	-	(2,157)	-	370	-	39,484
Finance leases	22	(25)	-	3	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	15,962	15,962	-	(7,989)	5,287	404	-	13,664
Bank overdrafts	10,030	(10,030)	-	-	-	-	-	-	-	-	-	-	-
Total liabilities from financing activities	217,726	(48,656)	11,428	5,308	185,806	15,962	201,768	-	(70,153)	5,287	(2,593)	3,999	138,308

The notes on pages 60 to 158 are an integral part of these financial statements.

Notes to the Financial Statements

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

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

Registered office
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan
Malaysia

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2020 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 Company are investment holding and provision of management services to its subsidiaries and an associate whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

The Company was a subsidiary of 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, and regarded by the Directors as the Company’s holding company in the previous financial period. On 26 February 2020, Scomi Group Bhd lost control of the Company and the details are disclosed in Note 33(i) to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 30 October 2020.

1. Basis of preparation

(a) Statement of compliance

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

Amendment effective for annual periods beginning on or after 1 June 2020

- Amendments to MFRS 16, *Leases – Covid-19-Related Rent Concessions*

Amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement,* MFRS 7, *Financial Instruments: Disclosures,* MFRS 4*, Insurance Contracts* and MFRS 16*, Leases – Interest Rate Benchmark Reform – Phase 2*

Amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment − Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*

MFRS and amendment effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

Amendments effective for annual periods beginning on or after a date yet to be confirmed

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

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

- from the annual period beginning on 1 July 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020 and 1 June 2020;
- from the annual period beginning on 1 July 2021 for those amendments that are effective for annual periods beginning on or after 1 January 2021, except for amendments to MFRS 4, which is not applicable to the Group and the Company;
- from the annual period beginning on 1 July 2022 for those amendments that are effective for annual periods beginning on or after 1 January 2022, except for amendments to MFRS 141, which is not applicable to the Group and the Company; and
- from the annual period beginning on 1 July 2023 for the amendments that are effective for annual periods beginning on or after 1 January 2023, except for amendments to MFRS 17, which is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

(b) Basis of measurement

The financial statements of the Group and the Company have been prepared on the historical cost basis other than as disclosed in Note 2 and on going concern based on the assumptions that the debt restructuring and regularisation plan of the Group will be successfully implemented as follows:

(i) The Group and the Company incurred net losses of RM186.3 million and RM209.1 million, respectively for the financial year ended 30 June 2020 and as at that date, the current liabilities of the Group and the Company exceeded their current assets by RM48.7 million and RM4.3 million, respectively.

(ii) During the financial year, the Company announced that it had been classified as an affected listed issuer pursuant to Paragraph 2.1 (e) of Practice Note 17 (“PN17”) under the Main Market Listing Requirements of Bursa Malaysia. The PN17 criteria was triggered as a result of a material uncertainty related to going concern that had been included in auditors’ report for the audit of the Group financial statements for the financial period ended 30 June 2019 and the shareholders’ equity of the Group as of 30 June 2019 on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the Group.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

(iii) On 13 December 2019, the Company announced that the Group will not be able to redeem or repay the guaranteed serial bonds ("the bonds") issued amounting to RM55 million due on 14 December 2019.

The Group requested for a remedial period from the bondholders to extend the redemption of the bond to 28 February 2020 which was approved by the bondholders on 21 January 2020. On 10 February 2020, the Group requested for another extension of time from the bondholders as the Group was not able to get the financing required to redeem the bonds. However, the bondholders rejected the Group's request for a second extension.

On 12 March 2020, the Company announced that the facility agent under the guaranteed serial bonds had declared an event of default on the total outstanding bonds of RM80.4 million. The event of default also resulted in cross defaults on the Group's other credit facilities. The guarantor of the guaranteed serial bonds and other secured lenders are entitled to the enforcement of various securities granted by the Group in accordance with the financial guarantee insurance agreement and the other credit facility agreements.

On 2 April 2020, the Group applied for a Judicial Management Order ("JMO") pursuant to Sections 404, 405, 406 and 407 of the Companies Act 2016 ("CA 2016") and Rule 8 of the Companies (Corporate Rescue Mechanism) Rules 2018 with the High Court of Malaya at Shah Alam ("the Court") on the Company and its subsidiaries such as Scomi Oiltools Sdn. Bhd. ("SOSB"), Scomi KMC Sdn. Bhd. ("SKMC") and KMCOB Capital Berhad ("KMCOB") (collectively, the "affected subsidiaries") with the objective of restructuring their debts and rehabilitating the Group's business. The application for the JMO immediately put into effect a moratorium for the period commencing with the application of the JMO and ending with the grant or dismissal of the application, during which no resolution shall be passed or order shall be made for the winding-up of the Company and affected subsidiaries.

On 14 August 2020, the Court granted the JMO applications filed by the affected subsidiaries. The Court also allowed the withdrawal of the Company's application for its JMO. The JM application was withdrawn by the Company as it would accord greater flexibility to the Company to implement a group-wide restructuring of the Group's debts and rehabilitating the Group's businesses while continuing to access the capital markets.

Following the JMO approval by the Court for the affected subsidiaries, the Judicial Manager was appointed to work on a debt restructuring plan. The Judicial Manager is required to present a statement of proposal (hereinafter referred to as "debt restructuring plan") within 60 days or such longer period as the Court may allow upon securing the JMO, to all creditors for the respective affected subsidiaries.

1. Basis of preparation (continued)

(b) Basis of measurement (continued)

(iii) The debt restructuring plan will require the approval of at least 75% of the total value for each class of creditors whose claims have been accepted by the Judicial Manager and the debt restructuring plan may be approved with modifications subject to the consent of the Judicial Manager. Once the debt restructuring plan is approved by the creditors, the Judicial Manager shall report the result of the meeting to the Court and execute the approved debt restructuring plan accordingly.

Prior to the expiry of the initial deadline of 13 October 2020, the Judicial Manager applied to the Court for the extension of another 60 days to finalise the debt restructuring plan. On 8 October 2020, the Court approved the application for the extension up to 13 December 2020.

(iv) On 5 October 2020, an independent financial advisor was appointed by the Company to advise the Group on the group-wide restructuring to strengthen the financial position of the Group. The Group together with the independent financial advisor are in the midst of formulating a regularisation plan to address the financial condition of the Group.

The circumstances highlighted above indicate material uncertainties that may cast significant doubt over the abilities of the Group and of the Company to continue as a going concern and therefore, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business.

The Group believes that the debt restructuring and regularisation plan when formulated and successfully implemented, will enable the Group and the Company to generate sufficient cash flows to meet their financial obligations. The Board of Directors are of the opinion that the Group and the Company will be able to continue in operational existence for the foreseeable future and to realise their assets and settle their liabilities in the ordinary course of business. Accordingly the preparation of the financial statements on a going concern basis is highly dependent on the approval and successful implementation of the debt restructuring plan and the regularisation plan, and continuing support from the lenders and the creditors of the Group and of the Company.

1. Basis of preparation (continued)

(c) Functional and presentation currency

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

(d) Critical accounting estimates and judgements

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

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

(i) Impairment of goodwill

The Group assesses 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 carrying amount of goodwill and key assumptions used in the value-in-use calculation are disclosed in Note 5 to the financial statements.

(ii) Impairment of receivables

In respect of impairment of financial assets, MFRS 9 requires the Group and the Company to make assumptions about changes in economic conditions relatively far into the future for assets maturing in the medium term and longer term. The Group and the Company have applied the expected credit loss ("ECL") model in accordance with the requirements of MFRS 9 in assessing impairment of receivables.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

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

The Group assesses the impairment of marine vessels when there is indicator of impairment.

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

The carrying amount of marine vessels and key assumptions used in the value-in-use calculation are disclosed in Note 3 to the financial statements.

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

The Group and the Company assess the impairment of investments in subsidiaries, associates and joint ventures when there is indicator of impairment.

The recoverable amount of investment in subsidiaries was determined based on the value-in-use and involves significant judgements and assumptions. The carrying amounts of investments in subsidiaries, associates and joint ventures are disclosed in Notes 7, 8 and 9 to the financial statements.

(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.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(vi) Income taxes (continued)

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

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

In respect of 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*.

Under MFRS 16, extension options and incremental borrowing rates in relation to leases may differ from current assumptions. The key assumptions used in relation to leases are disclosed in Note 4 to the financial statements.

(viii) 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 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impact arising from the changes are disclosed in Note 35.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ii) Business combinations (continued)

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.

(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 year 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 or 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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vi) Associates

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

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

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

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

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

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

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

(viii) Non-controlling interests

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

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

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(ix) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting year 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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.

(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.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

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

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.

(c) Financial instruments

(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.

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.

(ii) Financial instrument categories and subsequent measurement

Financial assets

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 year following the change of the business model.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

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.

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

Financial liabilities

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.

(iii) Financial guarantee contracts

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts (continued)

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.

(iv) 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.

(v) 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 income” and “other 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.

(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. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

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

• Freehold 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) Leases

The Group has applied MFRS 16 using the modified retrospective approach with the initial application that the right-of-use assets are equivalent to the lease liabilities as at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(i) Definition of a lease (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(ii) Recognition and initial measurement (continued)

(a) As a lessee (continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see Note 2(j)(i)).

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

2. Significant accounting policies (continued)

(e) Leases (continued)

Previous financial year (continued)

As a lessee (continued)

(i) Finance lease (continued)

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was 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 lease

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

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

Leasehold land which in substance was an operating lease was 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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(ii) Research and development

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

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

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

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

(iii) Other intangible assets

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

(iv) Subsequent expenditure

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

(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 capitalised development costs for drilling waste equipment for current year is 8 years (2019: 9 years).

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

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 year in which the item is derecognised.

(ii) Reclassification to/from investment property

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

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

(h) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories 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.

2. Significant accounting policies (continued)

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks 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 pledged deposits.

(j) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost. 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.

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.

2. Significant accounting policies (continued)

(j) Impairment (continued)

(i) Financial assets (continued)

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.

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and investment properties) are reviewed at the end of each reporting year 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 year at the same time.

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

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets (continued)

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.

(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.

2. Significant accounting policies (continued)

(l) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

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

(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 gains and losses on the settlement of a defined benefit plan when the settlement occurs.

2. Significant accounting policies (continued)

(l) 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.

(m) Provisions

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

(n) 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".

2. Significant accounting policies (continued)

(n) Revenue and other income (continued)

(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.

(o) Borrowing costs

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

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

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

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

(p) Income tax

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

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

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

2. Significant accounting policies (continued)

(p) Income tax (continued)

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

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

(q) Earnings per ordinary share

The Group presents basic and diluted earnings per share 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.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment 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.

(s) 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.

2. Significant accounting policies (continued)

(s) Contingencies (continued)

(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.

(t) Fair value measurements

Fair value of an asset or a liability, except for 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 is 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	Note	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 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, *as previously reported*		4,900	3,407	14,700	867,974	477,779	15,836	8,192	47,518	5,300	1,445,606
Adjustment on initial application of MFRS 16		-	-	(14,700)	-	-	-	-	-	-	(14,700)
At 1 July 2019, *as restated*		4,900	3,407	-	867,974	477,779	15,836	8,192	47,518	5,300	1,430,906
Additions		-	-	-	1,930	1,497	614	122	404	4,040	8,607
Disposals		-	-	-	-	(59,247)	-	(193)	(219)	-	(59,659)
Reclassification		-	-	-	5,760	-	-	-	-	(5,760)	-
Effect of movements in exchange rates		-	65	-	31,686	15,146	1,514	(243)	887	162	49,217
At 30 June 2020		4,900	3,472	-	907,350	435,175	17,964	7,878	48,590	3,742	1,429,071

3. Property, plant and equipment (continued)

Group	Note	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 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	23	-	44	235	42,923	31,947	587	305	839	-	76,880
Impairment losses	23	-	-	-	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, *as previously reported*											
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

3. Property, plant and equipment (continued)

Group	Note	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 July 2019, *as previously reported*		-	1,832	13,862	676,675	390,427	14,466	5,549	43,805	-	1,146,616
Adjustment on initial application of MFRS 16		-	-	(13,862)	-	-	-	-	-	-	(13,862)
At 1 July 2019, *as restated*		-	1,832	-	676,675	390,427	14,466	5,549	43,805	-	1,132,754
Accumulated depreciation		-	1,832	-	584,631	388,545	14,466	5,549	43,805	-	1,038,828
Accumulated impairment losses		-	-	-	92,044	1,882	-	-	-	-	93,926
		-	1,832	-	676,675	390,427	14,466	5,549	43,805	-	1,132,754
Depreciation for the year	23	-	80	-	29,804	19,622	595	698	755	-	51,554
Impairment losses	23	-	-	-	-	1,320	-	-	-	-	1,320
Disposals		-	-	-	-	(52,159)	-	(193)	(92)	-	(52,444)
Effect of movements in exchange rates		-	65	-	25,131	10,217	676	(86)	1,106	-	37,109
At 30 June 2020											
Accumulated depreciation		-	1,977	-	639,566	366,225	15,737	5,968	45,574	-	1,075,047
Accumulated impairment losses		-	-	-	92,044	3,202	-	-	-	-	95,246
		-	1,977	-	731,610	369,427	15,737	5,968	45,574	-	1,170,293

3. Property, plant and equipment (continued)

Group	Note	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
Carrying amounts											
At 1 April 2018		-	12	1,051	258,869	114,468	1,337	2,654	4,394	1,839	384,624
At 30 June 2019/ 1 July 2019		4,900	1,575	838	191,299	87,352	1,370	2,643	3,713	5,300	298,990
At 30 June 2020		4,900	1,495	-	175,740	65,748	2,227	1,910	3,016	3,742	258,778

3. Property, plant and equipment (continued)

Company	Note	Freehold land RM'000	Freehold building RM'000	Renovation and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
At 1 April 2018/30 June 2019/1 July 2019		-	-	1,095	200	1,295
Transfer from investment property	6	4,900	1,600	-	-	6,500
At 30 June 2020		4,900	1,600	1,095	200	7,795
Accumulated depreciation						
At 1 April 2018		-	-	1,084	200	1,284
Depreciation for the period		-	-	11	-	11
At 30 June 2019/1 July 2019		-	-	1,095	200	1,295
Transfer from investment property	6	-	40	-	-	40
Depreciation for the year	23	-	80	-	-	80
At 30 June 2020		-	120	1,095	200	1,415
Carrying amounts						
At 1 April 2018		-	-	11	-	11
At 30 June 2019/1 July 2019		-	-	-	-	-
At 30 June 2020		4,900	1,480	-	-	6,380

3. Property, plant and equipment (continued)

(a) Impairment loss - Marine vessels

The downturn in marine business operation has resulted in a decrease in charter contract revenue for the Group's vessels, which indirectly has an impact on the recoverable amount of the vessels. Accordingly, the Group has reviewed the recoverable amount of its vessels.

The recoverable amount of 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.

The value-in-use calculations use pre-tax cash flow projections based on financial budgets approved by the Board covering remaining estimated useful lives of vessels. The key assumptions used in the value-in-use calculation in the current financial year are as follows:

	2020	2019
	%	%
Discount rate	9.7	9.7
Revenue growth rate	0.0	0.0

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

Based on the impairment test, an impairment of RM Nil (2019: RM1,542,000) has been recognised in profit or loss.

(b) Security

The carrying amount of property, plant and equipment of the Group charged as security for banking facilities granted to the Group (Note 17) was as follows:

	Group	
	2020	2019
	RM'000	RM'000
Marine vessels	-	140,359

The charges on property, plant and equipment of the Group were discharged as the banking facilities were fully repaid during the financial year.

4. Right-of-use assets

Group	Note	Land RM'000	Buildings RM'000	Plant and equipment RM'000	Total RM'000
At 1 July 2019		371	14,329	1,621	16,321
Addition		-	5,287	-	5,287
Transfer from property, plant and equipment	3	-	838	-	838
Depreciation	23	(136)	(7,918)	(669)	(8,723)
Effect of movements in exchange rates		17	501	48	566
At 30 June 2020		252	13,037	1,000	14,289

The Group leases a number of warehouse and factory facilities that run between one year and three years, with an option to renew the leases after that date.

4.1 Extension options

Some leases of the warehouse and factory facilities contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rates of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. Intangible assets

Group	Note	Goodwill RM'000	Patents and other intangible assets RM'000	*Capitalised development costs* Drilling waste equipment RM'000	*Development cost work-in-progress* EMS Engineering Package RM'000	Total RM'000
Cost						
At 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/1 July 2019		399,864	1,183	12,258	-	413,305
Effect of movements in exchange rates		210	43	445	-	698
At 30 June 2020		400,074	1,226	12,703	-	414,003
Accumulated amortisation and impairment losses						
At 1 April 2018						
Accumulated amortisation		-	803	3,724	-	4,527
Accumulated impairment losses		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/1 July 2019						
Accumulated amortisation		-	1,183	5,363	-	6,546
Accumulated impairment losses		300,361	-	2,867	-	303,228
		300,361	1,183	8,230	-	309,774
Amortisation for the year	(a)	-	-	219	-	219
Impairment losses	(b)	96,554	-	3,780	-	100,334
Effect of movements in exchange rates		3,159	43	474	-	3,676
At 30 June 2020						
Accumulated amortisation		-	1,226	6,056	-	7,282
Accumulated impairment losses		400,074	-	6,647	-	406,721
		400,074	1,226	12,703	-	414,003
Carrying amounts						
At 1 April 2018		102,129	310	4,126	-	106,565
At 30 June/1 July 2019		99,503	-	4,028	-	103,531
At 30 June 2020		-	-	-	-	-

5. Intangible assets (continued)

(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.

(b) Impairment

(i) 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	
	2020 RM'000	2019 RM'000
Drilling Services	-	99,503

Goodwill allocated to Drilling Services

During the year, the cash-generating units with the allocated goodwill was reviewed for impairment using the value-in-use calculations. The value-in-use calculations use pre-tax cash flow projections for each countries based on financial budgets approved by the Board covering a five-year period. Based on the impairment testing and management's assessment, a full impairment of RM96,554,000 has been recognised in the current financial year.

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

	2020 %	2019 %
Discount rates	10.0 - 22.0	9.0 - 21.0
Terminal growth rate	0.0	0.0
Revenue growth rates	0.0	0.0 - 24.0

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.

(ii) Impairment losses on capitalised development costs

During the financial year ended 30 June 2020, the Group has reviewed the carrying amount of the capitalised development costs due to the prolonged low and volatile crude oil prices which indirectly has impacted on the carrying amount of the capitalised development costs. Based on the management's assessment, the Group recognised an impairment loss of RM3,780,000 (2019: Nil) in the current financial year.

6. Investment properties

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Freehold land and buildings				
At cost				
At 1 July/1 April	2,890	4,860	6,500	-
Addition	-	-	-	6,500
Disposals	-	(2,069)	-	-
Transfer to property, plant and equipment	-	-	(6,500)	-
Effect of movements in exchange rates	-	99	-	-
At 30 June	2,890	2,890	-	6,500
Accumulated depreciation				
At 1 July/1 April	2,435	2,265	40	-
Depreciation for the year/period	-	169	-	40
Transfer to property, plant and equipment	-	-	(40)	-
Effect of movements in exchange rates	-	1	-	-
At 30 June	2,435	2,435	-	40
Accumulated impairment losses				
At 1 July/30 June/1 April	455	455	-	-
Carrying amounts				
At 1 July/1 April	-	2,140	6,460	-
At 30 June	-	-	-	6,460

During the financial year, a property has been transferred from investment properties to property, plant and equipment as the property is no longer held for capital appreciation or rental income.

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

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Rental income	-	190	-	-

There were no direct operating expenses arising from investment property that generated rental income in the previous financial period as all expenses were borne by the tenants.

6. Investment properties (continued)

Fair value information

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

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Freehold land and buildings	-	-	-	6,600

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.

7. Investments in subsidiaries

		Company	
		2020	2019
	Note	RM'000	RM'000
Unquoted shares, at cost		11,016	11,016
Deemed investment - capital contribution		1,454,883	1,456,962
		1,465,899	1,467,978
Less: Accumulated impairment losses	(a)	(1,242,446)	(1,115,126)
		223,453	352,852

(a) Impairment losses of investments in subsidiaries

Due to the presence of impairment indicator during the financial year resulting from downturn in operations of a subsidiary, the Company has undertaken an impairment assessment on investments in subsidiaries.

The recoverable amount for the subsidiary was determined based on value-in-use calculation. The value-in-use calculation uses 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 5(b)(i).

Based on the management's assessment, an impairment of RM127,320,000 (2019: RM14,088,000) has been recognised in the current financial year.

7. 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 and voting interest 2020 %	2019 %
Significant subsidiaries				
Scomi Oilfield Limited	Malaysia/ Bermuda	Investment holding	100	100
Scomi Marine Services Pte. Ltd.*	Singapore	Investment holding	100	100
Scomi KMC Sdn. Bhd. (including 4% held by Scomi Oiltools Sdn. Bhd.)	Malaysia	Provision of oilfield equipment, supplies and services	52	52
Significant subsidiaries of Scomi Oilfield Limited				
Scomi Oiltools Sdn. Bhd.	Malaysia	Provision of oilfield equipment, supplies and services	100	100
Scomi Oiltools (Cayman) Ltd.*	United Arab Emirates & Saudi Arabia/ Cayman Islands	Provision of oilfield equipment, supplies and services	100	100

7. 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 and voting interest 2020 %	2019 %
Significant subsidiaries of Scomi Oilfield Limited (continued)				
Scomi Oiltools (Africa) Limited	Congo & Nigeria/ Cayman Islands	Investment holding and provision of oilfield equipment, supplies and services	100	100
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

7. 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 and voting interest 2020 %	2019 %
Significant subsidiaries of Scomi Oilfield Limited (continued)				
Scomi Oiltools Ltd. – Pakistan branch*	Pakistan	Provision of oilfield equipment, supplies and services	100	100
Scomi Oiltools (S) Pte. Ltd.	Singapore	Investment holding	100	100
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 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.*	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

7. 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 and voting interest 2020 %	2019 %
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.
\# Not audited by member firms of KPMG International.

(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 subsidiary with immaterial NCI RM'000	Total RM'000
2020			
Carrying amount of NCI	34,429	-	34,429
Profit/(Loss) allocated to NCI	2,998	(1,790)	1,208
2019			
Carrying amount of NCI	31,431	1,790	33,221
Loss allocated to NCI	(6,012)	(1,760)	(7,772)

7. Investments in subsidiaries (continued)

(c) Non-controlling interests in subsidiaries (continued)

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

	2020 RM'000	2019 RM'000
As at 30 June		
Non-current assets	184,746	201,990
Current assets	65,881	70,211
Non-current liabilities	(3,099)	(3,560)
Current liabilities	(37,313)	(74,238)
Net assets	210,215	194,403
Year/period ended 30 June		
Revenue	120,579	168,479
Profit/(Loss) for the year/period	8,510	(33,484)
Total comprehensive income/(loss)	8,510	(33,014)
Cash flows from operating activities	37,103	37,327
Cash flows (used in)/from investing activities	(8,244)	1,250
Cash flows used in financing activities	(24,061)	(37,460)
Net increase in cash and cash equivalents	4,798	1,117
Dividends paid to NCI	-	-

8. Investments in joint ventures

		Group		Company	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Unquoted shares, at cost - outside Malaysia		3,398	4,432	2,042	2,042
Deemed investment - capital contribution	(a)	34,920	51,241	15,053	15,053
Deemed investment - financial guarantee liabilities		329	329	329	329
Share of post-acquisition reserves		(29,802)	(46,234)	-	-
Accumulated impairment losses	(b)	(8,845)	(7,684)	(17,424)	(17,424)
		-	2,084	-	-

(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.

8. Investments in joint ventures (continued)

(b) Impairment review of investments in joint ventures

Due to presence of impairment indicator during the financial year resulting from downturn in operations of a joint venture, the Group has recognised a full impairment of RM1,161,000 (2019: RM996,000).

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

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2020 %	2019 %
Held by the Company				
MarineCo Limited*^	Malaysia	Dormant	-	51
Gemini Sprint Sdn. Bhd.*^	Malaysia	Dormant	-	51
Transenergy Shipping Pte. Ltd.	Malaysia	Dormant	50	50
Transenergy Shipping Management Sdn. Bhd.	Malaysia	Dormant	50	50
Held by PT Rig Tenders Indonesia, Tbk				
Rig Tenders Offshore Pte. Ltd.*	Singapore	Chartering of ships to the Group	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	Provide oilfield supplies to the Group	25	25
Scomi Oiltools Gulf W.L.L.	Dubai	Provide oilfield equipment, supplies and services to the Group	25	-

8. 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	Nature of the relationship	Effective ownership interest and voting interest 2020 %	2019 %
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 but were treated as joint ventures pursuant to the contractual rights and obligations of the respective joint venture party.

^ Under member's voluntarily liquidation.

Summarised financial information of joint ventures

	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Revenue	127	48,037
Loss for the year/period	(1,516)	(18,424)
Group's share of results for the year/period	-	(3,866)

	2020 RM'000	2019 RM'000
Total assets	10,352	15,403
Total liabilities	(17,541)	(6,598)
Net (liabilities)/assets	(7,189)	8,805
Group's share of net assets	-	2,084

Unrecognised share of losses and net liabilities

The Group has not recognised losses and net liabilities related to the joint ventures, totalling RM691,000 and RM4,904,000, respectively in the current financial year since the Group has no obligation in respect of these losses and liabilities.

9. Investments in associates

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Unquoted shares, at cost					
- outside Malaysia		26,675	26,675	16,857	16,857
Share of post-acquisition reserves		(1,086)	(1,928)	-	-
Less: Accumulated impairment losses	(a)	(15,900)	(15,900)	(9,418)	(9,418)
		9,689	8,847	7,439	7,439

(a) Impairment review of investments in associates

There was an impairment indicator resulting from downturn in operations of an associate in previous financial period ended 30 June 2019. Accordingly, the Group had 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:

	2019
	%
Discount rate	20.0
Terminal growth rate	0.0

Based on the management's assessment, the Group had impaired the carrying amount of the associate of RM6,111,000 in the previous financial period after the Group's share of losses.

9. Investments in associates (continued)

(b) Details of the associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Nature of the relationship	Effective ownership interest and voting interest 2020 %	2019 %
Held by the Company				
Southern Petroleum Transportation Joint Stock Company*	Vietnam	Provide oil tankers services to the Group	13.84	13.84
Emerald Logistics Sdn. Bhd.	Malaysia	Dormant	49	49
Held by the Scomi Oilfield Limited				
Midgard Oilfield Services Ltd.	Turkmenistan /Cayman Islands	Provide oilfield equipment, supplies and services to the Group	49	49
Held by Scomi Marine Services Pte. Ltd.				
King Bridge Enterprises Ltd.	British Virgin Islands	Investment holding	49	49

* Entity with ownership of less than 20% of the equity shareholding but treated as associate as the Group is able to exercise significant influence over the entity.

9. Investments in associates (continued)

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

Summarised financial information of associates

Group 2020	**Southern Petroleum Transportation Joint Stock Company RM'000**	**Other immaterial associates RM'000**	**Total RM'000**
Summarised financial information			
As at 30 June 2020			
Non-current assets	130,950		
Current assets	25,715		
Non-current liabilities	(27,649)		
Current liabilities	(49,815)		
Net assets	79,201		
Financial year ended 30 June 2020			
Profit from continuing operations	6,083		
Other comprehensive income	-		
Total comprehensive income	6,083		
Included in the total comprehensive income is:			
Revenue	156,475		
Reconciliation of net assets to carrying amount as at 30 June 2020			
Group's share of net assets	10,961	14,628	25,589
Accumulated impairment losses	(1,272)	(14,628)	(15,900)
Carrying amount in the statement of financial position	9,689	-	9,689
Group's share of results for the financial year ended 30 June 2020			
Group's share of profit or loss from continuing operations	842	-	842
Group's share of other comprehensive income	-	-	-
Group's share of total comprehensive income	842	-	842
Other information			
Dividends received by the Group	-		

9. Investments in associates (continued)

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

Summarised financial information of associates (continued)

Group **2019**	**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	128,007		
Current assets	23,230		
Non-current liabilities	(35,257)		
Current liabilities	(42,862)		
Net assets	73,118		
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	10,119	14,628	24,747
Accumulated impairment losses	(1,272)	(14,628)	(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	-		

Unrecognised share of losses

The Group has not recognised losses related to Midgard Oilfield Services Ltd., totalling RM4,879,000 in the current financial year since the Group has no obligation in respect of these losses.

10. Deferred tax assets/(liabilities)

(a) Recognised deferred tax assets/(liabilities)

Group	Assets 2020 RM'000	Assets 2019 RM'000	Liabilities 2020 RM'000	Liabilities 2019 RM'000	Net 2020 RM'000	Net 2019 RM'000
Property, plant and equipment	-	-	(170)	(694)	(170)	(694)
Deductible/(Taxable) temporary differences	1,199	529	(3,559)	(3,792)	(2,360)	(3,263)
Tax assets/(liabilities)	1,199	529	(3,729)	(4,486)	(2,530)	(3,957)
Set off of tax	-	-	-	-	-	-
Net tax assets/(liabilities)	1,199	529	(3,729)	(4,486)	(2,530)	(3,957)

(b) Movement in temporary differences during the period/year

Group	At 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/ 1.7.2019 RM'000	Recognised in profit or loss (Note 24) RM'000	Effect of movements in exchange rates RM'000	At 30.6.2020 RM'000
Property, plant and equipment	(1,700)	882	124	(694)	796	(272)	(170)
(Taxable)/Deductible temporary differences	(185)	(2,291)	(787)	(3,263)	(1,939)	2,842	(2,360)
	(1,885)	(1,409)	(663)	(3,957)	(1,143)	2,570	(2,530)

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

(a) Unrecognised deferred tax assets

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Deductible temporary differences	62,834	60,393	90,528	14,353
Unabsorbed capital allowances	9,883	8,815	413	406
Unutilised tax losses	45,063	30,329	22,181	16,880
	117,780	99,537	113,122	31,639

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.

Pursuant to Finance Bill 2018, the unutilised tax losses of the Company and its subsidiaries in Malaysia can be carried forward up to 7 consecutive years of assessment.

The unutilised tax losses of the Group amounting to RM45,063,000 (2019: RM30,329,000), and the Company amounting to RM22,181,000 (2019: RM16,880,000) will expire in financial year 2026 - 2027 (2019: 2026).

11. Trade and other receivables

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Non-current					
Other receivables	11.1	14,759	14,333	-	-
Current					
Trade receivables		136,980	181,826	-	-
Less: Allowance for impairment losses		(37,256)	(44,758)	-	-
	11.3	99,724	137,068	-	-
Other receivables	11.1	14,327	80,020	122	125
Deposits		8,132	3,920	-	-
Prepayments		7,297	10,670	-	287
		29,756	94,610	122	412
Amount due from:					
- former holding company	11.2	-	30,186	-	30,133
- related parties	11.4	-	1,444	-	357
- subsidiaries	11.4	-	-	21,409	65,982
- joint ventures	11.4	-	4,131	-	-
- associates	11.4	-	-	-	53
		-	35,761	21,409	96,525
		129,480	267,439	21,531	96,937
		144,239	281,772	21,531	96,937

11.1 Included in other receivables are Value-Added-Tax ("VAT") recoverable amounting to RM14,725,980 (2019: RM19,968,000).

11.2 Amount due from former 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 former holding company after deducting amount due to former holding company as disclosed in Note 19. An impairment of RM11,833,000 (2019: RM33,772,000) was recognised in the current financial year as disclosed in Note 28(d).

11.3 Credit terms for trade receivables range from 30 to 90 days (2019: 30 to 90 days).

11.4 Amounts due from related parties, subsidiaries, joint ventures and associates are unsecured, interest-free and repayable on demand. The Company has recognised an impairment of RM68,411,000 (2019: RM6,469,000) in the current financial year.

12. Inventories

	Group 2020 RM'000	Group 2019 RM'000
Raw materials	2,267	2,245
Finished goods	41,528	51,153
Consumables	28,482	29,413
	72,277	82,811
Recognised in profit or loss:		
Inventories recognised as cost of sales	69,724	179,482
Write-down of inventories	6,272	590
Reversal of write-down of inventories	(164)	(3,983)

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

13. Cash and cash equivalents

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Cash and bank balances	45,023	40,842	50	4,500
Short-term deposits	3,514	24,906	-	-
Cash and cash equivalents in the statements of financial position	48,537	65,748	50	4,500
Pledged deposits and bank balances	(3,514)	(27,080)	-	-
Cash and cash equivalents in the statements of cash flows	45,023	38,668	50	4,500

The effective interest rates for short-term deposits of the Group at the end of the reporting period range from 2.40% to 5.40% (2019: 0.18% to 6.50%) per annum.

In prior financial period, included in the Group's cash and bank balances and short-term deposits was RM27,080,000, pledged for repayment of Guaranteed Serial Bonds and bank facilities granted to the Group as disclosed in Notes 17(b) and 17(c), respectively.

14. Share capital

	Group and Company			
	2020		2019	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
At 1 July/1 April	1,005,535	2,341,775	1,005,535	2,341,775
Capital reduction	(560,000)	-	-	-
Share consolidation	-	(1,873,420)	-	-
At 30 June	445,535	468,355	1,005,535	2,341,775

a) 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 15), all rights are suspended until those shares are reissued.

b) During the year, the Group and the Company undertook a share capital reduction exercise to reduce its share capital from RM1,005,535,000 to RM445,535,000 which was completed on 14 February 2020. The corresponding credit of RM560,000,000 arising from such capital reduction was utilised to set-off against the accumulated losses of the Group and of the Company respectively.

Following that, the Group and the Company undertook a share consolidation exercise by the consolidation of existing shares of 2,341,775,435 units into 468,355,087 units on the basis of 5 existing shares into 1 share pursuant to Section 116 of the Companies Act 2016 which was completed on 28 February 2020.

15. Treasury shares

	Group and Company			
	2020		2019	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
At 1July/1 April/30 June	51	154	51	154
Share consolidation	-	(123)	-	-
At 30 June	51	31	51	154

None of the treasury shares repurchased has been sold as at 30 June 2020.

At the end of the financial year, 30,820 (2019: 154,100) ordinary shares are held as treasury shares at a carrying amount of RM51,000 (2019: RM51,000) and the number of outstanding shares in issue after setting off treasury shares is 468,324,267 shares (2019: 2,341,621,335 shares).

16. Reserves

	Note	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Translation reserve	(a)	(130,446)	(110,817)	-	-
Merger reserve	(b)	(443,323)	(443,323)	-	-
Capital reserve	(c)	26,881	26,881	26,881	26,881
Retained earnings/ (Accumulated losses)		299,131	(73,450)	(239,356)	(590,212)
		(247,757)	(600,709)	(212,475)	(563,331)

(a) Translation reserve

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

(b) Merger reserve

The merger reserve arose from the acquisition of the entire shareholdings of the former 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 former holding company in 2013.

(c) Capital reserve

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

17. Loans and borrowings

	Note	Group 2020 RM'000	Group 2019 RM'000
Non-current			
Guaranteed Serial Bonds – secured	(c)	-	50,000
Less: Bond arrangement costs		-	(200)
		-	49,800
Current			
Guaranteed Serial Bonds – secured	(c)	-	55,000
Less: Bond arrangement costs		-	(883)
		-	54,117
Bank loans – secured	(b)	2,551	40,618
Loan – secured	(a)	82,609	-
Revolving credits – secured	(b)	39,484	41,271
		124,644	136,006
		124,644	185,806

17. Loans and borrowings (continued)

(a) Loan

During the financial year, the Group defaulted on the repayment of the bonds which consequently triggered cross defaults on the other credit facilities. As a result, the bonds and other credit facilities are immediately due and repayable.

Danajamin Nasional Berhad ("Danajamin") as the guarantor of the bonds, was responsible to repay the defaulted bonds' pursuant to the claim made by the bondholders. Consequently, the bonds have been converted into a loan from Danajamin. Danajamin and the other secured lenders are entitled to the enforcement of various securities granted by the Group in accordance with the financial guarantee insurance agreement and other credit facility agreements. The Group had then applied for Judicial Management Order with the High Court of Malaya at Shah Alam on 2 April 2020 with the objective of restructuring its debts and rehabilitating the Group's business and the details are disclosed in Note 33(iv) and Note 34(i), respectively to the financial statements.

The loan is supported and secured by:

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

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

(iii) Assignment of contract proceeds; and

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

(b) Bank loans and revolving credits

The bank loans and revolving credits are supported and secured by:

(i) Assignment and charge of relevant short-term deposits and bank balances of the Group;

(ii) Assignment of contract proceeds;

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

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

17. Loans and borrowings (continued)

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

In the prior 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 were supported and secured by:

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

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

(iii) Assignment of contract proceeds; and

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

The Group defaulted on the repayment of the bonds during the year. As a result, the entire bonds balance became due and repayable immediately.

18. 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	
	2020 RM'000	2019 RM'000
Present value of unfunded obligations	7,011	8,401

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	
	2020 RM'000	2019 RM'000
Balance at 1 July/1 April	8,401	8,932
Included in profit or loss		
Current service costs	761	788
Past service credit	(765)	-
Interest cost	277	124
Actuarial gains	(84)	-
Effect of movement of exchange rate	262	181
	451	1,093
Included in other comprehensive income		
- Financial assumption	-	-
- Experience adjustment	-	(470)
	-	(470)
Other		
Benefits paid	(1,841)	(1,154)
Balance at 30 June	7,011	8,401

The principal actuarial assumptions used were as follows:

	Group	
	2020	2019
Discount rates (per annum) (%)	8.0	8.0
Expected rates of salary increase (per annum) (%)	0.0 – 8.0	0.0 – 8.0
Normal retirement age (years)	56	55

The most recent actuarial valuation was carried out as at 5 August 2020 by independent professional actuaries using the projected unit credit method.

19. Trade and other payables

		Group		Company	
		2020	2019	2020	2019
	Note	RM'000	RM'000	RM'000	RM'000
Non-current					
Other payables		1,074	1,028	-	-
Current					
Trade payables	19.1	78,131	94,963	-	107
Other payables		12,297	8,447	1,691	931
Accruals	19.2	67,589	87,088	1,211	929
		79,886	95,535	2,902	1,860
Amount due to:					
- former holding company	11.2	-	4,890	-	-
- related parties	19.3	-	4,948	-	1,136
- subsidiaries	19.3	-	-	22,636	22,850
- joint ventures	19.3	41	-	41	82
- associate	19.3	235	-	-	-
		276	9,838	22,677	24,068
		158,293	200,336	25,579	26,035
		159,367	201,364	25,579	26,035

19.1 Credit terms granted by suppliers to the Group range from cash terms to 90 days (2019: cash terms to 90 days).

19.2 Included in accruals are Value-Added-Tax ("VAT") payable amounting to RM8,198,000 (2019: RM9,724,000) and unwinding cost arising from the close out of the Cross Currency Interest Rate Swaps ("CCIRS") contracts amounting to RM10,072,000 (2019: RM10,680,000).

The unwinding cost is supported and secured as disclosed in Note 17(b) to the financial statements.

19.3 The amounts due to former holding company, related parties, subsidiaries, joint ventures and associate are unsecured, interest-free and repayable on demand.

20. Revenue

Group	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Revenue from contracts with customers	320,742	520,768
Other revenue		
Rental income	102,578	122,726
Total revenue	423,320	643,494
Company		
Revenue from contracts with customers	-	3,855

20. Revenue (continued)

20.1 Disaggregation of revenue

Group	Drilling services		Marine services		Development and production asset and services		Total	
	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Primary geographical markets								
Malaysia	31,942	67,044	-	3,855	-	12	31,942	70,911
Russia	79,987	101,460	-	-	-	-	79,987	101,460
West Africa	57,019	76,737	-	-	-	-	57,019	76,737
Indonesia	29,409	29,716	96,333	142,625	-	-	125,742	172,341
Middle East	65,722	70,725	-	-	-	-	65,722	70,725
India	22,758	25,741	-	-	-	-	22,758	25,741
Other countries	40,150	125,579	-	-	-	-	40,150	125,579
	326,987	497,002	96,333	146,480	-	12	423,320	643,494
Major products and services lines								
Drilling fluids services	11,095	46,305	-	-	-	-	11,095	46,305
Sales of drilling related chemicals and supplies	85,916	124,284	-	-	-	-	85,916	124,284
Drilling waste management services	51,564	99,386	-	-	-	-	51,564	99,386
Sales of drilling waste equipment related supplies and accessories	75,795	66,498	-	-	-	-	75,795	66,498
Transportation of coal services	-	-	96,333	146,480	-	-	96,333	146,480
Others	39	37,803	-	-	-	12	39	37,815
	224,409	374,276	96,333	146,480	-	12	320,742	520,768

.

20. Revenue (continued)

20.1 Disaggregation of revenue (continued)

Group	Drilling services		Marine services		Development and production asset and services		Total	
	1.7.2019 to 30.6.2020	1.4.2018 to 30.6.2019	1.7.2019 to 30.6.2020	1.4.2018 to 30.6.2019	1.7.2019 to 30.6.2020	1.4.2018 to 30.6.2019	1.7.2019 to 30.6.2020	1.4.2018 to 30.6.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Timing and recognition								
At a point in time	224,409	374,276	96,333	146,480	-	12	320,742	520,768
Revenue from contracts with customers	224,409	374,276	96,333	146,480	-	12	320,742	520,768
Other revenue	102,578	122,726	-	-	-	-	102,578	122,726
Total revenue	326,987	497,002	96,333	146,480	-	12	423,320	643,494

Significant judgements and assumptions arising from revenue recognition

There are no significant judgements and assumptions applied that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers.

20. Revenue (continued)

20.1 Disaggregation of revenue (continued)

Company	Marine services 1.7.2019 to 30.6.2020 RM'000	Marine services 1.4.2018 to 30.6.2019 RM'000
Primary geographical market		
Malaysia	-	3,855
Product and services line		
Transportation of coal services	-	3,855
Timing and recognition		
At a point in time	-	3,855
Revenue from contracts with customers	-	3,855

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	
	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Interest expense on:				
- Guaranteed Serial Bonds	-	6,873	-	-
- Loan	2,024	-	-	-
- Bank loans and other	10,484	12,832	-	-
- Lease liabilities	1,442	-	-	-
	13,950	19,705	-	-
Amortisation of bonds arrangement costs	1,644	3,434	-	-
	15,594	23,139	-	-

22. Disposal of subsidiary and branch

In the prior financial period, 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 RM5,166,000) on 9 October 2018.

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 RM16,375,000).

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	20,029	9,145	29,174
Less:			
Equity interest retained as associate	(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

		Group		Company	
		1.7.2019 to 30.6.2020	1.4.2018 to 30.6.2019	1.7.2019 to 30.6.2020	1.4.2018 to 30.6.2019
	Note	RM'000	RM'000	RM'000	RM'000
Loss before tax is stated after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
KPMG PLT		1,580	2,122	120	130
Overseas affiliates of KPMG PLT		1,546	1,725	-	-
Other auditors		64	61	-	-
- Non-audit fees					
KPMG PLT		38	59	6	6
Material expenses/(income)					
Amortisation of intangible assets	5	219	812	-	-
Bad debts written off		-	-	-	88
Depreciation:					
- Property, plant and equipment	3	51,554	76,880	80	11
- Right-of-use assets	4	8,723	-	-	-
- Investment properties	6	-	169	-	40
Gain from disposal of investment property		-	(3,643)	-	-
Impairment loss on:					
- Amount due from former holding company	11.2	11,833	33,772	11,630	7,871
- Amount due from subsidiary		-	-	67,864	5,209
- Amount due from joint venture		-	1,260	-	1,116
- Amount due from related parties		-	-	311	-
- Amount due from associate		4,281	-	236	144
- Receivables		10,001	4,522	-	-
- Intangible assets	5	100,334	-	-	-
- Investments in associate	9	-	6,111	-	-
- Investments in subsidiary	7	-	-	127,320	14,088
- Investments in joint ventures	8	1,161	996	-	-
- Property, plant and equipment	3	1,320	1,542	-	-
Reversal of impairment loss on:					
- Amount due from subsidiary		-	-	(1,064)	-
- Amount due from joint venture		-	-	(347)	-
Write-down of inventories	12	6,272	590	-	-
Loss on disposal of property, plant and equipment		694	34,793	-	-

23. Loss before tax (continued)

	Note	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Material expenses/(income) (continued)					
Net realised gain on foreign exchange		(8,770)	(626)	(109)	(16)
Net unrealised gain on foreign exchange		(9,909)	(18,091)	(2,484)	(6,531)
Personnel expenses (including key management personnel):					
- Expenses related to defined benefit plans		273	912	-	-
Wages, salaries and others		130,091	173,229	1,949	2,164
Termination benefits		534	239	-	-
Contribution to state plans		4,934	7,051	265	302
Other employee benefits		5,867	14,060	251	199
Property, plant and equipment written off		-	994	-	-
Rental of premises		3,242	15,624	11	33
Rental of equipment		11,989	16,982	-	-
Interest income from deposit placed with licensed banks		(660)	(1,252)	-	(73)
Interest income from former holding company		-	(2,510)	-	(2,510)
Rental income from a related party		-	(190)	-	-
Reversal of impairment loss of receivables		(8,818)	(5,048)	-	-
Reversal of write-down of inventories	12	(164)	(3,983)	-	-
Expenses arising from leases					
Expenses relating to short-term leases		1,809	-	-	-
Expenses relating to leases of low-value assets		4,921	-	-	-
Net loss on impairment of financial instruments					
Financial assets at amortised cost		(13,016)	(34,506)	(78,630)	(7,952)

24. Tax expense

Recognised in profit or loss

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	**1.4.2018 to 30.6.2019 RM'000**	**1.7.2019 to 30.6.2020 RM'000**	**1.4.2018 to 30.6.2019 RM'000**
Current tax expense				
Malaysian income tax	-	-	-	-
Foreign income tax	12,768	16,041	-	-
Under provision in prior period/year	892	6,251	265	-
Total current tax expense	13,660	22,292	265	-
Deferred tax expense				
Origination and reversal of temporary differences	(1,135)	(1,372)	-	-
Over provision in prior period/year	(8)	(37)	-	-
Total deferred tax recognised in profit or loss	(1,143)	(1,409)	-	-
Total income tax expense	12,517	20,883	265	-
Reconciliation of tax expense				
Loss for the year/period	(186,295)	(103,462)	(209,144)	(22,359)
Total income tax expense	12,517	20,883	265	-
Loss before tax	(173,778)	(82,579)	(208,879)	(22,359)
Tax calculated at the Malaysian tax rate of 24% (2019: 24%)	(41,707)	(19,819)	(50,131)	(5,366)
Tax effects of:				
- different tax rates in other countries	19,920	12,800	-	-
- expenses not deductible for tax purposes	38,984	15,600	30,575	3,404
- income not subject to tax	(5,757)	(2,138)	-	-
- tax assets not recognised	193	8,226	19,556	1,962
Deferred tax – over provision in prior period/year	(8)	(37)	-	-
Current tax – under provision in prior period/year	892	6,251	265	-
	12,517	20,883	265	-

25. Other comprehensive (loss)/income

Group		1.7.2019 to 30.6.2020			1.4.2018 to 30.6.2019	
	Before tax RM'000	Tax (expense)/ benefit RM'000	Net of tax RM'000	Before tax RM'000	Tax (expense)/ benefit RM'000	Net of tax RM'000
Items that are or may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations	(19,629)	-	(19,629)	16,066	-	16,066
Remeasurement of defined benefit liability	84	-	84	470	-	470
	(19,545)	-	(19,545)	16,536	-	16,536

26. Loss per ordinary share

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 30 June 2020 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:

	Group 1.7.2019 to 30.6.2020	1.4.2018 to 30.6.2019
Loss attributable to owners of the Company (RM'000)	(187,503)	(95,690)
Weighted average number of ordinary shares outstanding ('000)	468,324	2,341,621
Basic loss per ordinary share (sen)	(40.04)	(4.09)

Diluted loss 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 services rendered. The following reportable segments have been identified:

(i)	Drilling Services	-	supply of drilling waste 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.

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.

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)

Group 2020	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Segment revenue				
External sales	326,987	96,333	-	423,320
Segment (loss)/profit	(135,962)	37,614	-	(98,348)
Included in the measure of the segment (loss)/profit are:				
Impairment of receivables	(10,001)	-	-	(10,001)
Reversal of impairment loss of receivables	8,818	-	-	8,818
Impairment of property, plant and equipment	(1,320)	-	-	(1,320)
Impairment of intangible assets	(100,334)	-	-	(100,334)
(Loss)/Gain on disposal of property, plant and equipment	(719)	25	-	(694)
Write-down of inventories	(6,272)	-	-	(6,272)
Share of gain of equity-accounted joint venture, net of tax	-	-	-	-
Share of gain of equity-accounted associates, net of tax	-	842	-	842
Not included in the measure of segment (loss)/profit but provided to CODM				
Depreciation and amortisation	(30,423)	(30,073)	-	(60,496)
Finance costs	(14,358)	(1,236)	-	(15,594)
Finance income	652	8	-	660
Tax expense	(9,569)	(2,948)	-	(12,517)
Segment assets	326,342	236,698	-	563,040
Included in the measure of segment assets are:				
Investments in associates	-	9,689	-	9,689
Investments in joint ventures	-	-	-	-
Additions to non-current assets other than financial instruments and deferred tax assets	14,093	1,037	-	15,130

27. Operating segments (continued)

Group 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 profit/(loss) are:				
Impairment of receivables	(3,384)	(1,138)	-	(4,522)
Reversal of impairment loss of receivables	5,048	-	-	5,048
Impairment of property, plant and equipment	-	(1,542)	-	(1,542)
Impairment of intangible assets	-	-	-	-
Gain/(Loss) on disposal of property, plant and equipment	4,843	(39,636)	-	(34,793)
Write-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)

Reconciliations of reportable segment of profit or loss

	Group	
	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Profit or loss		
Total profit or loss for reportable segments	(98,348)	14,659
Depreciation and amortisation	(60,496)	(77,861)
Finance costs	(15,594)	(23,139)
Finance income	660	3,762
Consolidated loss before tax	(173,778)	(82,579)

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 non-current assets do not include financial instruments (including investments in joint ventures and associates) and deferred tax assets.

	Total revenue		Total non-current assets	
	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Malaysia	31,942	70,911	14,338	11,464
Russia	79,987	101,460	8,852	6,377
West Africa	57,019	76,737	15,089	18,207
Middle East	65,722	70,725	26,753	1,545
Indonesia	125,742	172,341	187,725	204,924
India	22,758	25,741	2,140	1,838
Other countries	40,150	125,579	18,170	158,166
	423,320	643,494	273,067	402,521

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.

27. Operating segments (continued)

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

	Revenue		Segment
	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	
Customer A	53,559	74,165	Marine services
Customer B	63,200	82,491	Drilling services
	116,759	156,656	

Revenue for 2 (2019: 2) major customers constitutes 27.6% (2019: 24.3%) of total consolidated revenue.

28. Financial instruments

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC").

Group 2020	Carrying amount RM'000	AC RM'000
Financial assets		
Trade and other receivables*	122,216	122,216
Cash and bank balances	48,537	48,537
	170,753	170,753
Financial liabilities		
Loans and borrowings	(124,644)	(124,644)
Trade and other payables#	(151,169)	(151,169)
	(275,813)	(275,813)
Company		
Financial assets		
Trade and other receivables*	21,531	21,531
Cash and bank balances	50	50
	21,581	21,581
Financial liabilities		
Trade and other payables#	(25,579)	(25,579)

* 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 categorised as amortised cost ("AC") (continued).

Group **2019**	**Carrying amount** **RM'000**	**AC** **RM'000**
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)

(b) Net losses and gains arising from financial instruments

	Group		Company	
	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000	1.7.2019 to 30.6.2020 RM'000	1.4.2018 to 30.6.2019 RM'000
Net gains/(losses) on:				
Financial assets at amortised cost	13,016	7,495	(78,630)	2,583
Financial liabilities at amortised cost	(15,594)	(22,360)	-	-
	(2,578)	(14,865)	(78,630)	2,583

(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 short-term deposits and amounts due from the former holding company and related parties.

The Company's exposure to credit risk arises principally from advances to 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.

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 in 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.

There are no significant changes as compared to previous financial period.

28. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

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 90 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	
	2020	**2019**
	RM'000	**RM'000**
Malaysia	11,099	8,029
Asia	47,101	77,633
Middle East and Africa	41,469	51,199
Others	55	207
	99,724	137,068

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 within 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.

28. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Recognition and measurement of impairment losses (continued)

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past 2 to 3 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 year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature.

Group	Gross carrying amount	Loss allowance	Net balance
2020	**RM'000**	**RM'000**	**RM'000**
Current (not past due)	65,651	(2,707)	62,944
1 to 30 days past due	11,532	(432)	11,100
31 to 60 days past due	7,644	(828)	6,816
61 to 90 days past due	5,106	(1,360)	3,746
	89,933	(5,327)	84,606
Credit impaired			
More than 90 days past due	47,047	(31,929)	15,118
	136,980	(37,256)	99,724
2019			
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 losses (continued)

The movements in the allowance for impairment losses of trade receivables during the financial year are shown below:

Group	Credit impaired RM'000
Balance at 1 April 2018	63,554
Amounts written off	(20,431)
Net remeasurement of loss allowance	(526)
Currency translation differences	2,161
Balance at 30 June 2019/1 July 2019	44,758
Amounts written off	(6,992)
Net remeasurement of loss allowance	(1,183)
Currency translation differences	673
Balance at 30 June 2020	37,256

Cash and bank balances

The cash and bank balances are held with licensed banks. 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 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.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides financial guarantees to Danajamin, as guarantor of the bonds, in respect of bonds issued by a subsidiary. The Company monitors on an ongoing basis of the repayments made by the subsidiary. The subsidiary defaulted on the repayment of the bonds during the year. Consequently, the bonds have been converted into a loan from Danajamin.

28. Financial instruments (continued)

(d) Credit risk (continued)

Financial guarantees (continued)

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM82,609,000 (2019: RM103,912,000) representing the outstanding loans/bonds as at the end of the reporting period.

The details of the defaults on the loans and borrowings are disclosed in Note 17.

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provided unsecured advances to former holding company, related parties and subsidiaries. The Group and the Company monitor the ability of the former holding company, related parties 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 losses

Generally, the Group and the Company consider advances to former holding company, related parties and subsidiaries to have low credit risk. The Group and the Company assume that there is a significant increase in credit risk when the former holding company, related parties and subsidiaries' financial positions deteriorate significantly. As the Group and the Company are able to determine the timing of payments of former holding company, related parties and subsidiaries' advances when they are payable, the Group and the Company consider the advances to be in default when the former holding company, related parties and subsidiaries are not able to pay when demanded. The Group and the Company consider the former holding company, related parties and subsidiaries' advances to be credit impaired when:

- The former holding company, related parties and subsidiaries are unlikely to repay their advances to the Company in full; or

- The former holding company, related parties and subsidiaries are continuously loss making and are having a deficit shareholders' fund.

The Group and the Company determine 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 former holding company, related parties and subsidiaries' advances as at 30 June 2020.

Group	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
2020			
Low credit risk	-	-	-
Credit impaired	45,605	(45,605)	-
	45,605	(45,605)	-
2019			
Low credit risk	35,761	-	35,761
Credit impaired	33,772	(33,772)	-
	69,533	(33,772)	35,761

28. Financial instruments (continued)

(d) Credit risk (continued)

Inter-company advances (continued)

Recognition and measurement of impairment losses (continued)

Company	Gross carrying amount RM'000	Impairment loss allowance RM'000	Net balance RM'000
2020			
Low credit risk	21,409	-	21,409
Credit impaired	92,970	(92,970)	-
	114,379	(92,970)	21,409
2019			
Low credit risk	96,525	-	96,525
Credit impaired	14,340	(14,340)	-
	110,865	(14,340)	96,525

The movements in the allowance for impairment in respect of the former holding company, related parties and subsidiaries' advances during the year are as follows:

	Credit impaired Group RM'000	Credit impaired Company RM'000
Balance at 1 April 2018	-	-
Net remeasurement of loss allowance	(33,772)	(14,340)
Balance at 30 June 2019/1 July 2019	(33,772)	(14,340)
Net remeasurement of loss allowance	(11,833)	(78,630)
Balance at 30 June 2020	(45,605)	(92,970)

The significant increase in net measurement of loss allowance of the Company is primarily due to the amounts due from former holding company, related parties and subsidiaries' which are not recoverable as the former holding company, related parties and certain subsidiaries are continuously loss making and having a deficit shareholders' fund.

(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 Note 1(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.

Group 2020	Carrying amount RM'000	Contractual interest rate/ coupon	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
Non-derivative financial liabilities						
Bank loans - secured	2,551	1.71% - 2.00%	2,551	2,551	-	-
Loan - secured	82,609	4.90% - 9.00%	84,551	84,551	-	-
Revolving credits - secured	39,484	1.80% - 2.75%	41,655	41,655	-	-
Lease liabilities	13,664	3.25% - 14.92%	14,960	8,629	5,903	428
Trade and other payables	151,169	-	151,169	150,095	1,074	-
	289,477		294,886	287,481	6,977	428
Company						
Non-derivative financial liabilities						
Trade and other payables	25,579	-	25,579	25,579	-	-
Financial guarantee	-	-	82,609	82,609	-	-
	25,579		108,188	108,188	-	-

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).

Group 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
Non-derivative financial liabilities						
Bank loans - secured	40,618	3.60% - 6.70%	42,139	42,139	-	-
Revolving credits - secured	41,271	4.10% - 6.90%	43,541	43,541	-	-
Guaranteed Serial Bonds	103,917	4.75% - 4.90%	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 guarantee	-	-	103,917	103,917	-	-
	26,035		129,952	129,952	-	-

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.

(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, purchases and borrowings 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	
	2020	**2019**
Group	**RM'000**	**RM'000**
Balances recognised in the statement of financial position		
Cash and bank balances	8,716	1,597
Trade and other receivables	25,688	4,441
Loans and borrowings	(19,299)	(17,437)
Trade and other payables	(59,384)	(28,341)
Net exposure	(44,279)	(39,740)

Currency risk sensitivity analysis

A 5% (2019: 5%) strengthening of the RM against the USD at the end of the reporting period would have (decreased)/increased 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.

28. Financial instruments (continued)

(f) Market risk (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis (continued)

	(Decrease)/Increase Equity/Profit or loss	
	2020	2019
Group	**RM'000**	**RM'000**
USD against RM		
- strengthened	(1,683)	(1,510)
- weakened	1,683	1,510

A 5% (2019: 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. Short-term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by obtaining financing at competitive rates, which is a mix of fixed and floating interest rates instruments.

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 are as follows:

	Group	
	2020	2019
	RM'000	**RM'000**
Fixed rate instruments		
Financial assets	3,514	24,906
Financial liabilities	(82,609)	(103,917)
	(79,095)	(79,011)
Floating rate instruments		
Financial liabilities	(42,035)	(81,889)

28. Financial instruments (continued)

(f) Market risk (continued)

(ii) Interest rate risk (continued)

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 (decreased)/increased 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	
Group	**100 bp Increase RM'000**	**100 bp Decrease RM'000**
2020		
Floating rate instruments	(319)	319
2019		
Floating rate instruments	(622)	622

28. Financial instruments (continued)

(g) 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.

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				Total fair value	Carrying amount
Group	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**		
2019	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities										
Guaranteed Serial Bonds	-	-	-	-	-	103,917	-	103,917	103,917	103,917

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.

28. Financial instruments (continued)

(g) Fair value information (continued)

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2019: 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 2020 and 30 June 2019 were as follows:

		Group	
		2020	2019
	Note	RM'000	RM'000
Loans and borrowings	17	124,644	185,806
Less: Cash and bank balances	13	(48,537)	(65,748)
Net debt		76,107	120,058
Total equity		232,156	437,996
Debt-to-equity ratio		0.33	0.27

During the financial year, the Group defaulted on the repayment of the bonds which consequently triggered cross defaults on the other bank loans and the details are disclosed in Note 17(a). In the prior financial period, the Group has breached certain covenants as disclosed in Note 17(c).

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

30. Capital and other commitments

	Group	
	2020	2019
	RM'000	RM'000
Capital expenditure commitments		
Property, plant and equipment		
Not contracted for	31,852	20,895

31. 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 certain members of senior management of the Group.

The Group has related party relationship with its significant investor and its group of companies, 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 11 and 19.

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
A. Former holding company				
Rental income/(expense) for office	48	(116)	48	243
Support services recharge	835	2,190	835	207
Interest	2,051	2,510	2,051	2,510
Salary costs recharge	-	2,847	-	2,563
Transfer of building	-	6,500	-	6,500
B. Related parties				
SAP maintenance fee	-	(187)	-	(187)
C. Associates				
Recharge of expense paid on behalf of	131	222	131	222

31. Related parties (continued)

Significant related party transactions (continued)

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
D. Companies connected to a former Director				
Airline ticketing services - Lintas	-	(38)	-	-
Rental income for office - Suria	-	190	-	-
E. Key management personnel				
Salaries and short-term employee benefits	2,836	5,365	630	829
Defined contribution plan	185	261	76	100
Termination benefits	107	-	-	-
	3,128	5,626	706	929

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

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.

32. Directors' remuneration

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

	Group 1.7.2019 to 30.6.2020 RM'000	Group 1.4.2018 to 30.6.2019 RM'000	Company 1.7.2019 to 30.6.2020 RM'000	Company 1.4.2018 to 30.6.2019 RM'000
Non-executive Directors				
Fees	465(1)	364	428(1)	286
Allowances	166(2)	110	151(2)	84
	631	474	579	370
Executive Director				
Salaries and short-term employee benefits	46	-	-	-
Defined contribution plan	5	-	-	-
	51	-	-	-
	682	474	579	370

32. Directors' remuneration (continued)

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

[(2)] Meeting allowance and transport allowance for the financial year from 1 July 2019 to 30 June 2020 is subject to the shareholders' approval at the forthcoming AGM of the Company and of the respective subsidiary.

There is no benefit-in-kind provided to the Directors of the Company as at the end of the reporting date.

33. Significant events during the financial year

(i) On 17 July 2019, Tan Sri Nik Awang @ Wan Azmi bin Wan Hamzah ("TSWA") and Gelombang Global Sdn. Bhd. ("GGSB") provided a loan to Scomi Group Bhd ("SGB") totalling RM42 million for working capital purposes. The loan was secured by 870.5 million shares, representing 36% secured shares of the Company held by SGB. On 26 February 2020, pursuant to the TSWA Stakeholder Agreement and GGSB Stakeholder Agreement, SGB had failed to repay the loan within the stipulated timeline and the 870.5 million shares were transferred to TSWA and GGSB. Consequentially, SGB lost control of the Company upon the transfer of the 36% secured shares of the Company.

(ii) On 20 January 2020, the Company announced that it had been classified as an affected listed issuer pursuant to Paragraph 2.1 (e) of Practice Note 17 ("PN17") under the Main Market Listing Requirements of Bursa Malaysia. The PN17 criteria was triggered as a result of a material uncertainty related to going concern that had been included in auditors' report for the audit of Group financial statements for the financial period ended 30 June 2019 and the shareholders' equity of the Group as of 30 June 2019 on a consolidated basis is 50% or less of share capital (excluding treasury shares) of the Group.

(iii) During the year, the Group undertook a share capital reduction exercise to reduce its share capital from RM1,005,535,000 to RM445,535,000 which was completed on 14 February 2020. This was followed by the consolidation of the existing shares of 2,341,775,435 shares into 468,355,087 shares on the basis of 5 existing shares into 1 share which was completed on 28 February 2020. The share capital reduction and share consolidation exercises were intended to rationalise the financial position and share capital of the Group and of the Company by reducing its accumulated losses and the number of shares in issue.

33. Significant events during the financial year (continued)

(iv) On 2 April 2020, the Company and its subsidiaries such as KMCOB Capital Berhad, Scomi Oiltools Sdn. Bhd. and Scomi KMC Sdn. Bhd. (collectively, the "affected subsidiaries") have each applied for Judicial Management Order ("JMO") with the High Court of Malaya at Shah Alam ("the Court"). The application for the JMO immediately puts into effect a moratorium for the period commencing with the application of the JMO and ending with the grant or dismissal of the application, during which no resolution shall be passed or order shall be made for the winding-up of the Group.

The JMO application was a proactive measure by the Company to:
- allow some time to restructure their debts which are currently due and maximise the return to lenders and creditors of the Company and the affected subsidiaries;
- allow the Company and the affected subsidiaries to continue to operate and deliver its ongoing contracts and tenders across the world, thereby, preserving the business and provide opportunity to generate returns and cashflows to meet its loan and borrowings and trade payables obligations; and
- secure the expertise of an independent professional to assist the Company and the affected subsidiaries with the rehabilitation of their debts and assist them to better realise their assets.

34. Subsequent events after the financial year end

(i) On 14 August 2020, the Court granted the JMO applications filed by the affected subsidiaries. The Court also allowed the application to withdraw the Company's application for JMO. The JMO application was withdrawn by the Company as it would accord greater flexibility to the Company to implement a group-wide restructuring of the Group's debts and rehabilitating the Group's businesses while continuing to access the capital markets.

Following the JMO approved by the Court, the Judicial Manager commenced working on a debt restructuring plan on 17 August 2020. The Judicial Manager is required to present a statement of proposal (hereinafter referred to as "debt restructuring plan") within 60 days or such longer period as the Court may allow upon securing the JMO, to all creditors for the respective affected subsidiaries.

The debt restructuring plan will require the approval of at least 75% of the total value for each classes of creditors whose claims have been accepted by the Judicial Manager and the debt restructuring plan may be approved with modifications subject to the consent of the Judicial Manager. Once the debt restructuring plan is approved by the creditors, the Judicial Manager shall report the result of the meeting to the Court and execute the approved debt restructuring plan accordingly.

Prior to the expiry of the initial deadline on 13 October 2020, the Judicial Manager applied to the Court for the extension of another 60 days to finalise the debt restructuring plan. On 8 October 2020, the Court approved the application for the extension up to 13 December 2020.

34. Subsequent events after the financial year end (continued)

(ii) On 5 October 2020, an independent financial advisor was appointed by the Company to advise the Group on the group-wide restructuring to strengthen the financial position of the Group. The Group together with the independent financial advisor are in the midst of formulating a regularisation plan to address the financial condition of the Group.

35. Significant changes in accounting policies

During the year, the Group adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of applying the standard recognised at the date of initial application.

At 1 July 2019, for leases that were classified as operating leases under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rates as at 1 July 2019. The weighted-average rates applied are in between 3.25% to 14.92%. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

35. Significant changes in accounting policies (continued)

As a lessee (continued)

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 July 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under MFRS 117, the carrying amounts of the right-of-use assets and the lease liabilities at 1 July 2019 are determined to be the same as the carrying amounts of the leased asset and lease liability under MFRS 117 immediately before that date.

35.1 Impact on financial statements

Since the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 July 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 30 June 2019, and lease liabilities recognised in the statement of financial position at 1 July 2019.

Group	**RM'000**
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	6,259
Less: Commitments related to short-term leases	(6,163)
Less: Commitments related to low-value leases	(31)
Operating lease commitments at 30 June 2019	65
Discounted using the incremental borrowing rate at 1 July 2019	64
Lease liabilities from contracts previously not classified as non-cancellable operating leases at 30 June 2019	15,898
Lease liabilities recognised at 1 July 2019	15,962

36. Comparative figures

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 30 June 2020 are not comparable to the results for the financial period ended 30 June 2019 as the Group and the Company had changed their financial year end from 31 March to 30 June in the prior financial period.

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 49 to 158 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 2020 and of their financial performance and cash flows for the financial year then ended.

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

……………………………………………………………
Amirul Azhar bin Baharom
Director

……………………………………………………………
Stephen Fredrick Bracker
Director

Petaling Jaya

Date: 30 October 2020

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 49 to 158 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 30 October 2020.

………………………………………………
Ramesh Veetikat Ramachandran

Before me:

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Scomi Energy Services Bhd, which comprise the statements of financial position as at 30 June 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 158.

We do not express an opinion on the accompanying financial statements of the Group and of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report and their possible cumulative effects on the financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis of Disclaimer of Opinion

In seeking to form an opinion on the financial statements of the Group and of the Company, we have considered the implication of the following significant matters as disclosed in Note 1(b) to the financial statements.

The Group has defaulted on the repayment of the guaranteed serial bonds of RM80.4 million on 12 March 2020. The event of default also resulted in cross defaults on the Group's other credit facilities. As a result, the guarantor of the guaranteed serial bonds and other secured lenders are entitled to the enforcement of various securities granted by the Group and the Company in accordance with the financial guarantee insurance agreement and the other credit facility agreements.

On 14 August 2020, the Group secured the Judicial Management Order ("JMO") from the High Court on its subsidiaries such as Scomi Oiltools Sdn. Bhd., Scomi KMC Sdn. Bhd. and KMCOB Capital Berhad (collectively, the "affected subsidiaries") with the objective of restructuring their debts and rehabilitating the Group's business while continuing to access the capital markets. The JMO also immediately put into effect a moratorium period during which no resolution shall be passed, or order shall be made for the winding-up of the affected subsidiaries.

Following the JMO approval by the Court, the Judicial Manager was appointed to work on a debt restructuring plan which is required to be presented within 60 days or such longer period as the Court may allow upon securing the JMO, to all creditors for the respective affected subsidiaries for their approval.

Prior to the expiry of the initial deadline of 13 October 2020, the Judicial Manager applied to the Court for the extension of another 60 days to finalise the debt restructuring plan. On 8 October 2020, the Court approved the application for the extension up to 13 December 2020.

Basis of Disclaimer of Opinion (continued)

Concurrently, an independent financial advisor was appointed by the Company to advise the Group on the group-wide restructuring to strengthen the financial position of the Group. The Group together with the independent financial advisor are in the midst of formulating a regularisation plan to address the financial condition of the Group.

The financial statements have been prepared on the historical cost basis and on the assumption that the Group and the Company will continue to be going concerns. However, the preparation of the financial statements on a going concern basis is highly dependent on the approval and successful implementation of the aforesaid debt restructuring plan and regularisation plan.

At the date of this report, the debt restructuring plan is still being formulated and the regularisation plan is at a preliminary stage of formulation. There are material uncertainties as to whether these plans would be approved and be successfully implemented. If these are not successfully implemented, the Group and the Company may be unable to realise their assets and discharge their liabilities in the ordinary course of business. Accordingly, the financial statements may require adjustments relating to the recoverability and classification of recorded assets and to the classification and additional amounts of liabilities as the Group and Company may be unable to continue as going concerns.

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 responsibility is to conduct an audit of the Group's and of the Company's financial statements in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, and to issue an auditors' report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that in our opinion:

(a) Except as disclosed in the *Basis for Disclaimer of Opinion*, in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provision of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The subsidiaries of which we have not acted as auditors are disclosed in Note 7 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: 30 October 2020

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 year 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 Ramesh Veetikat Ramachandran Benjamin Leong Wye Hoong
Scomi Oiltools Sdn. Bhd.	Benjamin Leong Wye Hoong Shyawalludien bin Mahmad
Scomi Oiltools Pty. Ltd.	Ian Duncan Crabb Amirul Azhar bin Baharom Benjamin Leong Wye Hoong
KMCOB Capital Berhad	Shah Hakim @ Shahzanim bin Zain Amirul Azhar bin Baharom Benjamin Leong Wye Hoong
Scomi Oiltools (Cayman) Ltd.	Hilmy Zaini bin Zainal Ramesh Veetikat Ramachandran
Scomi KMC Sdn. Bhd.	Shyawalludien bin Mahmad
Scomi Equipment Inc. (Texas, USA)	Stephen Fredrick Bracker Nicholas Harold Doust
Scomi Oiltools (Thailand) Ltd.	Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal Montri Bunprasit
Scomi Oiltools Oman LLC	Authorised Managers Michael George Fielding Ramesh Veetikat Ramachandran Norasazly bin Mohd Taha Muhammad Farook Khalid Muhammad Alzubair Alzubair Rashad Muhammad Alzubair Alzubair

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 year until the date of the Directors' Report is set out below (continued)

Name of Subsidiary Company	Name of Directors
Scomi Oiltools Ltd. – Pakistan branch	Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal Fransiscus Huberto Plaggenburg Kevin Willem Pierre Plaggenburg Pascal Guy Auguste Ibanez
PT Inti Jatam Pura	Commissioner Mastura binti Mansor Director Dick Sadikin Sapi'ie
PT Multi Jaya Persada	Commissioner Mastura binti Mansor Director Dick Sadikin Sapi'ie
PT Scomi Oiltools	Commissioner Amirul Azhar bin Baharom Directors Mastura binti Mansor Rizal Ichwansyah
Scomi Oiltools (S) Pte. Ltd. (Singapore)	Benjamin Leong Wye Hoong Tan Hoon Gee
Scomi Oiltools (Africa) Limited	Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal
KMC Oiltools India Pvt. Ltd.	Pradip Kumar Sinha Hilmy Zaini bin Zainal Amirul Azhar bin Baharom Benjamin Leong Wye Hoong

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 year until the date of the Directors' Report is set out below (continued)

Name of Subsidiary Company	Name of Directors
Wasco Oil Service Company Nigeria Limited	Chief Samuel Odu Ezediaro Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal
Scomi Oiltools (RUS) LLC	Hilmy Zaini bin Zainal Ramesh Veetikat Ramachandran
Trans Advantage Sdn. Bhd.	Benjamin Leong Wye Hoong
Scomi Sosma Sdn. Bhd.	Amirul Azhar bin Baharom Benjamin Leong Wye Hoong
Scomi Marine Services Pte. Ltd.	Tan Hoon Gee Hilmy Zaini bin Zainal Mastura binti Mansor
PT Rig Tenders Indonesia Tbk	Commissioners Harianto Taruna Wong Mun Keong Amirul Azhar bin Baharom Directors Mastura binti Mansor Doddy Irawan Benjamin Leong Wye Hoong
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 year until the date of the Directors' Report is set out below (continued)

Name of Subsidiary Company	Name of Directors
Grundtvig Marine Pte. Ltd.	Mukhnizam bin Mahmud Tan Hoon Gee
PT Batuah Abadi Lines	Commissioner Mastura binti Mansor Director Abdul Hadi
Scomi D&P Sdn. Bhd.	Amirul Azhar bin Baharom Benjamin Leong Wye Hoong
Scomi Oiltools Egypt S.A.E	Amira Saad Zaghloul Muhammad Asri bin Omar Nor Azly Taha
Scomi Argentina Sociedad Anonima (Argentina)	Juan Aguero Julio Cesar Pulisich
KMC Oiltools BV (Netherlands)	Stephen Fredrick Bracker Orangefield (Netherlands) B.V.

Analysis of Shareholdings as at 14 October 2020

Share Capital

Total Number of Issued Shares	:	468,324,247 ordinary shares (excluding 30,840 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	:	5,509
Percentage of Shareholdings	:	The percentage of shareholdings are computed net of the Company's treasury shares

Distribution of Shareholdings

Size of Shareholdings	Shareholders		Shareholding	
	No. of holders	%	No. of shares held	%
Less than 100	292	5.30	8,233	Negligible
100 to 1,000	1,907	34.62	1,086,169	0.23
1001 to 10,000	2,261	41.04	9,032,321	1.93
10,001 to 100,000	860	15.61	29,793,845	6.36
100,001 to less than 5% of issued shares	185	3.36	125,494,799	26.80
5% and above of issued shares	4	0.07	302,908,880	64.68
Total	**5,509**	**100.00**	**468,324,247**	**100.00**

Shareholdings of Substantial Shareholders

Name of substantial shareholders	Direct shareholding		Deemed interested shareholding	
	No. of shares	%	No. of shares	%
Tan Sri Nik Awang @ Wan Azmi bin Wan Hamzah	84,810,810	18.11	-	-
Gelombang Global Sdn. Bhd.	84,792,792	18.11	-	-
Scomi Group Bhd.	137,794,958(1)	29.42	70,000(2)	0.01
United Flagship Sdn. Bhd.	-	-	84,792,792(3)	18.11
Dato' Mohd Zakhir Siddqy bin Sidek	-	-	84,792,792(4)	18.11

Notes:

(1) Includes 57,208,320 shares held through Maybank Nominees (Tempatan) Sdn Bhd and 4,489,660 shares held through Malaysian Trustees Berhad.

(2) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through its shareholding in Scomi Energy Sdn. Bhd., which in turn is interested in the Company.

(3) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through its shareholding in Gelombang Global Sdn. Bhd.

(4) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in United Flagship Sdn. Bhd., the holding company of Gelombang Global Sdn. Bhd.

Shareholdings of Directors
(As Per the Register of Directors' Shareholdings)

Directors	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Stephen Fredrick Bracker	-	-	-	-
Dato' Jamelah binti Jamaluddin	-	-	-	-
Ravinder Singh Grewal a/l Sarbjit S	-	-	-	-
Ruziah binti Mohd Amin	-	-	-	-
Wong Mun Keong	-	-	-	-
Aminodin bin Ismail	-	-	-	-
Amirul Azhar bin Baharom	-	-	-	-

List of Top Thirty (30) Largest Shareholders
(Without Aggregating The Securities From Different Securities Accounts Belonging To The Same Depositor)

No.	Name of shareholders	No. of shares	Percentage %
1.	Tan Sri Nik Awang @ Wan Azmi bin Wan Hamzah	84,810,810	18.11
2.	Cimsec Nominees (Tempatan) Sdn. Bhd. CIMB for Gelombang Global Sdn. Bhd. (PB)	84,792,792	18.11
3.	Scomi Group Bhd	79,096,958	16.25
4.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Scomi Group Bhd	57,208,320	12.22
5.	UOBM Nominees (Asing) Sdn. Bhd. TAEL One Partners Ltd for Petroworld Investments Inc	19,686,000	4.20
6.	Ramly bin Abdullah	12,914,400	2.76
7.	Dato' Sri Meer Sadik bin Habib Mohamed	8,556,799	1.83
8.	UOB Kay Hian Nominees (Asing) Sdn. Bhd. Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	5,429,200	1.16
9.	Malaysian Trustees Berhad Scomi Group Bhd	4,489,660	0.96
10.	Ambank (M) Berhad Pledged securities account for Ali bin Abdul Kadir (Smart)	3,500,000	0.75
11.	Guoline (Singapore) Pte Ltd	3,333,080	0.71
12.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Tan Yap Yean (6000335)	3,009,680	0.64
13.	Ch'ng Eng Seong	2,674,980	0.57
14.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Tan Tze Aw (7000019)	1,760,000	0.38
15.	CGS-CIMB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Hee Yuen Sang (MY2105)	1,460,000	0.31
16.	RHB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Hee Yuen Sang	1,332,000	0.28
17.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Aasia-East Capital Sdn. Bhd.	1,315,600	0.28
18.	Chee Suan Lye	1,304,000	0.28
19.	Cartaban Nominees (Asing) Sdn. Bhd. Exempt An for RBC Investor Services Trust (Clients Account)	1,200,000	0.26
20.	Maybank Nominees (Tempatan) Sdn. Bhd. Chua Eng Ho Wa'a @ Chua Eng Wah	1,125,500	0.24
21.	Julian James Armstrong	1,120,020	0.24
22.	Yee Kim Ee	1,002,000	0.21
23.	HLIB Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Sharifah Hasnun Nita binti Syed Kamaruddin (MG0239-006)	1,000,000	0.21
24.	KL Alum Gypsum Board Trading Sdn. Bhd.	1,000,000	0.21
25.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for OCBC Securities Private Limited (Client A/C-NR)	978,660	0.21
26.	SJ Sec Nominees (Tempatan) Sdn. Bhd. Pledged securities account for Francis Ho Ik Sing (SMT)	916,260	0.20
27.	RHB Capital Nominees (Tempatan) Sdn. Bhd. Tan Tze Aw	900,000	0.19
28.	UOB Kay Hian Nominees (Tempatan) Sdn. Bhd. Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	819,200	0.17
29.	Hemant Hiralal Kothari	811,900	0.17
30.	Hee Yuen Sang	800,000	0.17
Total		**385,347,819**	**82.28**

List of Properties

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 30.06.20 (RM '000)	Approximate age of building (FY2020)
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	-	25 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	-	23 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	15 years

CORPORATE

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

OPERATING LOCATIONS

Australia
Scomi Oiltools Pty Ltd
15 Boulder Road, Malaga
Perth, Western Australia 6090
Australia

Congo
Scomi Oiltools Africa Ltd
Zone Industrielle de la Foire
Avenue Jean Marie Mavoungou
BP 685 Pointe Noire
Republique du Congo

Egypt
Scomi Oiltools Egypt SAE
56 Farida Queen St from Ahmed Badawy
Merage - Maadi
Cairo, Egypt

India
KMC Oiltools India Pvt. Ltd
101, 1st Floor, Gundecha Solitaire
Off Western Express Highway
Borivali East, Mumbai 400 066
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

Kuwait
Scomi Oiltools Gulf W.L.L
5th Floor, The Green Tower
Al Dabous Street
Block 7, Fahaheel
Kuwait
P.0 Box 45673 Safat

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

Scomi Oiltools Sdn Bhd (Miri)
Lot 2164, 1st Floor Saberkas
Commercial Centre
Jalan Pujut-Lutong
98000 Miri, 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

Corporate Directory

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 IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting ("24th AGM" or "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 Wednesday, 23 December 2020 at 2.00 p.m. to transact the following business:

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2020 and the Reports of the Directors and Auditors thereon. (Please refer to Note 2)

2. To re-elect Mr. Ravinder Singh Grewal a/l Sarbjit S as Director of the Company, who retires by rotation in accordance with Clause 96 of the Company's Constitution and who being eligible, has offered himself for re-election. (Ordinary Resolution 1)

3. To re-elect the following Directors who retire in accordance with Clause 103 of the Company's Constitution and who being eligible, have offered themselves for re-election:

   (i) Mr. Wong Mun Keong; (Ordinary Resolution 2)
   (ii) Encik Amirul Azhar bin Baharom; and (Ordinary Resolution 3)
   (iii) Encik Aminodin bin Ismail (Ordinary Resolution 4)
   (Please refer to Note 3)

4. To approve the payment of Directors' fees amounting to RM427,754.10 for Non-Executive Directors in respect of the financial year ended 30 June 2020. (Ordinary Resolution 5) (Please refer to Note 4)

5. To approve the payment of Directors' benefits to Non-Executive Directors up to an amount of RM200,000.00 from 24 December 2020 until the next Annual General Meeting of the Company. (Ordinary Resolution 6) (Please refer to Note 5)

6. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 30 June 2021 and to authorise the Directors to fix their remuneration. (Ordinary Resolution 7)

AS SPECIAL BUSINESS:

To consider and, if thought fit, pass with or without modifications, the following Ordinary Resolution:

7. **Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016** (Ordinary Resolution 8) (Please refer to Note 6)

   "**THAT** subject always to the Companies Act 2016, the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant governmental and/or regulatory authorities, where such approval is required, the Directors of the Company be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to allot and issue shares in the Company, at any time and from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this Resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) for the time being and that the Directors be and are also empowered to obtain approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued **AND THAT** such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier unless revoked or varied by an ordinary resolution of the Company at a general meeting.

8. To transact any other business of the Company of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

By Order of the Board

CHEN WEE SAM (SSM PC No. 202008002853) (LS 0009709)
THONG PUI YEE (SSM PC No. 202008000510) (MAICSA 7067416)
Joint Company Secretaries
Kuala Lumpur
Date: 30 October 2020

Note 1: Appointment of Proxy

(i) A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting.

(ii) A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.

(iii) Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid.

(iv) 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.

(v) 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..

(vi) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarised 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 24th AGM 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.

(vii) 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 before the closing of registration for the 24th AGM.

(viii) For the purpose of determining a member who shall be entitled to attend the 24th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 68 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 16 December 2020. Only depositor whose name appears on the General Meeting Record of Depositors as at 16 December 2020 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

(ix) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all resolutions set out in this Notice will be put to vote by way of poll.

Note 2: Audited Financial Statements for the financial year ended 30 June 2020 and the Reports of the Directors and Auditors thereon

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put 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 own respective re-election as the Director of the Company at the 24th AGM.

(ii) All the Non-Executive Directors of the Company who are shareholders of the Company will abstain from voting on Ordinary Resolutions 5 and 6 concerning fees and benefits to Non-Executive Directors at the 24th AGM.

Note 4: Explanatory Notes on Directors' Fees

Ordinary Resolution 5

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 year ended 30 June 2020 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 year ended 30 June 2020 will only be made if the proposed Ordinary Resolution 5 has been approved at the 24th AGM of the Company.

Note 5: Explanatory Notes on Directors' Benefits

Ordinary Resolution 6

Pursuant to Section 230 of the Companies Act 2016, 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' benefits to its Non-Executive Directors for the period commencing 24 December 2020 until the next Annual General Meeting ("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' benefits 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 8
- Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution 8 is proposed pursuant to Sections 75 and 76 of the Companies Act 2016 for the purpose of obtaining a renewed general mandate ("General Mandate"), which if passed, will empower the Directors of the Company to allot and issue new ordinary shares in the Company at any time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company for the time being for such purposes as the Directors deem fit and in the interest of the Company. This General Mandate, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company after the approval was given, or at the expiry of the period within which the next Annual General Meeting of the Company is required to be held after the approval was given, whichever is earlier.

As part of the initiative from Bursa Securities to aid and facilitate listed issuers in sustaining their business or easing their compliance with the rules of Bursa Securities, amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak and Movement Control Order imposed by the Government, Bursa Securities had vide its letter dated 16 April 2020 allowed a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirement of Bursa Securities of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities.

The General Mandate, if granted, will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisitions, expeditiously and efficiently, during the challenging time.

The Board, having considered the current financial position, challenging economic outlook, strategic planning and capacity of the Group, is of the opinion that the General Mandate is in the best interests of the Company and its shareholders.

As at the date of this Notice, no new ordinary shares in the Company were issued pursuant to the general mandate granted to the Directors at the last Annual General Meeting held on 28 November 2019 and it will lapse at the conclusion of the 24th AGM of the Company.

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 24th AGM 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 24th AGM (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 24th AGM (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.

IMPORTANT NOTICE: In view of the outbreak of COVID-19 which is now a global pandemic, the Company has in place rules and control for the 24th AGM in order to safeguard the health of attendees. Please follow the standard operating procedures as advised by the Malaysian Government which will be practiced at the venue.

Form of Proxy

SCOMI ENERGY SERVICES BHD.
Company No. 199601025627 (397979-A)
(Incorporated in Malaysia)
Registered Office: No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas, 50480 Kuala Lumpur
Wilayah Persekutuan Kuala Lumpur

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:

Name of Proxy *(Full Name)*	**NRIC No./Passport No.**	**% of Shareholdings to be Represented** *(Refer to Note (iii))*
Full Address:		

and/or failing him/her

Name of Proxy *(Full Name)*	**NRIC No./Passport No.**	**% of Shareholdings to be Represented** *(Refer to Note (iii))*
Full Address:		

or failing *him/her, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Twenty-Fourth Annual General Meeting ("24th AGM") 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 Wednesday, 23 December 2020 at 2.00 p.m. or any adjournment thereof.

Resolutions		**For**	**Against**
Ordinary Business			
Ordinary Resolution 1	To re-elect Mr. Ravinder Singh Grewal a/l Sarbjit S as Director of the Company, who retires by rotation in accordance with Clause 96 of the Company's Constitution and who being eligible, has offered himself for re-election.		
Ordinary Resolution 2	To re-elect Mr. Wong Mun Keong as Director of the Company, who retires in accordance with Clause 103 of the Company's Constitution and who being eligible, has offered himself for re-election.		
Ordinary Resolution 3	To re-elect Encik Amirul Azhar bin Baharom as Director of the Company, who retires in accordance with Clause 103 of the Company's Constitution and who being eligible, has offered himself for re-election.		
Ordinary Resolution 4	To re-elect Encik Aminodin bin Ismail as Director of the Company, who retires in accordance with Clause 103 of the Company's Constitution and who being eligible, has offered himself for re-election.		
Ordinary Resolution 5	To approve the payment of Directors' fees amounting to RM427,754.10 for Non-Executive Directors in respect of the financial year ended 30 June 2020.		
Ordinary Resolution 6	To approve the payment of Directors' benefits to Non-Executive Directors up to an amount of RM200,000.00 from 24 December 2020 until the next Annual General Meeting of the Company.		
Ordinary Resolution 7	To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 30 June 2021 and to authorise the Directors to fix their remuneration.		
Special Business			
Ordinary Resolution 8	Authority to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016.		

Please indicate with an "X" in the appropriate space how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he/she thinks fit, or at his/her discretion, abstain from voting.

**Delete if not applicable*

Dated this _________ *day of* ____________________ *2020* *Signature/Seal* ______________________

Fold this flap for sealing

Notes:

(i) A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting.

(ii) A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.

(iii) Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid.

(iv) 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.

(v) 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.

(vi) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarised 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 24th AGM 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.

(vii) 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 before the closing of registration for the 24th AGM.

(viii) For the purpose of determining a member who shall be entitled to attend the 24th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 68 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 16 December 2020. Only depositor whose name appears on the General Meeting Record of Depositors as at 16 December 2020 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

(ix) Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to vote by way of poll.

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 24th AGM and any adjournment thereof, the member accepts and agrees to the personal data privacy terms as set out in the Notice of 24th AGM dated 30 October 2020.

Then fold here

Affix
Stamp

The Share 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

1st fold here

Scomi Energy Services Bhd 199601025627 (397979-A)
Level 15, Menara TSR, No. 12, Jalan PJU 7/3, Mutiara Damansara
47810 Petaling Jaya, Selangor Darul Ehsan, Malaysia
W www.scomienergy.com.my