

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 31 DECEMBER 2019

| | 3 months ended 31 Dec 2019 RM'000 | Cumulative period 6 months ended 31 Dec 2019 RM'000 |
|--|--|--|
| Revenue | 124,135 | 232,022 |
| Cost of sales | (91,443) | (174,997) |
| Gross profit | 32,692 | 57,025 |
| Other expenses | (17,001) | (13,205) |
| Administrative expenses | (12,504) | (25,032) |
| Marketing and selling expenses | (8,456) | (15,856) |
| Other operating expenses | (245) | (535) |
| Finance expenses | (4,539) | (7,210) |
| Finance income | 889 | 1,878 |
| Share of results of JV and associates | 107 | 107 |
| Loss before tax | (9,057) | (2,828) |
| Taxation | (974) | (4,013) |
| Loss for the period | (10,031) | (6,841) |
| Other comprehensive profit | | |
| Currency translation differences | 25,915 | 7,553 |
| | 25,915 | 7,553 |
| Total comprehensive profit for the period | 15,884 | 712 |
| Profit attributable to : | | |
| Owners of the Company | (13,081) | (9,540) |
| Non-controlling interests | 3,050 | 2,699 |
| Profit for the period | (10,031) | (6,841) |
| Total comprehensive profit attributable to: | | |
| Owners of the Company | 12,834 | (1,987) |
| Non-controlling interests | 3,050 | 2,699 |
| | 15,884 | 712 |
| Earnings per share | | |
| - Basic and diluted (Sen) | (0.56) | (0.41) |

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

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

SCOMI ENERGY SERVICES BHD 199601025627 (397979-A)
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**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31
DECEMBER 2019**

| | Note | As at 31 Dec 2019 RM'000 | As at 30 June 2019 RM'000 (Audited) |
|---|------|--------------------------------|--|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 284,294 | 298,990 |
| Investment in associates | | 8,847 | 8,847 |
| Investment in joint ventures | | 2,084 | 2,084 |
| Intangible assets | | 106,937 | 103,531 |
| Deferred tax assets | | 725 | 529 |
| Other receivables | | 18,083 | 14,333 |
| | | <u>420,970</u> | <u>428,314</u> |
| CURRENT ASSETS | | | |
| Inventories | | 85,992 | 82,811 |
| Trade and other receivables | | 259,963 | 267,439 |
| Tax recoverable | | 21,328 | 13,493 |
| Cash and bank balances | B8 | 62,858 | 65,748 |
| | | <u>430,141</u> | <u>429,491</u> |
| TOTAL ASSETS | | <u>851,111</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 | (519,707) | (527,259) |
| Retained earnings | | (82,989) | (73,450) |
| Total equity attributable to owners of the Company | | <u>402,788</u> | <u>404,775</u> |
| Non-controlling interests | | 35,920 | 33,221 |
| TOTAL EQUITY | | <u>438,708</u> | <u>437,996</u> |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | B9 | 48,636 | 49,800 |
| Provision for retirement benefits | | 6,516 | 8,401 |
| Other payables | | 1,142 | 1,028 |
| Deferred tax liabilities | | 4,786 | 4,486 |
| | | <u>61,080</u> | <u>63,715</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 215,452 | 200,336 |
| Loans and borrowings | B9 | 121,027 | 136,006 |
| Current tax liabilities | | 14,844 | 19,752 |
| | | <u>351,323</u> | <u>356,094</u> |
| TOTAL LIABILITIES | | <u>412,403</u> | <u>419,809</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>851,111</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 31 DECEMBER 2019

| | <u>Attributable to owners of the Company</u> | | | | | | Total equity RM '000 |
|---|--|------------------------------|---------------------------|---------------------------------|------------------|---|-------------------------|
| | Share capital RM '000 | Treasury shares RM'000 | Other reserves RM '000 | Retained earnings RM '000 | Total RM '000 | Non- controlling interests RM '000 | |
| As at 1 July 2019 | 1,005,535 | (51) | (527,260) | (73,449) | 404,775 | 33,221 | 437,996 |
| Total comprehensive profit for the year | - | - | 7,553 | (9,540) | (1,987) | 2,699 | 712 |
| As at 31 December 2019 | 1,005,535 | (51) | (519,707) | (82,989) | 402,788 | 35,920 | 438,708 |
| 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 profit/(loss) for the year | - | - | 16,065 | (95,219) | (79,154) | (7,772) | (86,926) |
| As at 30 June 2019 | 1,005,535 | (51) | (527,260) | (73,449) | 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 DEC 2019

| | Note | 6 months ended 31 Dec 2019 RM'000 |
|---|-------------|--|
| Cash Flows From Operating Activities | | |
| Loss before tax | | (2,828) |
| Adjustments for non-cash items: | | 30,737 |
| Changes in working capital: | | |
| Inventories | | (3,181) |
| Receivables | | (5,074) |
| Payables | | 14,172 |
| Cash generated from operations | | <u>33,826</u> |
| Tax paid | | (14,386) |
| Interest received | | 1,878 |
| Net cash from operating activities | | <u>21,318</u> |
| Cash Flows From Investing Activities | | |
| Purchase of property, plant and equipment | | (1,148) |
| Net cash used in investing activities | | <u>(1,148)</u> |
| Cash Flows From Financing Activities | | |
| Repayment of borrowings | | (16,143) |
| Interest paid on borrowings | | (6,701) |
| Increase in short term deposit pledged as securities | | (922) |
| Net cash used in financing activities | | <u>(23,766)</u> |
| Net decrease in cash and cash equivalents | | (3,596) |
| Cash and cash equivalents at beginning of the year | | 38,668 |
| Currency translation differences | | (216) |
| Cash and cash equivalents at end of the year | B8 | <u>34,856</u> |

Due to change in financial year from 31 March to 30 June, there is no corresponding period for the current 6 months ended 31 December 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 31 December 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 31 December 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 six months ended 31 December 2019

| | Drilling Services RM'000 | Marine Services RM'000 | Total RM'000 |
|---|---|---------------------------------------|-------------------------|
| REVENUE | | | |
| External sales | 175,637 | 56,385 | 232,022 |
| RESULTS | | | |
| Profit from operations | 6,992 | 8,609 | 15,601 |
| Realised (loss)/gain on foreign exchange | (91) | 578 | 487 |
| Unrealised loss on foreign exchange | (1,315) | (333) | (1,648) |
| Finance costs | (6,106) | (1,104) | (7,210) |
| Other income/(expense) | 287 | (10,453) | (10,166) |
| Share of results in joint ventures | 107 | - | 107 |
| Loss before tax | (126) | (2,703) | (2,828) |
| Taxation | (3,312) | (701) | (4,013) |
| Loss for the period | (3,438) | (3,404) | (6,841) |
| Other information | | | |
| Depreciation and amortisation | 11,102 | 14,899 | 26,001 |
| Interest income | 459 | 1,419 | 1,878 |
| Addition to non-current assets other than financial instruments and deferred tax assets | (50,436) | (46,949) | (97,385) |

Due to change in financial year from 31 March to 30 June, there is no corresponding period for the current 6 months ended 31 December 2019.

A8 Segmental Reporting (Continued)

| | Drilling Services RM'000 | Marine Services RM'000 | Total RM'000 |
|--|---|---------------------------------------|-------------------------|
| ASSETS AND LIABILITIES AS AT 31 DECEMBER 2019 | | | |
| ASSETS | | | |
| Assets employed in the segment | 611,583 | 206,544 | 818,127 |
| Investment in associates | - | 8,847 | 8,847 |
| Investment in joint venture | 2,084 | - | 2,084 |
| | <u>613,667</u> | <u>215,391</u> | <u>829,058</u> |
| <u>Unallocated corporate assets:</u> | | | |
| Current tax assets | | | 21,328 |
| Deferred tax assets | | | 725 |
| Total assets | | | <u>851,111</u> |
| LIABILITIES | | | |
| Liabilities in segment | <u>360,978</u> | <u>31,795</u> | 392,773 |
| <u>Unallocated corporate liabilities:</u> | | | |
| Tax payable | | | 14,844 |
| Deferred tax liabilities | | | 4,786 |
| Total liabilities | | | <u>412,403</u> |
| Net assets | | | <u>438,708</u> |

A8 Segmental Reporting (Continued)

| | Drilling Services RM'000 | Marine Services RM'000 | Development & Production Asset and Services RM'000 | Total 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> | <u>395,571</u> |
| <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

Bursa Securities has on 20 January 2020 rejected the Company's application for waiver from being classified as affected listed issuer under Practice Note 17 ("PN17") of the Listing Requirements. Consequently the Company is now classified a PN17 Issuer.

The Company is presently looking into formulating a regularisation plan to address its financial condition and has approximately nine (9) months to submit the said plan to the relevant regulatory bodies for approval.

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The Company has sought further indulgence from bondholders until 30 April 2020 for repayment of series E bond of RM55.0 million. The Company has on 28 February 2020 received notification from the Trustee of the bondholders that the request was rejected.

A11 Changes in Composition of the Group

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:-

| | RM'000 |
|---|---------------|
| 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:

| | Approved and contracted for RM'000 | Approved but not contracted for RM'000 | Total RM'000 |
|----------------------|---|---|-------------------------|
| Plant & Machinery | 2,029 | 15,466 | 17,495 |
| Vessels (drydocking) | - | 16,400 | 16,400 |
| Others | - | 3,292 | 3,292 |
| | <u>2,029</u> | <u>35,158</u> | <u>37,187</u> |

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

| | 31-Dec 2019 RM'000 |
|----------------------------|-----------------------------------|
| Less than one year | 4,601 |
| Between one and five years | <u>5,273</u> |
| | <u>9,874</u> |

A14 Related party transactions

| | 3 months Ended 31 Dec 2019 RM'000 | 6 months Ended 31 Dec 2019 RM'000 |
|--|--|--|
| Holding company | | |
| Rental income | (18) | (36) |
| Interest income | (669) | (1,417) |
| Cost sharing & recharge of expenses paid on behalf | <u>158</u> | <u>382</u> |
| | | |
| Associate | | |
| Recharge of expenses paid on behalf | <u>19</u> | <u>27</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 31 December 2019 ("Current period") as compared to 3 months ended 31 December 2018

| | Revenue 3 Months to | | Profit/(loss) before tax 3 Months to | |
|---------------------|--------------------------|--------------------------|---|--------------------------|
| | 31 Dec 2019 RM'000 | 31 Dec 2018 RM'000 | 31 Dec 2019 RM'000 | 31 Dec 2018 RM'000 |
| Operating Segments: | | | | |
| Drilling Services | 94,176 | 100,751 | (3,661) | (1,513) |
| Marine Services | 29,959 | 33,430 | (5,396) | 7,804 |
| | <u>124,135</u> | <u>134,181</u> | <u>(9,057)</u> | <u>6,291</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 31 December 2019. The results for the 3 months ended 31 December 2018 are shown for analysis purposes only.

Group

Group revenue for the 3 months ended 31 December 2019 was lower by RM10.0 million or 7.5% compared to the 3 months ended 31 December 2018 contributed by lower revenue from both Drilling Services and Marine Services segment.

Loss before tax ("LBT") for the Current period was RM9.1 million as compared to Profit before tax ("PBT") of RM6.3 million for the 3 months ended 31 December 2018 mainly due to lower gross profit, forex loss of RM4.9 million (31 December 2018 was a forex gain of RM13.6 million) and impairment of amount due from ultimate holding company of RM11.9 million.

Drilling Services ("DS")

The segment's revenue for the Current period decreased by RM6.6 million or 6.5% as compared to 3 months ended 31 December 2018, mainly due to lower revenue in Myanmar and France (which has since been disposed), partially offset by higher revenue generated in Nigeria, Russia and India.

B1 Review of Operating Segments (Continued)

Drilling Services (Continued)

DS segment recorded a higher loss before tax ("LBT") by RM2.1 million as compared to 3 months ended 31 December 2018, contributed by lower gross profit and forex loss of RM3.4 million recorded during the quarter (31 December 2018 was a forex gain of RM10.9 million). However, this was offset by lower operating expenses and reversal of provision for doubtful debt which has since been collected.

Marine Services ("MS")

The segment's revenue for the Current period decreased by RM3.5 million or 10.4% as compared to 3 months ended 31 December 2018 resulting from lower tonnage carried.

MS LBT was RM5.4 million as compared to a PBT of RM7.8 million for the 3 months ended 31 December 2018 resulting from impairment for amount due from ultimate holding company amounting to RM11.9 million, coupled with forex loss of RM1.4 million whereas the quarter ended 31 December 2018 had forex gain. This was partially offset by higher gross profit during the quarter.

B2 3 months ended 31 December 2019 as compared to Preceding 3 months ended 30 September 2019 ("Preceding period")

| | Revenue | | (Loss)/profit before tax | |
|---------------------|----------------|----------------|--------------------------|--------------|
| | 3 Months to | | 3 Months to | |
| | 31 Dec | 30 Sept | 31 Dec | 30 Sept |
| | 2019 | 2019 | 2019 | 2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Operating Segments: | | | | |
| Drilling Services | 94,176 | 81,461 | (3,661) | 3,536 |
| Marine Services | 29,959 | 26,426 | (5,396) | 2,693 |
| | <u>124,135</u> | <u>107,887</u> | <u>(9,057)</u> | <u>6,229</u> |

Group

Group revenue for the Current period was higher by RM16.2 million or 15.1% as compared to the Preceding period contributed primarily by increased in revenue by both Drilling and Marine Services segment.

The Group recorded a LBT of RM9.1 million as compared to a PBT of RM6.2 million in Preceding period due to forex loss of RM4.9 million recorded during the Current period (Preceding period had forex gain of RM3.7 million) and an impairment of amount due from ultimate holding company amounting to RM11.9 million. This was partially offset by higher gross profit and reversal of doubtful debt provision which has since been collected.

B2 3 months ended 31 December 2019 as compared to Preceding 3 months ended 30 September 2019 (Continued)

Drilling Services

The segment's revenue for the Current period increased by RM12.7 million or 15.6% as compared to Preceding period contributed by increased revenue in Malaysia and Nigeria.

DS segment recorded a LBT of RM3.7 million as compared to PBT of RM3.5 million in Preceding period resulting from higher finance cost, coupled with forex loss of RM3.4 million recorded during the Current period whereas the Preceding period had a forex gain of RM2.0 million.

Marine Services

The segment's revenue for the Current period was higher by RM3.5 million or 13.4% compared to Preceding period contributed by higher tonnage shipped on certain contracts.

MS recorded a LBT of RM5.4 million as compared to PBT of RM2.7 million in Preceding period due to forex loss of RM1.4 million (Preceding period had forex gain of RM1.7 million) and an impairment of amount due from ultimate holding company amounting to RM11.9 million. This was partially offset by higher gross profit resulting from lower bunker and maintenance cost during the period.

B3 Current Financial Year Prospects

Drilling Service Outlook

Oil prices remain volatile resulting in uncertainty of increase activity. Pricing is therefore under pressure for the service companies.

Marine Services Outlook

There are indications of a softening in the coal market. Offshore vessel is idle.

B4 Profit Forecast

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

B5 Corporate Proposals

Capital Reduction and Share Consolidation Exercise

The capital reduction has been completed on 14 February 2020 when the sealed order of the High Court of Malaya, Shah Alam was lodged with the Companies Commission of Malaysia.

In respect of the share consolidation, the entitlement date has been fixed as 28 February 2020.

B6 Profit before taxation

| | Current 3 months ended 31 Dec 2019 RM'000 | Cumulative 6 months ended 31 Dec 2019 RM'000 |
|--|--|---|
| The profit before taxation is arrived at after (charging)/crediting: | | |
| Interest income | 889 | 1,878 |
| Impairment loss: | | |
| - property, plant and equipment | (1,300) | (1,300) |
| - receivables | (844) | (844) |
| - amount due from ultimate holding company | (11,881) | (11,881) |
| Depreciation and amortisation | (13,241) | (26,001) |
| Recovery/written-back of doubtful debts | 1,850 | 1,850 |
| Loss on foreign exchange - net | (4,850) | (1,161) |
| Gain on disposal of property, plant and equipment | 27 | 27 |
| Interest expense | (4,200) | (6,701) |
| Share of results of associate and joint ventures | <u>107</u> | <u>107</u> |

B7 Taxation

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

| | Current 3 months ended 31 Dec 2019 RM'000 | Cumulative 6 months ended 31 Dec 2019 RM'000 |
|----------------------|--|---|
| Malaysian income tax | | |
| - current year | - | - |
| Foreign income tax | | |
| - current year | 974 | 4,013 |
| Total income tax | <u>974</u> | <u>4,013</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 31 Dec 2019 RM'000 |
|---|---|
| Cash and bank balances | 36,976 |
| Short term deposits with licensed banks | <u>25,882</u> |
| | 62,858 |
| Less : restricted cash | <u>(28,002)</u> |
| Cash and cash equivalents | <u>34,856</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:

| | Current RM'000 | Non- Current RM'000 | Total RM'000 |
|----------------------|---------------------------|------------------------------------|-------------------------|
| Borrowings – secured | <u>121,027</u> | <u>48,636</u> | <u>169,663</u> |

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

| | RM'000 |
|------------------|----------------|
| Ringgit Malaysia | 122,770 |
| US Dollar * | <u>46,893</u> |
| Total | <u>169,663</u> |

* These relate to working capital loans.

KMCOB Capital Berhad (KMCOB) has defaulted on payment of Series E bond amounting to RM55.0 million due on 13 December 2019. The Company has received an indulgence from bondholders for repayment of the bond until 28 February 2020.

B10 Other reserves

| | As at 31 Dec 2019 RM'000 | As at 30 June 2019 (Audited) RM'000 |
|----------------------|---|--|
| Capital reserve | 26,881 | 26,881 |
| Translation reserves | (103,265) | (110,817) |
| Merger reserve | <u>(443,323)</u> | <u>(443,323)</u> |
| | <u>(519,707)</u> | <u>(527,259)</u> |

B11 Earnings Per Share

| | 3 months ended 31 Dec 2019 RM'000 | 6 months ended 31 Dec 2019 RM'000 |
|--|--|--|
| <u>Basic and diluted earnings per share</u> | | |
| Loss for the period | <u>(13,081)</u> | <u>(9,540)</u> |
| Issued and paid-up capital | 2,341,775 | 2,341,775 |
| Less : Treasury shares | <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> |
| Basic earnings per share (sen) | <u>(0.56)</u> | <u>(0.41)</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 28 February 2020 by the Board of Directors.