

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR 3 MONTHS ENDED 30 SEPT 2019

	3 months ended 30 Sept 2019 RM'000
Revenue	107,887
Cost of sales	(83,554)
Gross profit	24,333
Other income	3,796
Administrative expenses	(12,528)
Marketing and selling expenses	(7,400)
Other operating expenses	(290)
Finance expenses	(2,671)
Finance income	989
Profit before tax	6,229
Taxation	(3,039)
Profit for the period	3,190
Other comprehensive loss	
Currency translation differences	(18,362)
Total comprehensive loss for the period	(15,172)
Profit attributable to :	
Owners of the Company	3,541
Non-controlling interests	(351)
Profit for the period	3,190
Total comprehensive loss attributable to:	
Owners of the Company	(14,821)
Non-controlling interests	(351)
	(15,172)
Earnings per share	
- Basic and diluted (Sen)	0.15

Due to change in financial year from 31 March to 30 June, there is no corresponding period for the current 3 months ended 30 September 2019.

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

SCOMI ENERGY SERVICES BHD 199601025627 (397979-A)
(Incorporated in Malaysia)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPT 2019

	Note	As at 30 Sept 2019 RM'000	As at 30 June 2019 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		293,511	298,990
Investment in associates		8,847	8,847
Investment in joint ventures		2,084	2,084
Intangible assets		105,476	103,531
Deferred tax assets		643	529
Other receivables		14,465	14,333
		<u>425,026</u>	<u>428,314</u>
CURRENT ASSETS			
Inventories		84,961	82,811
Trade and other receivables		221,246	267,439
Tax recoverable		19,286	13,493
Cash and bank balances	B8	67,747	65,748
		<u>393,240</u>	<u>429,491</u>
TOTAL ASSETS		<u>818,266</u>	<u>857,805</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,005,535	1,005,535
Treasury shares		(51)	(51)
Other reserves	B10	(545,621)	(527,259)
Retained earnings		(69,909)	(73,450)
Total equity attributable to owners of the Company		<u>389,954</u>	<u>404,775</u>
Non-controlling interests		32,870	33,221
TOTAL EQUITY		<u>422,824</u>	<u>437,996</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	49,800	49,800
Provision for retirement benefits		8,045	8,401
Other payables		1,131	1,028
Deferred tax liabilities		4,805	4,486
		<u>63,781</u>	<u>63,715</u>
CURRENT LIABILITIES			
Trade and other payables		190,541	200,336
Loans and borrowings	B9	125,428	136,006
Current tax liabilities		15,692	19,752
		<u>331,661</u>	<u>356,094</u>
TOTAL LIABILITIES		<u>395,442</u>	<u>419,809</u>
TOTAL EQUITY AND LIABILITIES		<u>818,266</u>	<u>857,805</u>
Net assets per share (RM)		<u>0.17</u>	<u>0.17</u>

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

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPT 2019

	Attributable to owners of the Company				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			
As at 1 July 2019	1,005,535	(51)	(527,259)	(73,450)	404,775	33,221	437,996
Total comprehensive loss for the year	-	-	(18,362)	3,541	(14,821)	(351)	(15,172)
As at 30 Sept 2019	1,005,535	(51)	(545,621)	(69,909)	389,954	32,870	422,824
Audited							
As at 1 April 2018	1,005,535	(51)	(542,246)	32,474	495,712	40,993	536,705
Net loss on impairment of financial instrument (MFRS 9)	-	-	(1,079)	(10,704)	(11,783)	-	(11,783)
Total comprehensive loss for the year	-	-	16,066	(95,220)	(79,154)	(7,772)	(86,926)
As at 30 June 2019	1,005,535	(51)	(527,259)	(73,450)	404,775	33,221	437,996

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

UNAUDITED STATEMENT OF CASH FLOW FOR THE PERIOD ENDED 30 SEPT 2019

	Note	3 months ended 30 Sept 2019 RM'000
Cash Flows From Operating Activities		
Profit before tax		6,229
Adjustments for non-cash items:		14,235
Changes in working capital:		
Inventories		(2,150)
Receivables		36,223
Payables		(34,473)
Cash generated from operations		<u>20,064</u>
Tax paid		(3,603)
Interest received		989
Net cash from operating activities		<u>17,450</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment		(2,917)
Net cash used in investing activities		<u>(2,917)</u>
Cash Flows From Financing Activities		
Repayment of borrowings		(10,579)
Interest paid on borrowings		(2,501)
Increase in short term deposit pledged as securities		(4,871)
Net cash used in financing activities		<u>(17,951)</u>
Net decrease in cash and cash equivalents		(3,418)
Cash and cash equivalents at beginning of the year		38,668
Currency translation differences		547
Cash and cash equivalents at end of the year	B8	<u>35,797</u>

Due to change in financial year from 31 March to 30 June, there is no corresponding period for the current 3 months ended 30 September 2019.

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 30 June 2019 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 30 September 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 30 June 2019.

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 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*

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

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

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

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

- MFRS 17, *Insurance Contracts*

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

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

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

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

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

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 16, Leases

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

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

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

A2 Audit Report for Preceding Annual Financial Statements

The audit report for the Group’s annual financial statements for the year ended 30 June 2019 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.

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A6 Debt and Equity Securities

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

A7 Dividends Paid/Payable

There were no dividends paid during the period ended 30 September 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 three months ended 30 September 2019

	Drilling Services RM'000	Marine Services RM'000	Total RM'000
REVENUE			
External sales	81,461	26,426	107,887
RESULTS			
Profit from operations	3,324	791	4,115
Realised (loss)/gain on foreign exchange	(231)	478	247
Unrealised gain on foreign exchange	2,234	1,208	3,442
Finance costs	(2,134)	(537)	(2,671)
Other income	343	753	1,096
Profit before tax	3,536	2,693	6,229
Taxation	(2,717)	(322)	(3,039)
Profit for the period	819	2,371	3,190
Other information			
Depreciation and amortisation	5,342	7,418	12,760
Interest income	240	749	989
Addition to non-current assets other than financial instruments and deferred tax assets	(57,396)	(35,854)	(93,250)

Due to change in financial year from 31 March to 30 June, there is no corresponding period for the current 3 months ended 30 September 2019.

A8 Segmental Reporting (“continued”)

	Drilling Services RM'000	Marine Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 SEPT 2019			
ASSETS			
Assets employed in the segment	535,042	252,364	787,406
Investment in associates	-	8,847	8,847
Investment in joint venture	2,084	-	2,084
	<u>537,126</u>	<u>261,211</u>	<u>798,337</u>
<u>Unallocated corporate assets:</u>			
Current tax assets			19,286
Deferred tax assets			643
Total assets			<u>818,266</u>
LIABILITIES			
Liabilities in segment	<u>350,476</u>	<u>24,469</u>	374,945
<u>Unallocated corporate liabilities:</u>			
Tax payable			15,692
Deferred tax liabilities			4,805
Total liabilities			<u>395,442</u>
Net assets			<u>422,824</u>

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A8 Segmental Reporting (“continued”)

	Development & Production			
	Drilling Services	Marine Services	Asset and Services	Total
	RM'000	RM'000	RM'000	RM'000
ASSETS AND LIABILITIES AS AT 30 JUNE 2019 (AUDITED)				
ASSETS				
Assets employed in the segment	603,261	229,555	36	832,852
Investment in associates	0	8,847	-	8,847
Investment in joint venture	1,148	-	936	2,084
	<u>604,409</u>	<u>238,402</u>	<u>972</u>	<u>843,783</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				13,493
Deferred tax assets				529
Total assets				<u>857,805</u>
LIABILITIES				
Liabilities in segment	<u>343,739</u>	<u>57,992</u>	<u>(6,160)</u>	395,571
<u>Unallocated corporate liabilities:</u>				
Tax payable				19,752
Deferred tax liabilities				4,486
Total liabilities				<u>419,809</u>
Net assets				<u>437,996</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

Pursuant to Paragraph 8.04 and Paragraph 2.1(e) of the PN17 of the Listing Requirements of Bursa Securities, the Company has triggered Paragraph 2.1(e) of PN17 of Listing Requirements on 31st October 2019.

The external auditors of the Company, Messrs KPMG PLT, have expressed material uncertainty related to the going concern of SESB in the audited financial statements for the financial year ended 30 June 2019 of SESB and the shareholders' equity of SESB on a consolidated basis is 50% or less of its issued share capital calculated based on the audited financial results of SESB as at 30 June 2019.

The Company has submitted an application for a waiver from being classified as an affected listed issuer to Bursa Securities.

A11 Changes in Composition of the Group

There were no changes in the composition of the Group during the current three month period ended 30 September 2019.

A12 Contingent Liabilities

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

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

A13 Capital Commitments

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

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Plant & Machinery	2,917	14,578	17,495
Vessels (drydocking)	-	16,400	16,400
Others	-	3,292	3,292
	<u>2,917</u>	<u>34,270</u>	<u>37,187</u>

The future minimum lease payments under non-cancellable operating leases as at 30 September 2019 are as follows:

	30-Sep 2019 RM'000
Less than one year	3,137
Between one and five years	<u>13,034</u>
	<u>16,171</u>

A14 Related party transactions

	3 months Ended 30 Sept 2019 RM'000
Holding company	
Rental (income)/expenses	(18)
Interest (income)	(748)
Cost sharing & recharge of expenses paid on behalf	<u>224</u>
Associate	
Recharge of expenses paid on behalf	<u>8</u>

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.

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

B1 Review of Operating Segments

The Group has two reportable segments which are Drilling Services and Marine Services. 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.

Current 3 months ended 30th September 2019 as compared to 3 months ended 30th September 2018

	Revenue		Profit/(loss) before tax	
	3 Months to		3 Months to	
	30 Sept	30 Sept	30 Sept	30 Sept
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	81,461	107,299	3,536	10,645
Marine Services	26,426	26,970	2,693	(4,311)
	<u>107,887</u>	<u>134,269</u>	<u>6,229</u>	<u>6,334</u>

Note: Due to change in financial year from 31 March to 30 June, there is no corresponding period for the current 3 months ended 30 September 2019. The results for the 3 months ended 30 September 2018 are shown for analysis purposes only.

Group

Group revenue for the 3 months ended 30th September 2019 ("Current period") was lower by RM26.4 million or 19.6% compared to the 3 months ended 30th September 2018 contributed by lower revenue from both Drilling Services and Marine Services segment.

Profit before tax ("PBT") for the Current period was RM0.1 million lower as compared to the 3 months ended 30th September 2018 mainly due to lower gross profit, offset by lower operating expenses and finance cost.

Drilling Services ("DS")

The segment's revenue for the Current period decreased by RM25.8 million or 24.1% as compared to 3 months ended 30th September 2018, mainly due to lower revenue in Malaysia, Nigeria and countries such as Turkmenistan and France (which has since been disposed).

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PBT in the segment decreased by RM7.2 million as compared to 3 months ended 30th September 2018 mainly due to lower gross profit and lower forex gain recorded during the period.

B1 Review of Operating Segments (“continued”)

Marine Services (“MS”)

The segment’s revenue for the Current period decreased by RM0.5 million or 2.0% as compared to 3 months ended 30th September 2018, resulting from the decrease in revenue on the coal affreightment contract in Malaysia.

MS recorded a PBT of RM2.7 million as compared to loss before tax (“LBT”) of RM4.3 million in 3 months ended 30th September 2018. The improved performance recorded was mainly contributed by increase in gross profit and forex gain recorded during the period (30th September 2018 was a forex loss).

B2 3 months ended 30 September 2019 (“Current period”) as Compared to Preceding 3 months ended 30 June 2019 (“Preceding period”)

	Revenue 3 Months to		(Loss)/profit before tax 3 Months to	
	30 Sept 2019	30 June 2019	30 Sept 2019	30 June 2019
	RM’000	RM’000	RM’000	RM’000
Operating Segments:				
Drilling Services	81,461	91,629	3,536	(57,228)
Marine Services	26,426	28,279	2,693	235
	<u>107,887</u>	<u>119,908</u>	<u>6,229</u>	<u>(56,993)</u>

Group

Group revenue for the Current period was lower by RM12.0 million or 10.0% compared to the Preceding period contributed primarily by lower revenue by both Drilling and Marine Services segment.

The Group recorded a PBT of RM6.2 million as compared to LBT of RM57.0 million in Preceding period which had provision for impairment in respect of amount due from holding company in accordance with MFRS 9. In addition, higher gross profit and lower operating expenses also contributed to the PBT.

Drilling Services ("DS")

The segment's revenue for the Current period decreased by RM10.2 million or 11.1% as compared to Preceding period. This was mainly due to lower activity in Malaysia, Pakistan, Myanmar and offset by higher revenue in India.

DS recorded a PBT of RM3.5 million as compared to LBT of RM57.2 million in Preceding period which had provision for impairment in respect of amount due from holding company in accordance with MFRS 9. In addition, higher gross profit and lower operating expenses also contributed to the PBT.

Marine Services ("MS")

The segment's revenue for the Current period was lower by RM1.9 million or 6.6% compared to Preceding period.

PBT in the segment improved by RM2.5 million as compared to Preceding period. This was mainly due to decrease in operating expenses during the current period.

B3 Current Financial Year Prospects

Drilling Service Outlook

We expect the volatility in oil prices to exert pressure on activity level and pricing.

Marine Services Outlook

The coal market in Indonesia continues to be active while also exhibiting pressures of softening. 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

On 11 October 2019, the Company announced that it will undertake a proposed share capital reduction to reduce the issued and fully paid share capital by RM560 million pursuant to Section 116 of the Companies Act 2016 and followed by the proposed consolidation of every 5 existing ordinary shares in the Company into 1 share on an entitlement date to be determined and announced later.

These proposals are intended to rationalize the financial position and share capital of the Company reducing its accumulated losses and the number of ordinary shares in issue. The Circular for the Proposals have been dispatched to shareholders for an EGM to be convened on 28 November 2019 immediately after the AGM.

B6 Profit before taxation

**Current
3 months
ended
30 Sept
2019
RM'000**

The profit before taxation
is arrived at after
(charging)/crediting:

Interest income	989
Depreciation and amortisation	(12,760)
Gain on foreign exchange - net	3,689
Interest expense	<u>(2,501)</u>

B7 Taxation

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

	Current 3 months ended 30 Sept 2019 RM'000
Malaysian income tax	
- current year	-
Foreign income tax	
- current year	<u>3,039</u>
Total income tax	<u>3,039</u>
Effective tax rate	<u>48.8%</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:-

	As at 30 Sept 2019 RM'000
Cash and bank balances	38,572
Short term deposits with licensed banks	<u>29,175</u>
	67,747
Less : restricted cash	<u>(31,950)</u>
Cash and cash equivalents	<u>35,797</u>

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

B9 Loans and borrowings

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

	Current RM'000	Non- Current RM'000	Total RM'000
Borrowings – secured	<u>125,428</u>	<u>49,800</u>	<u>175,228</u>

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

	RM'000
Ringgit Malaysia	123,222
US Dollar *	<u>52,006</u>
Total	<u>175,228</u>

* These relate to working capital loans.

B10 Other reserves

	As at 30 Sept 2019 RM'000	As at 30 June 2019 (Audited) RM'000
Capital reserve	26,881	26,881
Translation reserves	(129,179)	(110,817)
Merger reserve	<u>(443,323)</u>	<u>(443,323)</u>
	<u>(545,621)</u>	<u>(527,259)</u>

B11 Earnings Per Share

**3 months
ended
30 Sept
2019
RM'000**

**Basic and diluted
earnings per share**

Profit for the period	<u>3,541</u>
Issued and paid-up capital	2,341,775
Less : Treasury shares	<u>(154)</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,341,621</u>
Basic earnings per share (sen)	<u>0.15</u>

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 25 November 2019 by the Board of Directors.