

**SCOMI ENERGY SERVICES BHD (397979-A)**  
**(Incorporated in Malaysia)**

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR 3 MONTHS ENDED 31 MARCH 2019**

	<b>3 months ended 31 Mar 2019 RM'000</b>	<b>3 months ended 31 Mar 2018 RM'000</b>	<b>Cumulative period 12 months ended 31 Mar 2019 RM'000</b>	<b>Cumulative period 12 months ended 31 Mar 2018 RM'000 (Audited)</b>
<b>Revenue</b>	<b>132,072</b>	<b>120,109</b>	<b>525,413</b>	<b>613,957</b>
Cost of sales	(106,927)	(131,059)	(417,627)	(539,495)
<b>Gross profit/(loss)</b>	<b>25,145</b>	<b>(10,950)</b>	<b>107,786</b>	<b>74,462</b>
Other expenses	(32,007)	(56,838)	(5,401)	(80,652)
Administrative expenses	(15,285)	(30,380)	(59,236)	(81,620)
Marketing and selling expenses	(9,921)	(14,228)	(40,757)	(52,743)
Other operating expenses	(344)	(977)	(1,673)	(2,906)
Finance expenses	(4,748)	(14,283)	(18,578)	(29,348)
Finance income	1,131	760	2,399	1,296
Share of results of JV and associates	(3,614)	(33,149)	(8,656)	(36,663)
<b>Loss before tax</b>	<b>(39,643)</b>	<b>(160,045)</b>	<b>(24,116)</b>	<b>(208,174)</b>
Taxation	(3,189)	(6,879)	(14,483)	(17,744)
<b>Loss for the period</b>	<b>(42,832)</b>	<b>(166,924)</b>	<b>(38,599)</b>	<b>(225,918)</b>
<b>Other comprehensive income</b>				
Currency translation differences	5,008	54,552	11,163	(9,509)
Cash flow hedges	-	(15,483)	-	(16,329)
Retirement benefits	-	350	-	350
	5,008	39,419	11,163	(25,488)
<b>Total comprehensive income for the period</b>	<b>(37,824)</b>	<b>(127,505)</b>	<b>(27,436)</b>	<b>(251,406)</b>
<b>Profit attributable to :</b>				
Owners of the Company	(36,433)	(158,345)	(33,525)	(219,055)
Non-controlling interests	(6,399)	(8,579)	(5,074)	(6,863)
<b>Loss for the period</b>	<b>(42,832)</b>	<b>(166,924)</b>	<b>(38,599)</b>	<b>(225,918)</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	(31,425)	(118,926)	(22,362)	(244,543)
Non-controlling interests	(6,399)	(8,579)	(5,074)	(6,863)
	(37,824)	(127,505)	(27,436)	(251,406)
<b>Earnings per share</b>				
- Basic and diluted (Sen)	(1.56)	(6.76)	(1.43)	(9.35)

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

**SCOMI ENERGY SERVICES BHD (397979-A)**  
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**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	Note	As at 31 Mar 2019 RM'000	As at 31 Mar 2018 RM'000 (Restated)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		305,756	384,624
Investment properties		514	2,140
Investment in associates		7,439	7,439
Investment in joint ventures		19,580	16,756
Intangible assets		107,272	106,565
Deferred tax assets		1,593	2,183
Other receivables		39,299	44,720
		<u>481,453</u>	<u>564,427</u>
<b>CURRENT ASSETS</b>			
Inventories		84,490	111,730
Trade and other receivables		215,873	250,394
Current tax assets		24,060	20,174
Cash and bank balances	B8	55,509	67,675
		<u>379,932</u>	<u>449,973</u>
Assets classified as held for sale		12,240	-
		<u>392,172</u>	<u>449,973</u>
<b>TOTAL ASSETS</b>		<b><u>873,625</u></b>	<b><u>1,014,400</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		1,005,535	1,005,535
Treasury shares		(51)	(51)
Other reserves	B10	(530,027)	(541,190)
Retained earnings		(15,502)	18,023
<b>Total equity attributable to owners of the Company</b>		<u>459,955</u>	<u>482,317</u>
Non-controlling interests		35,919	40,993
<b>TOTAL EQUITY</b>		<u>495,874</u>	<u>523,310</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	B9	49,515	76,822
Provision for retirement benefits		8,239	8,932
Other payables		-	3,738
Deferred tax liabilities		4,815	4,068
		<u>62,569</u>	<u>93,560</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		150,820	231,047
Loans and borrowings	B9	152,405	140,904
Derivative financial liabilities		-	10,516
Current tax liabilities		11,957	15,063
		<u>315,182</u>	<u>397,530</u>
<b>TOTAL LIABILITIES</b>		<u>377,751</u>	<u>491,090</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>873,625</u></b>	<b><u>1,014,400</u></b>
Net assets per share (RM)		<u>0.20</u>	<u>0.21</u>

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

**SCOMI ENERGY SERVICES BHD (397979-A)**  
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**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019**

	<u>Attributable to owners of the Company</u>				Total RM '000	Non- controlling interests RM '000	Total equity RM '000
	Share capital RM '000	Treasury shares RM'000	Other reserves RM '000	Retained earnings RM '000			
<b>As at 1 April 2018</b>	1,005,535	(51)	(542,246)	32,474	495,712	40,993	536,705
Restatement per MFRS 9	-	-	1,056	(14,451)	(13,395)	-	(13,395)
<b>As at 1 April 2018, restated</b>	1,005,535	(51)	(541,190)	18,023	482,317	40,993	523,310
Total comprehensive income for the year	-	-	11,163	(33,525)	(22,362)	(5,074)	(27,436)
<b>As at 31 Mar 2019</b>	<b>1,005,535</b>	<b>(51)</b>	<b>(530,027)</b>	<b>(15,502)</b>	<b>459,955</b>	<b>35,919</b>	<b>495,874</b>
<b>Audited</b>							
<b>As at 1 April 2017</b>	1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111
Total comprehensive income for the year	-	-	(25,838)	(218,705)	(244,543)	(6,863)	(251,406)
Repurchased during the year	-	-	-	-	-	-	-
<b>As at 31 March 2018</b>	<b>1,005,535</b>	<b>(51)</b>	<b>(542,246)</b>	<b>32,474</b>	<b>495,712</b>	<b>40,993</b>	<b>536,705</b>

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

**SCOMI ENERGY SERVICES BHD (397979-A)**  
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**UNAUDITED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 31 MARCH 2019**

	Note	12 months ended 31 Mar 2019 RM'000	12 months ended 31 Mar 2018 RM'000 (Audited)
<b>Cash Flows From Operating Activities</b>			
Loss before tax		(24,116)	(208,174)
Adjustments for non-cash items:		54,573	201,397
Changes in working capital:			
Inventories		27,240	50,587
Receivables		33,974	38,718
Payables		(71,939)	(69,338)
Cash generated from operations		19,732	13,190
Tax paid		(3,545)	(15,207)
Retirement benefits paid		-	(2,267)
Interest received		2,399	1,296
Net cash from/(used in) operating activities		18,586	(2,988)
<b>Cash Flows From Investing Activities</b>			
Proceeds from disposal of property, plant and equipment		4,556	15,246
Purchase of property, plant and equipment		(13,132)	(22,114)
Proceeds from disposal of subsidiaries		21,555	-
Additional investment in joint controlled entity		(4,170)	(9,067)
Net cash used in investing activities		8,809	(15,935)
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		(15,418)	(20,232)
Interest paid on borrowings		(17,604)	(11,394)
Increase in short term deposit pledged as securities		(2,471)	(233)
Net cash used in financing activities		(35,493)	(31,859)
Net decrease in cash and cash equivalents		(8,098)	(50,782)
<b>Cash and cash equivalents at beginning of the year</b>		36,778	101,680
Currency translation differences		3,185	(14,120)
<b>Cash and cash equivalents at end of the year</b>	B8	31,865	36,778

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

**A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS – FRS 134**

**A1 Basis of Preparation of Interim Financial Reports**

The interim financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 March 2018 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in associates and joint ventures as at and for the period ended 31 March 2019. The Company has changed its financial year end from 31 March 2019 to 30 June 2019.

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for year ended 31 March 2018.

The following are amendments to the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") and have been adopted by the Group and the Company:

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

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

**A1 Basis of Preparation of Interim Financial Reports (“continued”)**

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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

- MFRS 17, *Insurance Contracts*

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

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

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

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

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

**A1 Basis of Preparation of Interim Financial Reports (“continued”)**

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

**MFRS 15, Revenue from Contracts with Customers**

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

The application of MFRS 15 does not have a material effect on the Group’s financial statements.

**MFRS 9, Financial Instruments**

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

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with a forward looking “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

As allowed by the transitional provisions of MFRS 9, the Group elected not to restate the comparatives. Effects arising from the initial application of MFRS 9 are as below:

<b>Group</b>	<b>As reported at 31 March 2018 RM’000</b>	<b>Estimated adjustments due to adoption of MFRS 9 RM’000</b>	<b>Estimated adjusted opening balance at 1 April 2018 RM’000</b>
Trade and other receivables	263,789	(13,395)	250,394
Translation reserve	125,804	(1,056)	124,748
Retained earnings	(32,474)	14,451	(18,023)

**A1 Basis of Preparation of Interim Financial Reports (“continued”)**

**MFRS 16, Leases**

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

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

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

**A2 Audit Report for Preceding Annual Financial Statements**

The audit report for the Group’s annual financial statements for the year ended 31 March 2018 was not subject to any qualification.

**A3 Seasonal or Cyclical Factors**

The Group’s operations are generally not affected by any seasonal or cyclical factors.

**A4 Unusual Items**

There are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review other than as disclosed in these unaudited condensed consolidated interim financial statements.

**A5 Material Changes in Estimates**

There were no material changes in estimates other than as disclosed in these unaudited condensed consolidated interim financial statements that have a material effect on the results for the current quarter under review.

**A6 Debt and Equity Securities**

There has been no further repurchase of shares during the quarter.

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**A7 Dividends Paid / Payable**

There were no dividends paid during the period ended 31 March 2019.

**A8 Segmental Reporting**

Segment information for the financial period as presented in respect of the Group's business segment is as follows:

**Revenue and results for twelve months ended 31 March 2019**

	<b>Drilling Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Development and Production Asset and Services RM'000</b>	<b>Total RM'000</b>
<b>REVENUE</b>				
External sales	406,403	118,998	12	525,413
<b>RESULTS</b>				
(Loss)/profit from operations	(1,598)	8,149	(431)	6,120
Realised (loss)/gain on foreign exchange	(2,308)	541	-	(1,767)
Unrealised gain on foreign exchange	9,143	3,601	-	12,744
Finance costs	(13,979)	(4,599)	-	(18,578)
Other incomes/(expenses)	23,377	(37,356)	-	(13,979)
Share of results in joint ventures	(2,314)	-	(6,342)	(8,656)
Loss before tax	12,321	(29,664)	(6,773)	(24,116)
Taxation	(13,060)	(1,423)	-	(14,483)
Loss for the period	(739)	(31,087)	(6,773)	(38,599)
<b>Other information</b>				
Depreciation and amortisation	27,591	35,103	-	62,694
Interest income	2,390	9	-	2,399
Addition to non-current assets other than financial instruments and deferred tax assets	(12,123)	(34,175)	(18,427)	(64,725)

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**A8 Segmental Reporting (“continued”)**

**Revenue and results for twelve months ended 31 March 2018 (Audited)**

	<b>Drilling Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Development and Production Asset and Services RM'000</b>	<b>Total RM'000</b>
<b>REVENUE</b>				
External sales	485,188	127,528	1,241	613,957
<b>RESULTS</b>				
Loss from operations	(34,232)	(26,295)	(985)	(61,512)
Realised gain on foreign exchange	5,299	1,048	-	6,347
Unrealised loss on foreign exchange	(43,591)	(10,094)	-	(53,685)
Finance costs	(23,521)	(5,827)	-	(29,348)
Other expenses	(12,612)	(20,701)	-	(33,313)
Share of results in joint ventures	-	(32,634)	(4,029)	(36,663)
Loss before tax	(108,657)	(94,503)	(5,014)	(208,174)
Taxation	(16,810)	(934)	-	(17,744)
Loss for the period	(125,467)	(95,437)	(5,014)	(225,918)
<b>Other information</b>				
Depreciation and amortisation	36,591	44,116	-	80,707
Interest income	913	383	-	1,296
Addition to non-current assets other than financial instruments and deferred tax assets	(37,262)	(147,879)	5,039	(180,102)

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**A8 Segmental Reporting (“continued”)**

	<b>Drilling Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Development and Production Asset and Services RM'000</b>	<b>Total RM'000</b>
<b>ASSETS AND LIABILITIES AS AT 31 MARCH 2019</b>				
<b>ASSETS</b>				
Assets employed in the segment	522,210	298,680	63	820,953
Investment in associates	-	7,439	-	7,439
Investment in joint venture	12,218	129	7,233	19,580
	<u>534,428</u>	<u>306,248</u>	<u>7,296</u>	<u>847,972</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				24,060
Deferred tax assets				1,593
Total assets				<u>873,625</u>
<b>LIABILITIES</b>				
Liabilities in segment	<u>355,860</u>	<u>3,740</u>	<u>1,379</u>	360,979
<u>Unallocated corporate liabilities:</u>				
Tax payable				11,957
Deferred tax liabilities				4,815
Total liabilities				<u>377,751</u>
<b>Net assets</b>				<u>495,874</u>

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**A8 Segmental Reporting (“continued”)**

	<b>Drilling Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Development and Production Asset and Services RM'000</b>	<b>Total RM'000</b>
<b>ASSETS AND LIABILITIES AS AT 31 MARCH 2018 (RESTATED)</b>				
<b>ASSETS</b>				
Assets employed in the segment	645,385	322,217	246	967,848
Investment in associates	-	7,439	-	7,439
Investment in joint venture	753		16,003	16,756
	<u>646,138</u>	<u>329,656</u>	<u>16,249</u>	<u>992,043</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				20,174
Deferred tax assets				2,183
Total assets				<u>1,014,400</u>
<b>LIABILITIES</b>				
Liabilities in segment	<u>369,976</u>	<u>87,217</u>	<u>4,250</u>	461,443
<u>Unallocated corporate liabilities:</u>				
Tax payable				15,063
Deferred tax liabilities				4,068
Derivatives financial instruments				10,516
Total liabilities				<u>491,090</u>
<b>Net assets</b>				<u>523,310</u>

**A9 Valuation of Property, Plant and Equipment**

There was no change to the valuation of property, plant and equipment brought forward from the previous annual financial statements.

**A10 Material Subsequent Events**

There are no material events subsequent to the end of the quarter under review that have not been reflected in these condensed financial statements.

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**A11 Changes in Composition of the Group**

On 31 Jan 2019, Scomi Sosma Sdn Bhd, a wholly-owned subsidiary of the Company, sold its entire interests in Scomi Anticor S.A.S to Vink + Co GMBH Handelsgesellschaft UND CO.KG. Scomi Anticor S.A.S has ceased to be a subsidiary of the Company as from 31 Jan 2019.

On 20 Feb 2019 Scomi Oilfield Limited, a wholly-owned subsidiary of the Company sold 51% of equity interest in Scomi Oiltools Ltd (incorporated in Cayman Islands) to Midgard Oilfield Services FZ LLC ("Midgard"). Scomi Oilfield Limited continues to hold 49% interest in Scomi Oiltools Ltd.

Except the above, there were no changes in the composition of the Group during the period under review.

**A12 Contingent Liabilities**

Detail of contingent liabilities of the Group is as follows:-

	<b>RM'000</b>
Contingent liabilities arising from tax matters	<u>2,000</u>

**A13 Capital Commitments**

Authorised capital commitments not provided for in the financial statements of the Group are as follows:

	<b>Approved and contracted for RM'000</b>	<b>Approved but not contracted for RM'000</b>	<b>Total RM'000</b>
Plant & Machinery	-	6,032	6,032
Vessels (drydocking)	13,142	540	13,682
Others	-	1,181	1,181
	<u>13,142</u>	<u>7,753</u>	<u>20,895</u>

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**A13 Capital Commitments ("continued")**

The future minimum lease payments under non-cancellable operating leases as at 31 March 2019 are as follows:

	<b>31-Mar 2019 RM'000</b>
Less than one year	2,152
Between one and five years	4,152
	<u>6,304</u>

**A14 Related party transactions**

	<b>3 months Ended 31 Mar 2019 RM'000</b>	<b>12 months Ended 31 Mar 2019 RM'000</b>
<b>Holding company</b>		
Rental expenses/(Income)	(17)	425
Utilities	-	2
Interest (Income)	(936)	(1,614)
Cost sharing & recharge of expenses paid on behalf	524	4,292
Transfer of building from holding company	6,500	6,500
<b>Related companies</b>		
SAP maintenance fees expenses	-	192
Airline ticketing services – Lintas	-	36
Rental income for office – Suria	(53)	(190)
<b>Associate</b>		
Recharge of expenses paid on behalf	121	331

The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favorable to the Group and the Company than those arranged with independent third parties.

**A15 Change of Financial Year End**

During the period, the Company has changed its financial year end from 31 March 2019 to 30 June 2019.

**B EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD**

**B1 Review of Operating Segments**

The Group has three reportable segments which are Drilling Services, Marine Services and Development and Production Asset and Services ("D&P"). Drilling Services provides integrated drilling fluids, drilling waste management solutions and production chemicals while Marine Services consist of coal transportation and offshore support vessel services. Development and Production Asset and Services provides subsurface, field development and production management services, provision of products and project management services of offshore facilities encompassing pre-development through ready for start-up, operations and maintenance services.

**Current period vs corresponding period of the preceding year**

	<b>Revenue</b>		<b>Profit/ (Loss) before tax</b>	
	<b>3 Months to</b>		<b>3 Months to</b>	
	<b>31 Mar</b>	<b>31 Mar</b>	<b>31 Mar</b>	<b>31 Mar</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating Segments:				
Drilling Services	103,808	90,631	674	(85,756)
Marine Services	28,264	29,270	(38,585)	(69,999)
Development and Production Asset and Services	-	208	(1,732)	(4,290)
	<u>132,072</u>	<u>120,109</u>	<u>(39,643)</u>	<u>(160,045)</u>

**Group**

Group revenue for the 3 months ended 31 March 2019 ("Current period") was higher by RM12 million or 10% compared to the corresponding period of the preceding year ("4QFY2018") contributed primarily by higher revenue from the Drilling Services segment.

Loss before tax ("LBT") for the Current period improved by RM120.4 million or 75.2% compared to 4QFY2018 in spite of the one-off impairment of vessel of RM39.2 million in the Current period. The improvement over 4QFY2018 was mainly due to increase in gross profit by RM33.5 million, lower operating expenses by RM8.2 million, lower finance cost by RM8.5 million, lower forex loss by RM3.7 million, and lower share of loss of Joint Venture ("JV") by RM32.3 million (4QFY2018: RM35.9 million due to disposal & impairment of vessel in JV).

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**B1 Review of Operating Segments (“continued”)**

**Group (“continued”)**

Excluding other expenses and share of results of JV and associates, the core operating loss for the current period was significantly lower at RM4.02 million as against RM70.05 million in 4Q2018.

**Drilling Services (“DS”)**

The segment’s revenue for the Current period increased by RM13.2 million or 14.5% as compared to 4QFY2018, mainly due to higher activity in countries such as Pakistan, West Africa and Indonesia, partially offset by lower revenue in Turkmenistan (majority stake of which has been disposed and hence deconsolidated) and Russia.

DS recorded a profit before tax (“PBT”) of RM0.7 million as compared to LBT of RM85.8 million in 4QFY2018. The improved performance recorded was mainly contributed by increase in gross profit, lower operating expenses and finance cost as well as other income such as gain on disposal of property, plant & equipment.

**Marine Services (“MS”)**

The segment’s revenue for the Current period decreased by RM1.0 million or 3.4% as compared to 4QFY2018, resulting from the decrease in revenue on the coal affreightment contract in Malaysia.

LBT was lower by RM31.4 million or 44.9% as compared to 4QFY2018. This was mainly due to higher gross profit, lower share of loss of JV (4QFY2018: RM35.9 million - due to disposal & impairment of vessel in JV), offset by higher impairment of offshore supply vessel during the Current period.

**12 months ended 31 March 2019 vs 12 months ended 31 March 2018**

	<b>Revenue</b>		<b>Profit/ (Loss) before tax</b>	
	<b>12 Months to</b>		<b>12 Months to</b>	
	<b>31 Mar</b>	<b>31 Mar</b>	<b>31 Mar</b>	<b>31 Mar</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
Operating Segments:				
Drilling Services	406,403	485,184	12,319	(105,767)
Marine Services	118,998	127,532	(29,663)	(97,390)
Development and Production Asset and Services	12	1,241	(6,772)	(5,017)
	<u>525,413</u>	<u>613,957</u>	<u>(24,116)</u>	<u>(208,174)</u>

**B1 Review of Operating Segments (“continued”)**

**Group**

Group revenue for 12 months ended 31 March 2019 (“YTD FY2019”) was lower by RM88.5 million or 14.4% as compared to the corresponding period of the preceding year (“YTD FY2018”) resulting from lower revenue in all segment.

LBT for YTD FY2019 improved by RM184.1 million or 88.4% compared to YTD FY2018. This was mainly due to gain on forex of RM11.0 million (YTD FY2018: Forex loss of RM41.3 million), increase in gross profit by RM30.7 million, lower operating expenses and finance cost by RM33.5 million and lower share of loss of JV by RM30.7 million (YTD FY2018: RM39.4 million due to disposal & impairment of vessel in JV).

Excluding other expenses and share of results of JV and associates, the core operating loss for YTD FY2019 was significantly lower at RM10.05 million as against RM90.86 million in YTD FY2018.

**Drilling Services**

The segment’s revenue for YTD FY2019 decreased by RM78.8 million or 16.2% as compared to YTD FY2018. This was mainly due to lower activity in countries such as Turkmenistan (majority stake of which has been disposed and hence deconsolidated), Thailand, Russia and Malaysia, offset by higher revenue from West Africa, Indonesia and Pakistan.

DS recorded a PBT of USD12.3 million as compared to LBT of RM105.8 million in YTD FY2018. This was mainly due to gain on forex of RM6.8 million (YTD FY2018: Forex loss of RM33.4 million) and lower operating expenses and finance cost totalling to RM32.5 million during the period.

**Marine Services**

The segment’s revenue for YTD FY2019 was lower by RM8.5 million or 6.7% compared to YTD FY2018 primarily due to lower revenue on the coal affreightment contract in Malaysia, partially offset by higher revenues in Indonesia due to increased coal shipment.

LBT in the segment improved by RM67.7 million or 69.5% as compared to YTD FY2018. This was mainly contributed by increase in gross profit by RM27.5 million, gain on forex of RM4.1 million (YTD FY2018: Forex loss of RM7.9 million) and lower share of loss of JV by RM33.0 million (YTD FY2018: RM39.4 million due to disposal & impairment of vessel).

**B2 Review of Operating Segments for the 3 months ended 31 March 2019 (“Current period”) as Compared to Preceding 3 months ended 31 Dec 2018 (“Preceding period”)**

LBT was RM39.6 million as compared to the Preceding period PBT of RM6.3 million.

The loss during the Current period was mainly contributed by forex loss of RM15.3 million (whereas the Preceding period had a forex gain of RM13.6 million), and higher other expenses which included impairment of offshore supply vessel. Lower gross profit in both DS and MS also contributed to the loss.

**B3 Current Financial Year Prospects**

**Drilling Service Outlook**

The volatility in oil prices continue as seen during the last two months with Brent crude breaching USD74/bbl and also falling to USD68/bbl last week. Upstream capital expenditures have not recovered commensurately with prices, as companies remain cautious. The focus seems on demonstrating returns rather than investing for new growth. We expect the activity to remain at current levels in the short term.

**Marine Services**

The coal market in Indonesia continues to be active. Demand for offshore vessels is still sluggish and our offshore vessels are still idle.

**B4 Profit Forecast**

This section is not applicable as no profit forecast was published.

**B5 Corporate Proposals**

There are no corporate proposals that have been announced but not completed.

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**B6 Profit before taxation**

	<b>Current 3 months ended 31 Mar 2019 RM'000</b>	<b>Current 3 months ended 31 Mar 2018 RM'000</b>	<b>Cumulative 12 months ended 31 Mar 2019 RM'000</b>	<b>Cumulative 12 months ended 31 Mar 2018 RM'000</b>
The profit before taxation is arrived at after (charging)/crediting:				
Interest income	1,131	760	2,399	1,296
Allowance for inventories	-	(2,317)	-	(2,317)
Impairment loss:				
- property, plant and equipment	(39,197)	(4,322)	(39,197)	(4,322)
- receivables	-	(10,753)	-	(10,753)
- amount due from joint venture	-	(6,713)	-	(6,713)
- amount due from associate	-	(371)	-	(371)
- investment in joint venture	-	(7,215)	-	(7,215)
Depreciation and amortisation	(14,771)	(29,546)	(62,694)	(80,449)
(Loss)/gain on foreign exchange - net	(15,300)	(25,120)	10,976	(47,338)
Gain/(loss) on disposal of property, plant and equipment	2,978	(1,039)	6,478	(6,486)
Interest expense	(4,507)	(424)	(17,604)	(13,482)
Profit/(loss) on disposal of subsidiaries	7,230	-	(314)	-
Share of results of joint ventures	(3,614)	(33,149)	(8,656)	(36,663)

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**B7 Taxation**

Details of the taxation as at end of the period are as follows:-

	<b>Current 3 months ended 31 Mar 2019 RM'000</b>	<b>Current 3 months ended 31 Mar 2018 RM'000</b>	<b>Cumulative 12 months ended 31 Mar 2019 RM'000</b>	<b>Cumulative 12 months ended 31 Mar 2018 RM'000</b>
Malaysian income tax				
- current year	-	(1,314)	-	167
Foreign income tax				
- current year	3,189	8,193	14,483	17,577
Total income tax	<u>3,189</u>	<u>6,879</u>	<u>14,483</u>	<u>17,744</u>
Effective tax rate	<u>-8.0%</u>	<u>-4.6%</u>	<u>-60.1%</u>	<u>-8.9%</u>

The variance in the effective tax rate for the current quarter compared to the Malaysian tax rate of 24% mainly because of:-

- a. Losses in certain tax jurisdictions not qualifying for tax relief;
- b. The tax effects of the different tax rates in various jurisdictions and certain expenses not deductible for tax purposes; and
- c. The above mentioned income tax is related to the revenues and profits recorded by the operating subsidiaries and there are no group reliefs for losses.

**B8 Cash and bank balances**

Cash and bank balances at the end of the reporting period comprise of:-

	<b>As at 31 Mar 2019 RM'000</b>
Cash and bank balances	32,171
Short term deposits with licensed banks	<u>23,338</u>
	55,509
Less : restricted cash	(23,338)
Less : bank overdraft	<u>(306)</u>
Cash and cash equivalents	<u>31,865</u>

The restricted cash comprise of deposits pledged to financial institutions for loan facilities, bank guarantees and repayment towards loan facility granted to subsidiaries.

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**B9 Loans and borrowings**

The Group borrowings and debts securities as at the end of the reporting period are as follows:

	<b>Current RM'000</b>	<b>Non- Current RM'000</b>	<b>Total RM'000</b>
Borrowings – secured	<u>152,405</u>	<u>49,515</u>	<u>201,920</u>

The Group borrowings and debt securities are denominated in the following currencies:

	<b>RM'000</b>
Ringgit Malaysia	119,991
US Dollar *	<u>81,929</u>
Total	<u>201,920</u>

\* These relate to working capital loans.

**B10 Other reserves**

	<b>As at 31 Mar 2019 RM'000</b>	<b>As at 31 Mar 2018 (Restated) RM'000</b>
Capital reserve	26,881	26,881
Translation reserves	(113,585)	(124,748)
Merger reserve	<u>(443,323)</u>	<u>(443,323)</u>
	<u>(530,027)</u>	<u>(541,190)</u>

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**B11 Earnings Per Share**

	<b>3 months ended 31 Mar 2019 RM'000</b>	<b>3 months ended 31 Mar 2018 RM'000</b>	<b>12 months ended 31 Mar 2019 RM'000</b>	<b>12 months ended 31 Mar 2018 RM'000</b>
<b><u>Basic and diluted earnings per share</u></b>				
Loss for the period	<u>(36,433)</u>	<u>(158,345)</u>	<u>(33,525)</u>	<u>(219,055)</u>
Issued and paid-up capital	2,341,775	2,341,775	2,341,775	2,341,775
Less : Treasury shares	<u>(154)</u>	<u>(154)</u>	<u>(154)</u>	<u>(154)</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,341,621</u>	<u>2,341,621</u>	<u>2,341,621</u>	<u>2,341,621</u>
<b>Basic earnings per share (sen)</b>	<b><u>(1.56)</u></b>	<b><u>(6.76)</u></b>	<b><u>(1.43)</u></b>	<b><u>(9.35)</u></b>

**B12 Material Litigation**

There was no pending material litigation at the date of this report.

**B13 Proposed Dividend**

No dividend has been proposed in respect of the period under review.

**B14 Authorised For Issue**

The interim financial statements were authorised for issue on 31 May 2019 by the Board of Directors.