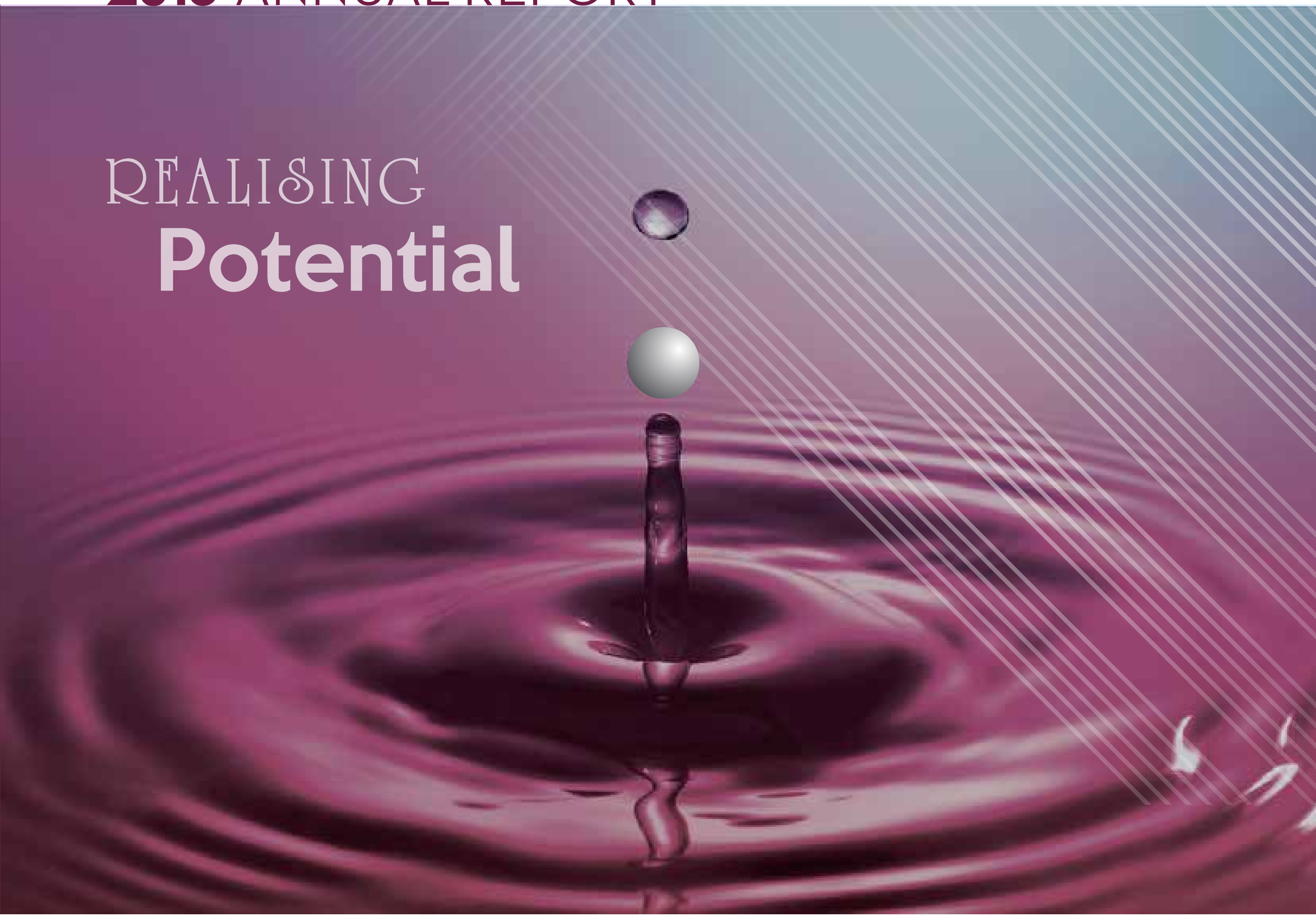
Scomi

2018 ANNUAL REPORT



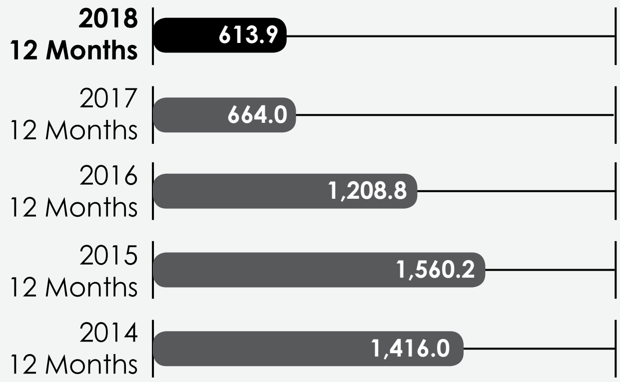
Scomi Energy Services Bhd

Contents

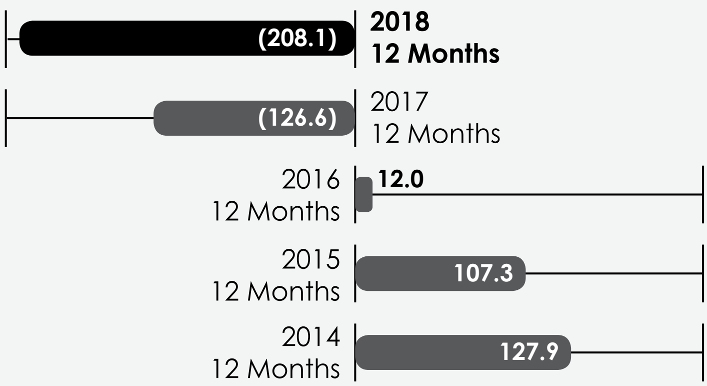
Key Financial Indicators

	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000 (Restated)	2014 RM'000
Revenue	613,957	664,012	1,208,784	1,560,239	1,415,994
EBITDA	(98,119)	(5,428)	140,172	222,760	243,252
Depreciation	(80,449)	(95,176)	(100,622)	(86,707)	(81,681)
Finance costs	(29,348)	(20,606)	(27,279)	(28,427)	(33,436)
Share of profit/(loss) in associated companies	-	-	495	(124)	(247)
Share of (loss)/profit from joint ventures	(36,663)	(24,208)	(10,628)	1,117	5,310
(Loss)/Profit before tax	(208,174)	(126,637)	11,996	107,399	127,919
Taxation	(17,744)	(9,128)	(23,914)	(39,970)	(46,988)
(Loss)/Profit after tax	(225,918)	(135,765)	(11,918)	67,429	80,931
Non-controlling interests	6,863	9,359	9,184	1,860	944
(Loss)/Profit after tax after non-controlling interests	(219,055)	(126,406)	(2,734)	69,289	81,875
Number of shares assumed in issue ('000)	2,341,621	2,341,621	2,341,630	2,341,630	2,341,630
Weighted average number of shares used to compute diluted earnings per share ('000)	2,341,621	2,341,621	2,341,630	2,341,630	2,341,630
Basic and diluted - Net EPS (sen)	(9.35)	(5.40)	(0.12)	2.96	3.50
Total assets	1,027,795	1,374,019	1,559,942	1,785,798	1,662,096
Net tangible assets	389,147	632,352	690,686	657,799	559,030
Shareholders' Fund	495,712	740,255	808,565	773,598	673,362
Net assets per share (sen)	21.2	31.6	34.5	33.0	28.8

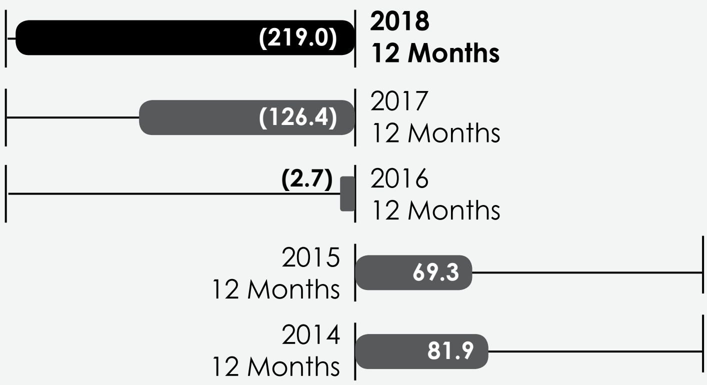
Revenue (RM Million)



(Loss)/Profit Before Tax (RM Million)



(Loss)/Profit after tax after non-controlling interests (RM Million)



Total Assets (RM Million)

1,027.8

2017 : 1,374.0

Net Tangible Assets (RM Million)

389.1

2017 : 632.4

Shareholder's Fund (RM Million)

495.7

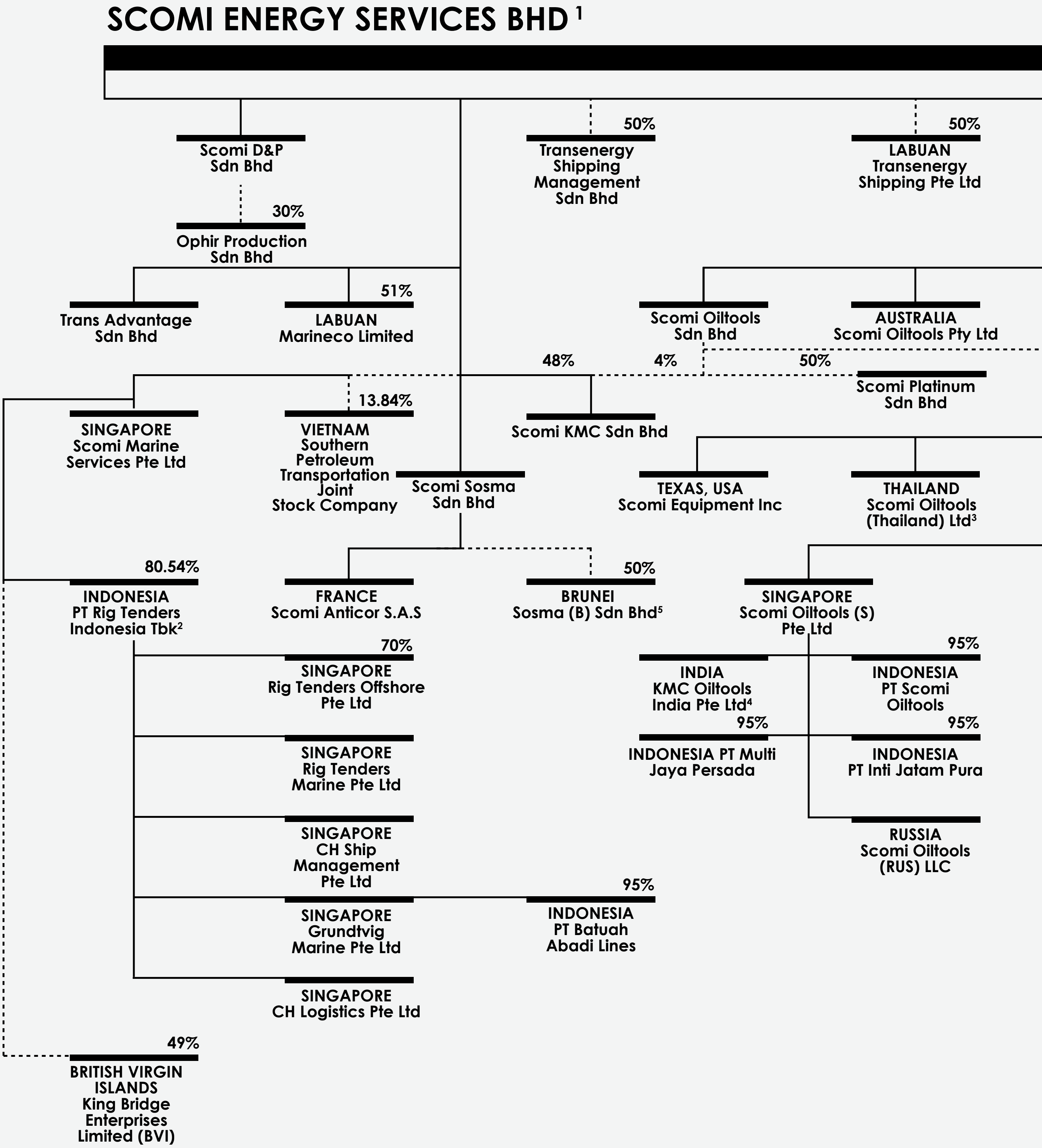
2017 : 740.3

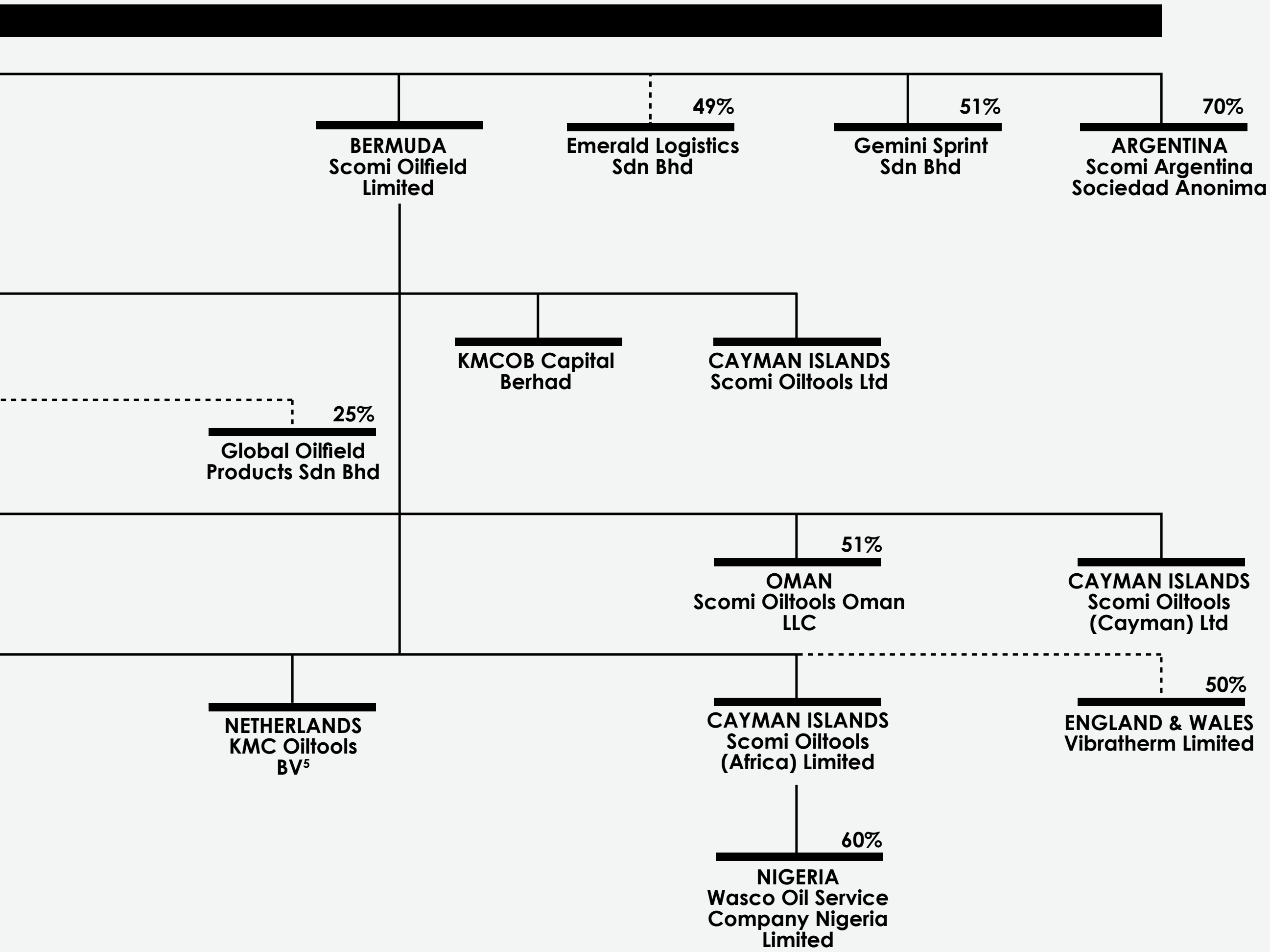
Net Assets Per Share (sen)

21.2

2017 : 31.6

Corporate Structure as at 24 July 2018





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

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

We are a global technology enterprise.

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

We focus on Energy & Logistics.

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

We provide innovative solutions.

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

We aim to realise potential for our stakeholders.

Our customers:

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

Our shareholders:

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

Our people:

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

Our suppliers:

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

Our society / environment:

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

BOARD OF DIRECTORS

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

Dato' Jamelah Binti Jamaluddin
Independent Non-Executive Director

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

Lee Chun Fai
Non-Independent Non-Executive Director

Stephen Fredrick Bracker
Non-Independent Non-Executive Director

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

CHIEF EXECUTIVE OFFICER
Hilmy Zaini Bin Zainal

SENIOR INDEPENDENT DIRECTOR
Dato' Jamelah Binti Jamaluddin
Email: sid.sesb@scomigroup.com

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

NOMINATION AND REMUNERATION COMMITTEE
Dato' Jamelah Binti Jamaluddin
Ravinder Singh Grewal A/L Sarbjit S

REGISTERED OFFICE
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258

ADMINISTRATIVE AND CORRESPONDENCE ADDRESS
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258
Email : info.sesb@scomigroup.com
Website : www.scomienergy.com.my

REGISTRAR
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7849 0777 (Helpdesk)
Fax : 03-7841 8151/8152
Email : ssr.helpdesk@symphony.com.my

COMPANY SECRETARY
Sim Bee Sin (MAICSA 7056323)

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

PRINCIPAL BANKERS

Standard Chartered Bank Malaysia Berhad
Level 13
Menara Standard Chartered
30 Jalan Sultan Ismail
Marina Bay Financial Centre Tower 1
50250 Kuala Lumpur, Malaysia

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

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

HSBC Bank Malaysia Berhad
3rd Floor, North Tower
No. 2, Leboh Ampang
50100 Kuala Lumpur, Malaysia

Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
6th Floor, West Block
Wisma Selangor Dredging
142-C, Jalan Ampang
50450 Kuala Lumpur, Malaysia

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

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

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

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

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

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

CURRENCY
Ringgit Malaysia (RM)

INVESTOR RELATIONS
Zubaidi Bin Harun
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel : 03-7717 3000
Fax : 03-7728 5258
Email : info.sesb@scomigroup.com

Board of Directors

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

Dato' Sri Meer Sadik, male, aged 55, a Malaysian, is an Independent Non-Executive Director of the Company. He was appointed to the Board on 19 November 1997.

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

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

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

Dato' Sri Meer Sadik is a member of the Audit and Risk Management Committee. He attended all the 9 Board Meetings held in the financial year ended 31 March 2018.

Dato' Jamelah Binti Jamaluddin
Independent Non-Executive Director

Dato´ Jamelah, female, aged 61, a Malaysian, is an Independent Non-Executive Director of the Company. She was appointed as a member of the Board on 15 November 2013.

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

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

Her directorships in other public companies include Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank"), PMB Tijari Berhad and Weida (M) Berhad.

Dato' Jamelah is a member of the Nomination and Remuneration Committee of the Board. She attended 8 out of the 9 Board Meetings held in the financial year ended 31 March 2018.

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

Mr Ravinder, male, aged 48, a Malaysian, was appointed to the Board as Independent Non-Executive Director on 21 May 2014.

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

He 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.

He chairs the Audit and Risk Management Committee, and is also a member of the Nomination and Remuneration Committee of the Board. He attended all the 9 Board Meetings held in the financial year ended 31 March 2018.

Lee Chun Fai
Non-Independent Non-Executive Director

Mr Lee, male, aged 47, a Malaysian, was appointed to the Board as Non-Independent Non-Executive Director on 17 May 2013.

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

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

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

Mr Lee is a member of the Audit and Risk Management Committee of the Board. He attended 6 out of the 9 Board Meetings held in the financial year ended 31 March 2018.

Board of Directors

Stephen Fredrick Bracker
Non-Independent
Non-Executive Director

Mr Bracker, male, aged 64, an Australian, was appointed to the Board as Non-Independent Non-Executive Director on 30 September 2015.

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

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

He attended 8 out of the 9 Board Meetings held in the financial year ended 31 March 2018.

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

Encik Shah Hakim, male, 53, a Malaysian, is the Non-Independent Non-Executive Director of the Company. He was appointed to the Board as Chief Executive Officer/Non-Independent Executive Director of the Company on 23 September 2005. Subsequently, he was re-designated to Non-Independent Non-Executive Director on 1 April 2018.

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

He attended all the 9 Board Meetings held in the financial year ended 31 March 2018.

Notes:

Save as disclosed, none of the Directors have:

- any family relationship with any Director and/or Major Shareholder of Scomi Energy Services Bhd;
- any conflict of interest or any personal interest in any business arrangement, involving Scomi Energy Services Bhd;
- any conviction for offences within the past five (5) years (other than traffic offences, if any); and
- any public sanction or penalty imposed by the relevant regulated bodies during the financial year ended 31 March 2018.

Hilmy Zaini Zainal
Chief Executive Officer
Scomi Energy Services Bhd

Hilmy, male, aged 52, Malaysian, first joined Scomi in 2001 and has held various senior management positions within the company from Chief Financial Officer for Scomi Group Bhd, Chief of Group Support Services including Finance, Business Development, Legal & Secretarial, Human Resource/Administration & IT, and Head of Scomi Engineering Bhd. Most recently, he was in charge of Scomi's oilfield services and monorail projects globally.

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

Ramesh Veetikat Ramachandran
Chief Financial Officer
Scomi Energy Services Bhd

Ramesh, male, aged 52, Indian, is the Chief Financial Officer of Scomi Energy Services Bhd (SESB). He is a Chartered Accountant and Cost Accountant from India and has over 30 years of experience in Finance & Accounts.

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

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

Key Senior Management

Sharifah Norizan Shahabudin
Head, Legal & Corporate Secretarial
Scomi Energy Services Bhd

Norizan, female, aged 52, Malaysian, is the Head, Legal & Corporate Secretarial for Scomi Energy Services Bhd. She has over 20 years of experience in the practice of intellectual property, corporate and commercial and securities law. Prior to joining the in-house legal and secretarial team of Scomi in 2006, Norizan had previously been in private practice in the firms of Shearn Delamore & Co., Zaid Ibrahim & Co. and Azra & Associates.

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

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

Nicholas Doust
Head of Global Oilfield Operations
Scomi Energy Services Berhad

Nicholas, male, aged 46, Australian, is the Head of Global Oilfield Operations. Nicholas is responsible for the Drilling Fluids, Drilling Waste Management and Production Enhancement Technology product lines as well as having overall responsibility for OFS operations and QHSE in the global business units.

Nicholas has experience working for both service companies and oil and gas operators. He first started his career working with Halliburton in Australia and held various positions from Operations Coordinator, Australasian Country Manager and Far East Asia Manager based in Beijing, China. Nicholas joined Scomi in 2008 as Business Unit Manager for North Asia based in Bangkok. He then worked for Woodside Energy in Perth, Australia as Fluids Advisor before returning to Scomi Oiltools in 2015.

Nicholas has a Masters of Engineering Science (Petroleum Engineering), a Bachelor of Engineering (Chemical) and has over 23 years' experience in the upstream oil and gas, primarily in the drilling exploration and production sector.

Notes:

Save as disclosed, none of the Senior Management have:

- *any family relationship with any Director and/or Major Shareholder of Scomi Energy Services Bhd;*
- any conflict of interest or any personal interest in any business arrangement, involving Scomi Energy Services Bhd;
- any conviction for offences within the past five (5) years (other than traffic offences, if any); and
- any public sanction or penalty imposed by the relevant regulated bodies during the financial year ended 31 March 2018.

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

Scomi Energy Services Bhd ("SESB", "Company") is a global technology enterprise in the energy and logistics sectors with an established presence in 21 countries.

The Drilling Services ("DS") segment is our largest revenue generator providing Drilling Fluids services ("DF"), Drilling Waste Management services ("DWM") and Production Enhancement Chemicals. We are able to provide holistic integrated solutions and we have a successful track record in providing services for challenging drilling environments including horizontal, multilateral, deep-water and high temperature and high pressure wells. Our expertise also extends to development and production activities including Sub-surface and Production Management, Integrated Drilling Management and Operations & Maintenance.

The Marine Services ("MS") segment provides marine logistic services to the energy sector via the provision of offshore support vessels, tugs and barges, accommodation work barges, and anchor handling tug and supply vessels. Our activities focus on the oil and gas upstream industry as well as the coal industry. For the latter, we provide coal barging, berthing services and ship management services.

With over 30 years of experience in the segments we operate in, we are well positioned to offer our clients comprehensive solutions tailored to meet their requirements and to optimise their drilling activities.

Our operations are managed by a dedicated team of management and staff and governed by experienced Board of Directors. During the current year, Tan Sir Nik Mohamed bin Nik Yaacob, Independent Non-Executive Director resigned from the Board of Directors. We thank our Directors, management and staff for their efforts during the year.

FINANCIAL HIGHLIGHTS

	FY2018 (RM'000)	FY2017 (RM'000)
Revenue	613,957	664,012
Sales Cost	(539,495)	(604,430)
Gross Profit	74,462	59,582
Operating Cost	(134,363)	(135,869)
Operating Loss	(143,459)	(83,606)
Finance Cost	(29,348)	(20,606)
Net Loss After Tax	(225,918)	(135,765)
Total Equity Attributable to Owners of the Company	495,712	740,225
Borrowings	217,726	245,057
Net Debt/Equity Ratio	0.28	0.15
Earnings Per Share	(9.35)	(5.40)

The decreased activity levels in the global oil and gas sector have continued to impact the financial performance of SESB, resulting in lower revenue as compared to the previous year. Although revenue decreased 7.5% year on year, Gross Profit margin improved from 9% in FY17 to 12% in FY18 as a result of effectively managing costs. While Operating Costs showed a marginal decrease, the Net Loss after Tax was higher at RM226million, primarily due to the impact of several exceptional items such as unrealised foreign exchange losses (as against an unrealised foreign exchange gain in the previous year), impairment loss on marine vessels, impairment loss on investment in joint venture, loss from disposal of property, plant and equipment and higher share of losses from joint ventures (as a result of disposal and impairment of assets). Excluding the impact of these exceptional items, net loss after tax was lower as compared to the previous year.

Our segment report shows that Drilling Services, the largest revenue and earnings contributor, ended the year with revenue of RM485million (previous year RM488million) while Losses from operating activity (excluding forex losses/gains) showed a significant improvement over the previous year.

Our Marine Services recorded lower revenues mainly due to lower tonnage carried through the year under review and the reduction of the coal affreightment contracts in Malaysia. Further, our offshore support vessels continued to remain unutilised due to the lower activity in the oil and gas exploration and production market. However with better management of costs, losses from operating activity showed an improvement over the previous year.

CAPITAL STRUCTURE AND SIGNIFICANT CHANGES TO ASSETS

Assets	FY2018 (RM'000)	FY2017 (RM'000)
Non-current	564,427	706,977
Current	463,368	667,042
Total Assets	1,027,795	1,374,019
Cash and bank balances	67,675	124,792

Total assets was lower than previous year primarily due to :

a. Depreciation, disposal and impairment of assets
b. Reduction in inventory and trade receivables with better management of working capital
c. Lower cash and bank balances

Cash and bank balances showed significant decline in line with the reduced business activity of the group. Cash generation continues to be a focus area through better inventory and receivable management and disposal of under-utilised assets.

Equity & Liabilities Capital and Reserves Attributable to Owners of the Company	FY2018 (RM'000)	FY2017 (RM'000)
Share Capital	1,005,535	1,005,535
Total Equity Attributable to Owners of the Company	495,712	740,255
Total Equity	536,705	788,111
Non-Current Liabilities	93,560	96,130
Current Liabilities	397,530	489,778
Total Liabilities	491,090	585,908
Total Equity and Liabilities	1,027,795	1,374,019
Net Assets Per Share (sen)	21.2	31.6

Total Liabilities declined from the previous year due to repayment of working capital loans and trade payables. The tenure of the Guaranteed Serial Bonds of RM105million was extended by another two years with final repayment in Dec 2020. The lower Equity was due to the net losses registered during the year.

KNOWN TRENDS AND EVENTS

FY2018 saw the continued trend of a sluggish global oil and gas industry. Rig count and drilling activities remained largely reduced in most markets.

However, in the last quarter of FY2018, the industry showed an incremental upward trend. Although oil prices continue to be volatile, the Brent Crude moved up to USD70 at the end of March 2018 compared to USD67 at the end of December 2017. On the back of this improved oil price, there was marginal increase of approximately 4% in global rig count from December 2017 to March 2018.

However this has not translated to an immediate surge in activity levels in the industry. It is anticipated though, that if this upward trend continues, the industry will see an increase in drilling activities globally. For our business, this may translate into resumption of postponed contracts, resumption of drilling activities or new contract awards, which will then contribute positively to the financial performance of the Company during the course of the next fiscal year, FY2019.

Due to the sluggish oil and gas industry, our offshore support vessels utilisation in Malaysia and Indonesia was impacted. The coal market was also slow and this resulted in less tonnage being moved. However, coal prices are continuously increasing and there is the anticipation of a more robust coal transportation market. This, we foresee, should bring positive activity to our coal barging operations, which will then enhance the Company's financial performance.

OPERATIONAL HIGHLIGHTS

Through this challenging business climate, our strategy has remained simple and focused, which is staying cost competitive for business sustainability.

SESB focused on markets that were continuing to see growth at the start of FY2018 such as Middle East, Russia and Turkmenistan. These markets have contributed to revenue, although the cashflow position of the Company did not allow for full realisation of all prospects.

During the year under review, SESB continued to strengthen its order book with UAE, Russia, Turkmenistan, Australia, Nigeria, Indonesia and Pakistan winning contracts for Drilling Waste Management services whilst India, Malaysia, Turkmenistan and Pakistan brought in the contracts for Drilling Fluids services.

We have continued with our operational cost saving exercise initiated in FY2017. These include organisational restructuring, cost optimisation and asset sale. In addition, asset and inventory was managed centrally. Global supply chain played a key role in optimising the use of inventory across all our operations. Purchases were scrutinised to ensure we utilised available stock in various countries prior to new purchase.

We have also looked at our competitive positioning within the production chemicals segment. We have several new product solutions introduced to the market which includes our graphene-enhanced drilling fluids and lubricants, environmentally friendly base oil and post drilling and well simulation fluids. Various products were introduced to the market in FY2017, and in this year under review we are starting to see the commercial benefits of these new products.

Our Ophir Risk Sharing Contract has not provided the anticipated results. Several interventions were used to attempt to restore production, however, due to the continued inability of the wells to sustain economical production, all activity was halted. Ophir has therefore requested Petronas to terminate the contract which has been accepted by Petronas. Ophir will therefore handover the operations, novate the existing contracts and secure the reimbursement of capital and operating expenditure for the development.

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

OUTLOOK & PROSPECTS IN FY2019

With the crude oil price stabilising within the USD70-USD80 per barrel range, the industry seems to be experiencing a gradual increase in activity and expenditure. Oil and gas majors and national oil companies are reviewing their activities and contracts that were on hold and new awards are in the pipeline. It is anticipated that the industry will rebalance itself at the current price trend.

While all our key markets of Malaysia, Middle East, Russia and Turkmenistan are starting to see increases in rig counts, the extent of global recovery in the year ahead remains unpredictable. The industry players remain cautious in evaluating their investment decisions. Hence we foresee a gradual return of the industry with clearer indications of recovery in the later part of FY2019.

SESB's strategies are to manage its costs, generate cash, grow its core business, review product expansion and develop operational integration capability. Our value proposition continues to lie in the direction of being an integrated drilling service provider with focus on our drilling fluids and drilling waste management services and products. We have the knowledge, expertise and experience to synergise and provide a holistic offering to the industry.

To manage our costs and generate cash, we have several initiatives in the pipeline. These initiatives include sale of assets and equipment with low utilisation rates, reduce inventory levels and improve the receivable collection days while also optimising the overhead costs.

In growing our core business, the change in the industry climate opens up prospects for the Company in the Middle East, Thailand, Kuwait, Indonesia and Malaysia. (continued) In several of these markets the strategy is to collaborate with partners that will assist with the strategic aspects of the business whilst opening up markets and allowing us to expand our product reach and range. With increase in coal prices, the Marine transportation business looks promising.

In moving forward, the focus in the energy sector will also have to consider environmental factors. The world is moving towards cleaner energy options and reduction of greenhouse gas emissions. SESB is already expanding its product range to include "green" chemicals and solutions.

SESB will continue to enhance its selected research and development activities and its integration capability as these will be the key drivers to forge ahead. We remain hopeful that despite the challenging operating environment, with the current positive trend we will be able to make progress to increase our business sustainability within the logistics and energy sectors.

1. OUR BUSINESS SUSTAINABILITY

Scomi Energy Services' Annual Report for the Financial Year 2018 marks the debut of our Sustainability Statement in adherence to the guidelines provided by Bursa Malaysia Berhad in its listing requirements.

As we enter this new phase of reporting on sustainability, we are mindful that our sustainability framework and practices being a work in progress. Going forward, we will continuously seek improvements in capturing and presenting relevant data, performance targets and achievements which form the essence of sustainability statement for future reports.

Scomi Energy Services' sustainability statement revolves around its Corporate Statement, which is, *"we are a global technology enterprise that provides innovative solutions focusing on the energy and logistics sectors to realise potential for our stakeholders"*. Therefore, the company's sustainability is very much dependent in our capability to seek out new technologies and introduction of innovative products and services for customers. The value proposition for our customers from these are enhanced operations and lower cost structure.

CORPORATE STATEMENT

We are a GLOBAL TECHNOLOGY **enterprise**

We provide INNOVATIVE **solution**

OUR BUSINESS DEFINED

To determine where we are going, we must know who we are

We focus on ENERGY AND LOGISTICS

We aim to REALISE POTENTIAL **for our stakeholders**

Scomi Energy Services derives its revenue mainly from three operating segments namely, Drilling Services, Marine Services and Development & Production Asset and Services. In the Drilling Services segment we are a forerunner for drilling fluids and drilling waste management services in Malaysia and a strong contender globally. We are also engaged in the services of marine logistics to support the oil & gas sector as well as for coal transportation. The Development & Production Asset and Services segment will include preparing and execution of Field Development Plan and supplying, operations and maintenance of offshore oil & gas facilities.

Moving forward, the introduction of the Chemical segment will focus on new products for application in other industries besides oil & gas. These include products for industrial, transport, agriculture and oil & gas industry. All of these are developed using existing core oil & gas technology in chemical currently in use for oil & gas activities. The product diversification into other industries is a key strategy for the Group to ensure business sustainability.

The two core business segments are depicted in the illustration below.

CORE BUSINESS SEGMENTS

ENERGY

- Oilfield Services
  - Drilling Fluids
  - Drilling Waste Management
  - Development & Production
- Marine Services
  - Offshore Marine Services
  - Coal Transportation
- Development & Production Asset and Services
  - Development & management of marginal hydrocarbon assets services

CORE BUSINESS SEGMENTS

CHEMICALS

- Water Treatment
  - Oil & Gas
  - Industrial
  - Transport
  - Agriculture
- Speciality Chemicals
  - Oil & Gas

2. SUSTAINABILITY FRAMEWORK & SCOPE

In this inaugural sustainability report, the coverage scope is aimed at highlighting three core subjects that form the foundation of the company's sustainability statement. These are as follows:

i. the sustainability framework;
ii. the strategic thrusts for technological and innovative product sustainability; and
iii. the engagement of social responsibility towards the betterment of community and the environment as well as brand sustainability.

As we progress forward, a more comprehensive sustainability statement encompassing more sustainability components and issues will be introduced.

THE SUSTAINABILITY FRAMEWORK

Recognising that the sustainability framework is still at its infancy stage, formalising the existence of a core working group within the wider corporate structure is under evaluation. Currently, the responsibility to ensure business sustainability in the Energy Services Group lies with each business unit. The business sustainability is currently being addressed by the management in its business strategy and budget which are presented to the Board of Directors on annual basis. In addition, the management also issues a rolling 5-year business plan that charts the business direction of the Group.

However, moving forward, there is a conscientious effort to formalise a Sustainability Working Committee that will enable the focused group to spearhead more in-depth dynamics of sustainability initiatives to be undertaken.

This working group governance could be in the form depicted below.

Sustainability Working Committee → Management Committees → Board Of Directors

The sustainability working committee will be responsible to address all sustainability issues across all business segments – Energy and Chemicals – for all markets. Although each of these business segments is exposed to its specific sustainability materiality, there are three key sustainability materiality that are pivotal to all businesses. They are:

i. evolving domestic and global industrial trends that influence market opportunities
ii. keen competitive nature in conducting business
iii. technology trends and disruptive technologies that influence products & services development and sustainability

The Sustainability Working Committee group will be monitoring and conducting more methodological analysis of these material issues in greater depth as the work continues moving into the future.

STRATEGIC THRUSTS TO SUSTAINABILITY IN TECHNOLOGY AND INNOVATIVE PRODUCT DEVELOPMENT

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

Sustainability for the Energy Services Group, in this context, therefore, lies in the internal capability to seek out, develop and introduce new products and services enhanced by new technology to derive effectiveness and efficiency. This provided the rationale for the Energy Services Group to embark on several changes and actions over the period of the year to drive innovations.

In the Energy segment, the Oilfield Product Group, for example, in the early part of 2017, embarked on a restructuring exercise to better serve this qualification. Following the restructured and reinforced Oilfield Product Group, we were able to introduce new products and services with enhanced technology. Some of the breakthrough examples are:

Sustainability Statement

OILFIELD SUSTAINABILITY			
REF	**PRODUCT / SERVICE**	**STRATEGIC THRUST**	**SUSTAINABILITY**
1	Introduce Cuttings Bed Removal Tool	Help increase 270% better efficiency in removal of cuttings while drilling	Product and market sustainability
2	Introduce HyPR-FLEX, FLUID	New High-Pressure water based mud with enhanced rheological properties that enable 72% reduction in fluid loss whilist optimising reservoir protection	Product and market sustainability
3	Introduce DrillRdillo Scraper	Designed to run in a drilling string in a switch-off mode while drilling open holes section. Tested positive in a Myanmar field with PETRONAS	Product and market sustainability
4	Restructure Product Group in Global Research & Technology Centre (GRTC)	Enable new product development for fluids, testing of equipment & tools and training	Enabler of new innovative products creation sustainability

In the Chemical segment, we were able to introduce a few new products, for example, *GraphEAT* and *PlatClean*, a chlorine biocide that can be applied for water treatment process and drinking water, creating a wider application away from our traditional oil & gas market.

CHEMICALS SUSTAINABILITY			
REF	**PRODUCT / SERVICE**	**STRATEGIC THRUST**	**SUSTAINABILITY**
1	Introduce GraphEat and PlatClean	Effectively kills bacteria, cost effective and tested better performance than chlorine	New market sustainability. Create new opportunities in water companies, district cooling towers, water injection and industrial sustainability
2	Introduce Glycol, Pour Point Depressant	Speciality chemicals for enhanced oil production	Product sustainability
3	Introduce CONFI-N-SURF	A highly concentrated blend of surfactant, powerful water-wetting agents designed to effectively remove residues from the formation remediating any oil residue blockage thus reducing formation damage.	Product sustainability
4	Nano composite materials	Infusion of graphene nanomaterial into polymer composite to reduce final product cost by increasing product strength and value	New product development sustainability

We believe these strategic thrusts on new products and services development undertaken at various stages of the year will help to position the Energy Services Group to secure a stronger market presence and long-term business sustainability.

ENGAGEMENT OF SOCIAL RESPONSIBILITY TOWARDS THE BETTERMENT OF COMMUNITY, ENVIRONMENT AND BRAND SUSTAINABILITY

We believe that social responsibility plays an integral part in building a strong brand awareness that in-turn contributes towards brand sustainability. Whether it is the community at large or the stakeholders, they measure their acceptance to the brand when there is strong engagement in contributing towards community development and environmental consciousness.

For the period of 2017/2018, with limited financial resources allocated, we were able to mobilise our personnel to take on two social responsibility activities toward this cause. One, organised in collaboration with the main organiser, Society For The Severely Mentally Handicapped (SSM), for a fund raising-cum-charity bazaar themed as “Colour My World” on October 21 & 22, 2017. Indeed a very special event as all the artworks were created by the severely mentally handicapped children.

Held in Bangsar Shopping Mall, Kuala Lumpur, we contributed about 30 personnel as volunteers to man the various booths, assisted in sales of food coupons, set up our very own ice-cream booth and collected cash and donation of about RM10,000 for the charity fund.

Colour My World Charity Carnival

Secondly, for our contribution in environmental social responsibility, we collaborated with Universiti Putra Malaysia (UPM) and myTREEvolution ICSR under the National Forest Restoration Project, where more than 100 Scomi’s staff and their spouses volunteered and planted 550 Agarwood seedlings at UPM’s dedicated farm on February 25, 2018.

Indeed a worthy cause for our involvement. Not only is the Agarwood considered an endangered forest product, we were able to play out our living experience towards the Go Green movement and contributes towards carbon reduction in the environment.

Team Scomi Green Day Out

In summary, we believe, there is still a lot of room for improvement on our approach in reporting of sustainability initiatives for the group. A more comprehensive analysis and reporting will be adopted for future Annual Reports.

INTRODUCTION

The Board of Directors (the "Board") of Scomi Energy Services Bhd (the "Company") recognises that corporate governance is essential for a company's sustainable long-term performance, value creation for shareholders and safeguarding or promoting the interests of each and every stakeholder. The Board presents this statement to provide stakeholders with an overview of the corporate governance ("CG") practices of the Company and its group of companies (the "Group") during financial year 2018 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 2018 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 2018 provides details on how the Company has applied each Practice as set out in the Code and is available on the Company's website, www.scomienergy.com.my and via an announcement on the website of Bursa Securities.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

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

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

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

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

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

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

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

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

On a quarterly basis, the CEO reviews the Group's key financial performance metrics with the Audit and Risk Management Committee of the Board ("ARMC") and the Board and highlights concerns and issues, if any. The actual performance of the Group is assessed on a quarterly basis against the approved FY 2018 budget, the results of the corresponding quarter of financial year ended 31 March 2017 ("FY 2017") 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 unit is also provided to the Board. The relevant members of the Management were in attendance at the ARMC and/or Board meetings to support the CEO in presenting the updates on the progress of key initiatives, business targets and achievements to date, and to provide clarification on the challenges and issues faced by the Management and business units.

(c) evaluating principal risks of the Company and the Group and ensuring the implementation of appropriate risk management and internal control 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 control system to the Management and tasked the ARMC with the oversight responsibility to review the adequacy and effectiveness of the risk management framework and internal controls system.

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

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

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

Details of the Enterprise Risk Management Framework and internal control 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 control system;

The risk management and internal control system of the Company and the Group is subject to regular 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.

The Group's Risk Management Working Committee, headed by the CEO with key senior management personnel as members, was tasked to develop the risk management strategy for FY 2018 and undertakes reviews of risk profiles for implementation throughout the Company as part of the process for continuous improvement.

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

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

In discharging its responsibility on succession planning, the NRC and the Board receive assurance from the CEO that all candidates appointed to the Senior Management positions are of sufficient calibre and there is a plan in place to provide for the orderly succession of Senior Management.

During the financial year, the Management was invited to the NRC meeting to review the remuneration of the CEO, to review succession planning and development programme for the Senior Management and to present the new organisation structure of the Group, job fitting for the organisation as well as business requirements.

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

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

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

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

Establish Clear Roles and Responsibilities

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

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

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

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

Reinforce Independence

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

Board Committees

The Board has established two (2) committees of the Board, namely the ARMC and the NRC, which operate within clearly defined written terms of reference (available for reference at the Company's website at **www.scomienergy.com.my**). The Board reviews the Board Committees' authority and terms of reference from time to time to ensure their relevance. The Board Committees deliberate the issues on a broad and in-depth basis 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 and 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 follow:

	Board Committees	
	ARMC	**NRC**
Chairman/Independent Non-Executive Director		
Tan Sri Nik Mohamed Bin Nik Yaacob[1]	-	C
Independent Non-Executive Directors		
Dato' Sri Meer Sadik Bin Habib Mohamed	M	-
Dato' Jamelah Binti Jamaluddin	-	M
Mr Ravinder Singh Grewal A/L Sarbjit S	C	M
Non-Independent Non-Executive Directors		
Mr Lee Chun Fai	M	-
Mr Stephen Fredrick Bracker	-	-
Encik Shah Hakim @ Shahzanim Bin Zain[2]	-	-

Notes:
C: Chairman
M: Member

[1] Resigned on 19 July 2018.
[2] Re-designated from Chief Executive Officer/Non-Independent Executive Director to Non-Independent Non-Executive Director with effect from 1 April 2018.

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

During the FY 2018, nine (9) Board Meetings were held. The attendance record of the Directors at the meetings of the Board and its Committees is as follows:

	MEETING ATTENDANCE		
	BOARD	ARMC	NRC
Chairman/Independent Non-Executive Director Tan Sri Nik Mohamed Bin Nik Yaacob[1]	8/9	-	4/4
Independent Non-Executive Directors Dato' Sri Meer Sadik Bin Habib Mohamed	9/9	5/5	-
Dato' Jamelah Binti Jamaluddin	8/9	-	4/4
Mr Ravinder Singh Grewal A/L Sarbjit S	9/9	5/5	4/4
Non-Independent Non-Executive Directors Mr Lee Chun Fai	6/9	5/5	-
Mr Stephen Fredrick Bracker	8/9	-	-
Chief Executive Officer ("CEO")/Non-Independent Executive Director Encik Shah Hakim @ Shahzanim Bin Zain[2]	9/9	-	-

Notes:-
[1] Resigned on 19 July 2018.
[2] Re-designated from Chief Executive Officer/Non-Independent Executive Director to Non-Independent Non-Executive Director with effect from 1 April 2018.

Ethics and Code of Conduct

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

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

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

Whistleblowing Policy and Procedures

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

Environmental, Social and Governance

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

Access to Information

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

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

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

II. BOARD COMPOSITION

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

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

As at the date of this statement, the Board consisted of six (6) members, all of whom are Non-Executive Directors and three (3) are independent as defined by the Listing Requirements. The Independent Directors make up 50% of the composition of the Board. Hence, the composition of the Board fulfils the prescribed requirement for one-third (1/3) of the Board to be Independent Directors.

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

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

Mail : **SCOMI ENERGY SERVICES BHD**
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Attention : Dato' Jamelah Binti Jamaluddin,
Senior Independent Director

Fax : +603 7728 5258

Email : sid.sesb@scomigroup.com

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

Corporate Governance Overview Statement

The NRC established by the Board is tasked to:

- ensure an effective process for selection of new directors and assessment of the Board, Board Committees and individual directors which will result in the required mix of skills, experience and responsibilities being present on the Board;
- establish, review and report to the Board on a formal and transparent procedure for developing a policy on Executive Directors' remuneration and compensation of Non-Executive Directors; and
- review and recommend to the Board the remuneration of the Executive Directors in all its forms and the compensation of Non-Executive Directors with the aim of attracting, retaining and motivating individuals of the highest quality needed to run the Company successfully.

The members of the NRC are appointed by the Board based on recommendations from the NRC and shall comprise at least three (3) members who are all non-executive, a majority of whom are Independent Directors. Members of the NRC elect a Chairman from among themselves who is an Independent Non-Executive Director. All members of the NRC, including the Chairman, shall hold office only so long as they serve as Directors of the Company. Members of the NRC may relinquish their membership in the NRC with prior written notice to the Company Secretary. The NRC reports its recommendations back to the Board for its consideration and approval. In the event of any vacancies arising in the NRC resulting in the number of members of the NRC falling below three (3), the vacancy should be filled within three months of it arising. The NRC meets at least once during a financial year. In the interim period between meetings, if the need arises, issues shall be resolved through circular resolution. A circular resolution in writing, stating the reason(s) to arrive at a recommendation or resolution, signed by a majority of the members, shall be valid and effective as if it had been passed at a meeting duly convened and constituted.

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

New Appointment to the Board

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

During the financial 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 in all areas except Information Technology; and

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

Based on the above Assessment, no additional director was appointed during FY 2018.

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 two (2) members who are independent and non-executive. It is the intention of the Board to appoint an Independent Non-Executive Director as an additional member of the NRC in the near future. In accordance with the approved Terms of Reference of the NRC, the NRC carried out the following activities during FY 2018:

- 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;
- reviewed the skills, experience and competencies of the non-executive Directors;
- assessed the adequacy of the size and composition of the Board;
- reviewed the proposed remuneration for the Non-Executive Directors of the Company;
- reviewed the retirement and re-election of the Directors pursuant to the Articles of Association of the Company;
- evaluated and recommended to the Board the CEO's BSC for the financial year under review;
- reviewed and recommended to the Board the CEO's Balanced Scorecard for the new financial year; and
- reviewed the succession planning and development programme for 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 AGM and are not compensated based on the Company's (Group's) performance and results as this may impair the Directors' objectivity and independence, particularly when asked to endorse risky business decisions that may have a vast upside potential. The Non-Executive Directors are reimbursed for all their travelling, hotel and other 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 itself, 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 25 August 2018 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 RM160,000.00. In determining the estimated total benefits payable to the Directors for the Relevant Period, the size of the Board and Board Committees and the number of scheduled meetings of the Board and Board Committees to be held during the Relevant Period based on the above remuneration structure were taken into consideration.

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

The structure of the remuneration package for the Non-Executive Directors was last revised by the Board in respect of the financial year ended 31 December 2009 and since then the remuneration package for the Non-Executive Directors has remained unchanged. In view of the current challenges in the oil and gas industry, 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 FY 2018, which in turn is subject to the approval of the shareholders at the forthcoming AGM of the Company.

The remuneration of individual Directors of the Company, including the remuneration for services rendered to the Group for the financial year ended 31 March 2018, are as follows:-

The Group and the Company

Directors	Fee		Other Allowances		Total	
	Company	Group	Company	Group	Company	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Tan Sri Nik Mohamed bin Nik Yaacob[1]	60	60	12	12	72	72
Dato' Sri Meer Sadik bin Habib Mohamed	58	58	14	14	72	72
Dato' Jamelah binti Jamaluddin	48	48	12	12	60	60
Mr Ravinder Singh Grewal A/L Sarbjit S	60	60	18	18	78	78
Mr Lee Chun Fai	58	58	11	11	69	69
Mr Stephen Fredrick Bracker	48	48	8	8	56	56
Encik Shah Hakim @ Shahzanim bin Zain	-	748	-	14	-	762
Grand Total	332	1,080	75	89	407	1,169

Notes:
[1] *Resigned as an Independent Non-Executive Chairman on 19 July 2018.*

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

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

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

The ARMC has met 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 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 FY2018 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 and independence of the external auditors, which also includes the provision of non-audit services by the external auditors to the Group and the Company to ensure their independence is not compromised. Those policies and procedures are to be read in conjunction with the Terms of Reference of the ARMC, which outlines the duties and responsibilities of the ARMC relating to the appointment of the external auditors.

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

The ARMC is also tasked by the Board to consider the appointment of the external auditor, the audit fee and any questions relating to the resignation or dismissal (if any) as well as all non-audit services to be provided by the external auditors to the Company with a view to auditor independence and to provide its recommendations thereon to the Board. The ARMC has received confirmation from the external auditors that for the audit of the financial statements of the Group and Company for the FY 2018, 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 10 July 2018 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 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, who have consented to act, as external auditors of the Company for the financial year ending 31 March 2019. The Board at its meeting held on 10 July 2018 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 31 March 2019.

The membership, Terms of Reference, roles and relationship with both the internal and external auditors and activities of the ARMC during the FY 2018 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 control system with a view to safeguard shareholders' investment and the assets of the Group. The size and geographical spread of the Group involve exposure to a wide variety of risks, where the nature of these risks mean that events may occur which could give rise to unanticipated or unavoidable losses.

In establishing and reviewing the risk management and internal control 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 control system is also periodically reviewed by the ARMC.

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

Regular assessments on the adequacy and integrity of the internal control 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 control system of the Group are as set out in the Statement on Risk Management and Internal Control of this Annual Report.

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

I. COMMUNICATION WITH STAKEHOLDERS

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

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

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

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

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

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

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

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

II. CONDUCT OF GENERAL MEETINGS

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

The Company is moving towards achieving and adopting the best practice of providing at least 28 days of notice period for AGM to the shareholders. A notice period of 25 days is to be given to shareholders for the upcoming AGM in 2018, which is more than the minimum 21 days of notice as required under Section 316(2) of the Act and Paragraph 7.15 of Listing Requirements of Bursa Securities.

Moving forward, the Group will strive to provide a notice period of at least 28 days to shareholders as best practice. This is to provide sufficient time to shareholders to understand and evaluate the matters involved as well as to make necessary arrangements to attend, participate and vote either in person, by corporate representative, by proxy or by attorney, to exercise their ownership rights on an informed basis during the AGM and any general meetings of the shareholders. Where special business items are to be transacted, a full explanation is provided in the notice of the AGM and any general meetings of the shareholders or the related circular to shareholders in order to assist the shareholders' understanding of matters and the implication of their decision in voting for or against a resolution.

In line with paragraph 8.29A of the Listing Requirements, all the resolutions set out in the notices of the 21st AGM were put to vote by poll. The Company had appointed Symphony Share Registrars Sdn Bhd as Poll Administrator to conduct the polling process, and Symphony Corporatehouse Sdn Bhd as Independent Scrutineers to verify the poll results. Voting at the previous AGMs was conducted through electronic poll voting (e-voting), where personalised wristbands were issued by the Share Registrar upon registration. The electronic poll voting was conducted upon completion of the deliberation of all items to be transacted at the AGMs. The Chairman, upon the verification of the poll results by the Independent Scrutineers, announced the results for each resolution, which include votes in favour and against and declared whether the resolutions were carried. The outcomes of the AGMs were announced to Bursa Securities on the same day the meeting was held. The Minutes of the AGMs were also made available on the Company's website at **www.scomienergy.com.my.**

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

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

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

At the 21st AGM, all the Directors were present in person. Following the presentation by the CEO on the Group's strategy, the operations and financial performance of the Group, the major developments and the prospects of the Group to the shareholders, the Chairman of the AGM invited shareholders to raise questions pertaining to the Company's financial performance and other items for adoption at the meeting, before putting the resolutions to vote. The Directors, CEO, Management, internal and external auditors were in attendance to respond to the questions or concerns raised by shareholders. The minutes of the 21st 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 one (1) woman director, Dato' Jamelah binti Jamaluddin, who is an Independent Non-Executive Director. She was appointed to the Board on 3 January 2017. Appointment of additional women to the Board will be made when suitable candidates who can add value to the Board are identified.

II. PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

During the FY 2018, all members of the Board attended various training programmes, conferences, seminars and courses organised by the relevant regulatory authorities and professional bodies on areas relevant to the Group's business, Directors' roles, responsibilities, effectiveness and/or corporate governance issues. Training programmes, conferences, seminars and courses attended by Directors during the year under review are as follows:

Corporate Governance Overview Statement

Name of Directors	Programmes Attended
Tan Sri Nik Mohamed bin Nik Yaacob	• Update on Companies Act 2016 ("CA 2016") • 4th Industrial Revolution : Impact and Opportunities for Manufacturing • Sustainability Statement – The Way Forward • Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • Fraud Risk Management Workshop
Dato' Sri Meer Sadik bin Habib Mohamed	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • 18th Asia Pacific Retailers Convention & Exhibition/ Transformation, Creativity and Beyond • Introduction to Kaizen • YPO Life Disrupted
Dato' Jamelah binti Jamaluddin	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • Directors guide to Crisis Management and Leadership during Crisis • Director guide to GRC (Governance, Risk and Compliance) • 2017 IERP Global Conference - Enterprise Risk Management: Harnessing Disruption
Ravinder Singh Grewal a/l Sarbjit S	• Briefing on the revised Corporate Governance Code.
Lee Chun Fai	• Cyber Risk Awareness Training and Visit to KPMG Asia Pacific Cybersecurity & Digital Hub • Credit Suisse Asian Investment Conference, Hong Kong • CLSA Asean Forum, Bangkok • Selangor Synergies Forum – Emerging Technologies in Selangor • World Capital Markets Symposium • Invest Malaysia 2018 • National Framework for Innovation & National Corporate Innovation Index • Invest Malaysia UK 2017 – London and Edinburgh • Corporate Governance Breakfast Series : Leading a Volatile, Uncertain, Complex, Ambiguous (VUCA) World • CLSA Investors' Forum, Hong Kong • Adopt, Innovation, Think Entrepreneurship, Revolutionise Business • Invest Malaysia 2017 • Global Institute for Leadership Development (GILD Asia), Singapore • Related Party Transactions – Implications to Directors and Management and Key Changes to the Malaysian Code on Corporate Governance 2017 • Securities Commission Malaysia – World Bank Conference : Islamic Finance and Public – Private Partnership ("PPP") for Infrastructure Development • Malaysia Corporate Day, Singapore • New CA 2016
Stephen Fredrick Bracker	• Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance and the Corporate Governance Guide
Shah Hakim @ Shahzanim bin Zain	• OTC Asia 2018 – Kuala Lumpur, Malaysia

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

This Statement is made in accordance with the resolution of the Board dated 31 July 2018.

INTRODUCTION

The Board of Directors is pleased to provide the following statement which has been prepared in accordance with the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers endorsed by Bursa Securities. It outlines the main features of the Risk Management Framework and Internal Controls System of the Group covering all operations during the financial year under review pursuant to the Paragraph 15.26(b) of the Listing Requirements.

RESPONSIBILITY AND ACCOUNTABILITY

The Board

The Board acknowledges its overall responsibility in the establishment and oversight of the Group's Risk Management Framework and Internal Controls System. These are designed to manage the Group's risks within acceptable levels, rather than eliminate them. Therefore, 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 overall responsibility for the Group's Risk Management Framework and Internal Controls System and has delegated the implementation of the framework and system 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 Risk Management Framework and Internal Controls System.

The Board also regularly reviews the Risk Management Framework and Internal Controls System with a view towards appraising the adequacy, effectiveness, integrity and efficiency of such system and also to ensure that these systems are viable and robust.

The Management

The Management acknowledges responsibility for implementing the processes to identify, assess, treat, monitor and report on risks and the effectiveness of the Internal Controls System, taking appropriate and timely corrective actions as required. It assures the Board that the Group's risks are effectively managed based on the Risk Management Framework adopted by the Group and the Internal Controls System are operating adequately and effectively, in all material aspects.

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 effectively managed. Risk management activities are also embedded in the Group's management system for effective implementation.

An end-to-end Enterprise Risk Management Framework encompassing of policy 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 commenced from the establishment of strategic business planning, beginning of any major new project, venture or change in operational environment. 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 effective 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 periodically by the Management and the Board to ensure its continued application and relevance.

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

INTERNAL AUDIT FUNCTION

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

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

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

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

OTHER SIGNIFICANT ELEMENTS OF INTERNAL CONTROLS SYSTEM

The other significant elements of the Group's Internal Controls System are elaborated below.

Board

The Board is supported by two (2) Board Committees which provide focus and counsel in these areas:

1. Audit and Risk Management; and
2. Nomination and Remuneration of Directors and CEO.

Certain Board responsibilities are delegated to the Board Committees through clearly defined Terms of Reference, which are reviewed from time to time.

The Board has a Board Charter and a Board Composition Policy which establish a formal schedule of matters and outlines types of information required for the Board's attention and deliberation at Board meetings.

Comprehensive Board papers, which include financial and non-financial matters such as quarterly results, business strategies, explanation of the performance of the Group and individual business divisions, key operational issues, corporate activities and exercises of the Group, etc. are escalated to the Board for deliberation and approval.

Details of the Board Committees are contained in the Corporate Governance Overview Statement of this Annual Report.

Organisation Structure

The Group has a well-defined organisation structure that is aligned to its business requirements and also to ensure that checks and balances exist throughout the Organisation.

Clear reporting lines and authority limits, driven by Delegated Authority Limits set by the Board, govern the Group's decision making and approval process.

In addition, the Group employs the Balanced Scorecard framework that implements and measures the goals and targets for individual employees in alignment with the business objectives and strategies of the Group.

Strategic Business Plan and Annual Budget

The Board constructively challenges and contributes to the development of the Group's strategic directions and annually reviews the Group's strategic business plan. The Board probes the Management to ensure the Management has taken into consideration the varying opportunities and risks whilst developing the strategic business plan.

The Group's annual strategic business plan and budget is reviewed, deliberated and approved by the Board. The expectations of the Board are clearly discussed with, and understood by, the Management.

The Board is also responsible for monitoring the implementation of the strategic business plan and for assessing the actual performance of the Group against the annual strategic business plan and budget as well as to provide guidance to the Management.

On a quarterly basis, the CEO reviews the Group's key financial performance metrics with the ARMC and the Board and highlights any concerns and issues, if any. The actual performance of the Group is assessed against the approved budget on a quarterly basis where explanations, clarifications and corrective action taken for significant variances are reported by the Management to the ARMC and the Board.

Performance Assessment and Capability Enhancement ("PACE")

The Balanced Scorecard ("BSC") is the integral part of PACE and the annual corporate BSC of the CEO is developed in line with the strategic objectives and the approved annual budget of the Group. The Key Performance Indicators ("KPI") as set out in the employees' scorecard, which are based on the Corporate BSC approach, are used to track and measure staff performance.

The Nomination and Remuneration Committee of the Board (the "NRC") is tasked by the Board to review the proposed initiatives, measures and targets to be included in the BSC of the CEO and evaluate the performance of the CEO against the targeted key result areas or initiatives as set out in the BSC of the CEO at the end of each financial year end. Subsequently, the NRC provides the Board with its recommendations with regards to the proposed BSC for the CEO for each financial year and the results of the evaluation of the performance of the CEO at the end of the financial year.

Following the determination of the measures and targets for the CEO, the same will be cascaded down to his direct reports. The CEO reviews the progress of achievements in targeted key results areas or initiatives as set out in the BSCs of his direct reports periodically, allowing for timely response and corrective action to be taken to catch up to their targeted plan.

Tender Committee ("TC")

The Tender Committee which comprises of cross functional representatives has been established to provide an independent review and assessment of proposed tender submissions, quotations or contracts for the sale of products or goods or the provisions of services or any variation thereto having regard to the long and short term economic, commercial, operational, risk, strategy and other relevant factors considered by the business units ("BUs") in preparing bids and/or submission for tenders.

Main duties and responsibilities of the TC are:

a) To consider any matters referred by business units on tenders and contracts;

b) To review the viability of contracts, partnerships and supplies/services in meeting the business objectives of the Group and evaluate risks associated with it;

c) To review the viability of contracts that the Group is tendering for and review of the long and short term economic, commercial, operational, risks, strategic and overall business perspectives; and

d) To ensure that the submission process is done in a fair manner, in compliance with our Code of Conduct and internal procedures.

The TC is not an approving body but provides an independent assessment to the respective BU on critical decisions drawing upon the expertise of its members and makes recommendations to the CEO prior to approval by the relevant Approving Authorities as set out in the relevant DAL.

Delegated Authority Limits ("DAL")

The Board's approving authority on certain specified activities is delegated to the Management through a clearly and formally defined 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 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 its relevance to the Group's operations.

Code of Conduct

The Board and employees of the Group are committed to adhering to the best practices in corporate governance and observing the highest standards of integrity and behaviour in all activities conducted by the Group, including the interaction with its customers, suppliers, shareholders, employees and business partners, and within the community and environment in which the Group operates.

The Board and employees of the Group play an important role in establishing, maintaining and enhancing the reputation, image and brand of the Group and ensuring the observance to and compliance with the standards of integrity and behaviour that the Group is committed to.

All employees of the Group of managerial level and above are required to confirm their receipt and understanding of the Code of Conduct and further required to certify their continued compliance with the Code of Conduct on an annual basis.

The Group has also established a Suppliers Code of Conduct, pursuant to which its supply chain are required to adhere to the following:

- that it operates within safe working conditions,
- that its workers are treated with dignity and respect, and
- that environmentally responsible manufacturing processes are implemented and adhered to.

In addition to these commitments, the Group requires its suppliers ("Suppliers") to adhere, in all of their activities, to the laws, rules and regulations of the countries in which they operate.

In furtherance of these commitments and towards the advancement of social and environmental responsibility, the Group requires its Suppliers to implement the Suppliers Code of Conduct which shall be read together with the contract/agreement between the Group and the Supplier. The Group expects the Supplier to abide by the Suppliers Code of Conduct when conducting business with or for the Group. It is the responsibility of every Supplier to comply with the principles of the Suppliers Code of Conduct, as amended from time to time.

The breach of the Suppliers Code of Conduct may lead to formal warnings, disclosure of the nature of breach to all employees of the Group, removal from the Group's preferred vendor list and/or immediate termination as the Group's Supplier subject to terms of contract/agreement, depending on the severity of the situation.

Policies, Procedures, Processes and Systems

Processes are documented into clear and formalized internal policies and procedures to ensure compliance with internal controls and relevant rules and regulations. Regular reviews are performed to ensure that the policies and procedures remain current and relevant. These documents are made available on the Scomi intranet for easy access by the employees.

The Group is also utilizing SAP throughout most of its business units as the main Enterprise Resource Planning ("ERP") system.

Information and Communication

Following from a clear organisational reporting structure, information is communicated and disseminated to all employees in all locations within the Group.

To ensure compliance to Chapter 14 of the Listing Requirements, the Board and the Principal Officers of the Company are informed in advance before the commencement of each closed period, during which time they are to comply with the additional disclosure requirements related to their dealings as set out in the Listing Requirements. They are also reminded that they are not allowed to deal in the listed securities of the Company as long as they are in possession of material and price-sensitive information relating to the Company in order to avoid any insider trading.

Whistleblower Framework and Policy

The Group has in place 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, ensuring employees can raise concerns without fear of reprisals. These disclosures are investigated, pursuant to which remedial and/or disciplinary actions may be taken, if warranted. These disclosures and the results of the investigations undertaken are reported to the Board on a timely basis.

The Group has also put in safeguards to protect the identity of the Whistleblower to encourage employees of the Group, and indeed anyone else, to report any breach or reasonably suspected wrongful malpractices or act without fear of reprisal so that the problem can be identified at an early stage and resolved quickly within the Group.

Independent Assurance Mechanism

The Group received extensive and detailed ARMC reports and a management letter from its External Auditors that primarily focuses on financial controls. The ARMC reports and the management letter were also presented to the ARMC for deliberations. In the event of any non-compliance, appropriate corrective actions have been taken in addition to amendments to the relevant procedures, if required.

Besides that, the ARMC also conducted at least two private meetings with the External Auditors, to give opportunity to the External Auditors to raise any matters without executive board members or the Management present.

Health, Safety and Environment ("HSE")

A clear, formalised and documented Global HSE Manual is in place 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.

The high standard of work is achieved through the implementation of an Integrated Management System ("IMS") that meets the requirements of industry best practice based on the ISO 9001 for Quality Standards, OHSAS 18001 for Health and Safety Standards and the ISO 14001 for Environmental Standards.

In addition, the ISPS (International Ship & Port Facility Security) Code and the ISM Code for Safe Operation of Ships and Pollution Prevention are implemented for vessel operations and certified by ISSC (International Ship Security).

BOARD ASSURANCE AND LIMITATION

While the Board reiterates that the Risk Management Framework and Internal Controls System 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. Therefore, the Risk Management Framework and Internal Controls System in the Group can only provide reasonable but not absolute assurance against material misstatements, losses and frauds.

This Statement is made in accordance with the resolution of the Board dated 31 July 2018.

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 fulfill the Board's oversight responsibilities for the Group during the financial year ended 31 March 2018 ("FY 2018").

The ARMC in FY 2018 were focused principally on assisting the Board to review the adequacy and integrity of the Group's financial administration and reporting, internal control and risk management systems including the management information system and systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The ARMC is pleased to present this ARMC Report for FY 2018, 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 2018, 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 followings:

(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 2018, which were on 15 May 2017, 5 July 2017, 10 August 2017, 16 November 2017 and 19 February 2018. A quorum, established by the presence of a majority of members who are Independent Directors, was always met.

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

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

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

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 2018:

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 fulfill 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 the Policy on the Selection of External Auditors;

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

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

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

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

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

15. reviewed the independence of the GIA;

16. reviewed the proposed initiatives, measures and key performance indicators ("KPIs") to be included in the Balanced Scorecard ("BSC") of the Head of GIA and evaluated the performance of the Head of GIA against the KPIs or initiatives as set out in the BSC of the Head of GIA at the end of financial 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 actions plan taken by the Management to control and mitigate the risks on a quarterly basis;

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

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

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

22. reviewed the 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 recommended to the Board the proposed amendments to Delegated Authority Limits;

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

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

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

INTERNAL AUDIT FUNCTION

The internal audit services for FY 2018 was provided by GIA. The GIA, led by the Head of GIA, are independent of management and operations. All the internal auditors carried out their functions according to the standards set by recognised professional bodies.

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

The GIA reports directly to the ARMC to ensure impartiality and independence. The ARMC reviews the risk based internal audit plans and scope of work for the 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 follows:

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 2018 was approximately RM379,015.42.

This report is made in accordance with the resolution of the Board dated 31 July 2018.

Material Contract involving Directors' and Major Shareholders' Interest

There was no material contract entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 March 2018 or entered into since the end of the previous financial year.

Audit and Non-Audit Fees

Audit and non-audit fees incurred during the financial year amounted to RM3,970,000 and RM66,000 respectively and are disclosed in Note 22 of the financial statements.

Directors' Conflict of Interest

Save as disclosed below and the disclosures in the Notes to the Financial Statement of the Company for the financial year ended 31 March 2018, the Directors of the Company do not have any existing conflicts of interest or any personal interest in any business arrangement involving the Company:

Director of the Company	Nature of existing conflict of interest	Transactions
Shah Hakim @ Shahzanim bin Zain ("Encik Shah Hakim")	Encik Shah Hakim is the Non-Independent Non-Executive Director of the Company; and a substantial shareholder of Suria Business Solutions Sdn Bhd ("Suria")	Tenancy of office space at Dataran Prima, Petaling Jaya, Selangor provided by Scomi Oiltools Sdn Bhd, a subsidiary of the Company to Suria.
	Puan Mazlina binti Zain, the sister of, and person connected to, Encik Shah Hakim is the owner of Lintas Travel Services Sdn Bhd ("LTS").	Provision of airline ticketing reservation and ticket purchasing services by LTS to the Company and its subsidiaries.
Tan Sri Nik Mohamed Bin Nik Yaacob ("Tan Sri Nik"), Lee Chun Fai ("Mr Lee") and Encik Shah Hakim	Both Tan Sri Nik and Mr Lee are the common directors of the Company and Scomi Group Bhd ("SGB"). Encik Shah Hakim is the Non-Independent Non-Executive Director of the Company and the Chief Executive Officer/Non-Independent Executive Director and substantial shareholder of SGB.	Renting premises from SGB for the Group Research and Technology Centre ("GRTC") by Scomi Oiltools Sdn Bhd, a subsidiary of the Company.

In respect of each of the above transactions, the relevant Director concerned had declared the nature of his conflict of interest and had abstained from deliberating and voting on the relevant resolutions of the Board of Directors of the Company.

Statement of Directors' Responsibility

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

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

In preparing the financial statements, the Directors have:

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

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

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

Financial Statements

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 March 2018.

Principal activities

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

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

Ultimate holding company

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

Subsidiaries

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

Results

	Group RM'000	Company RM'000
Loss for the year attributable to:		
Owners of the Company	(219,055)	(500,600)
Non-controlling interests	(6,863)	-
	(225,918)	(500,600)

Reserves and provisions

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

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 31 March 2018, 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 accounts.

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

(a) Scomi Oiltools Russia LLC
(b) PT Inti Jatam Pura

Directors of the Company

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

Dato' Sri Meer Sadik bin Habib Mohamed
Lee Chun Fai
Dato' Jamelah binti Jamaluddin
Ravinder Singh Grewal A/L Sarbjit Singh
Shah Hakim @ Shahzanim bin Zain
Stephen Fredrick Bracker
Tan Sri Nik Mohamed bin Nik Yaacob (resigned on 19 July 2018)

List of Directors of Subsidiaries

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries who served during the financial 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 spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares			
The Company	**At 1.4.2017 '000**	**Bought '000**	**Sold '000**	**At 31.3.2018 '000**
Direct interests				
Dato' Sri Meer Sadik bin Habib Mohamed	42,784	-	-	42,784
Shah Hakim @ Shahzanim bin Zain	2,108[(1)]	-	-	2,108[(1)]
Indirect interests				
Dato' Sri Meer Sadik bin Habib Mohamed	547[(2)]	-	-	547[(2)]
Shah Hakim @ Shahzanim bin Zain	57[(3)]	-	-	57[(3)]

Directors' interests in shares (continued)

	Number of ordinary shares			
	At 1.4.2017 '000	Bought '000	Sold '000	At 31.3.2018 '000
Ultimate holding company				
Scomi Group Bhd ("SGB")				
Direct interests				
Shah Hakim @ Shahzanim bin Zain	1,950[4]	-	(85)[6]	1,865[4]
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	175,917[5]	-	(87,191)[6]	88,726[5]
Related company				
Scomi Engineering Bhd ("SEB")				
Direct interests				
Shah Hakim @ Shahzanim bin Zain	623[7]	-	(623)[6]	-
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	537[8]	-	(537)[6]	-

	Number of warrants			
	At 1.4.2017 '000	Bought '000	Sold '000	At 31.3.2018 '000
Ultimate holding company				
Scomi Group Bhd ("SGB")				
Direct interests				
Shah Hakim @ Shahzanim bin Zain	-	576[9]	-	576[10]
Indirect interest				
Shah Hakim @ Shahzanim bin Zain	-	44,056[9]	-	44,056[11]

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

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

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

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

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

Directors' interests in shares (continued)

(6) Adjustments made to the ordinary shares due to the following:-

(i) Proposed consolidation of every 2 existing ordinary shares in the share capital of SGB into 1 ordinary share ("Consolidated Share") which was approved at Extraordinary General Meeting of SGB held on 4 January 2018; and

(ii) Proposed merger of the Company with SGB by way of a member's scheme of arrangement, involving the acquisition by SGB and transfer of all the ordinary shares in the share capital of SEB held by the shareholders of SEB to SGB at an offer price of RM0.30 for each SEB's shares, which was satisfied via a share swap where for every 7 shares in SEB held, 10 Consolidated Shares were issued at an issue price of RM0.21 per Consolidated Share; and issuance of 1 warrant for every 10 Consolidated Shares issued.

(7) 123,000 shares held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin).

(8) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his shareholding in Rentak Rimbun Sdn Bhd whereby 282,000 shares held through KAF Nominees (Tempatan) Sdn Bhd pledged Securities Account for Rentak Rimbun Sdn Bhd.

(9) Bonus issue of warrants in SGB on a provisional basis of 7 warrants for every 10 Consolidated Shares held in SGB in satisfaction of merger between SEB with SGB.

(10) 372,821 warrants held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain.

(11) Deemed interested by virtue of Section 8(4) of the Companies Act 2016 through his warrant holding in Kaspadu Sdn Bhd and Rentak Rimbun Sdn Bhd.

Save as disclosed above, none of the other Directors holding office at 31 March 2018 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 year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than those disclosed in Note 32 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

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

Treasury shares

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

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the total amount of insurance effected for Directors and officers of the Company on group basis is RM25.0 million.

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 period 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 for the impairment loss on amount due from joint venture, impairment loss on marine vessels, impairment loss on receivables, impairment loss on investment in joint venture, loss from disposal of property, plant and equipment, net unrealised loss on foreign exchange and the termination costs for CCIRSs as disclosed in the financial statements of the Group and the Company, and impairment loss on investment in subsidiaries as disclosed in the financial statements of the Company, the financial performance of the Group and of the Company for the financial year ended 31 March 2018 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 22 to the financial statements.

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

Lee Chun Fai
Director

Shah Hakim @ Shahzanim bin Zain
Director

Petaling Jaya

Date: 31 July 2018

Statements of Financial Position as at 31 March 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	3	384,624	525,991	11	37
Intangible assets	4	106,565	107,903	-	-
Investment properties	5	2,140	2,499	-	-
Investments in subsidiaries	6	-	-	383,165	848,988
Investments in joint ventures	7	16,756	53,794	-	13,458
Investments in associates	8	7,439	7,439	7,439	7,664
Deferred tax assets	9	2,183	9,125	-	-
Trade and other receivables	10	44,720	226	39,157	-
Total non-current assets		564,427	706,977	429,772	870,147
Trade and other receivables	10	263,789	350,044	63,756	114,789
Inventories	11	111,730	164,922	-	-
Current tax assets		20,174	27,284	-	-
Cash and bank balances	12	67,675	124,792	3,289	11,354
Total current assets		463,368	667,042	67,045	126,143
Total assets		1,027,795	1,374,019	496,817	996,290

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Equity					
Share capital	13	1,005,535	1,005,535	1,005,535	1,005,535
Treasury shares	14	(51)	(51)	(51)	(51)
Reserves	15	(509,772)	(265,229)	(540,972)	(40,372)
Equity attributable to owners of the Company		495,712	740,255	464,512	965,112
Non-controlling interests		40,993	47,856	-	-
Total equity		536,705	788,111	464,512	965,112
Liabilities					
Loans and borrowings	16	76,822	49,407	-	-
Provision for retirement benefits	17	8,932	10,800	-	-
Trade and other payables	18	3,738	5,693	2,923	4,834
Deferred tax liabilities	9	4,068	9,112	-	-
Derivative financial liabilities	19	-	21,118	-	-
Total non-current liabilities		93,560	96,130	2,923	4,834
Loans and borrowings	16	140,904	195,650	-	-
Trade and other payables	18	231,047	253,470	29,382	26,344
Current tax liabilities		15,063	17,513	-	-
Derivative financial liabilities	19	10,516	23,145	-	-
Total current liabilities		397,530	489,778	29,382	26,344
Total liabilities		491,090	585,908	32,305	31,178
Total equity and liabilities		1,027,795	1,374,019	496,817	996,290

The notes on pages 59 to 130 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	20	613,957	664,012	32,054	82,273
Cost of sales/services		(539,495)	(604,430)	(31,007)	(79,258)
Gross profit		74,462	59,582	1,047	3,015
Other operating expenses		(80,652)	(2,238)	(489,781)	(193,165)
Selling and distribution expenses		(52,743)	(53,584)	-	-
Administrative expenses		(81,620)	(82,285)	(4,628)	(2,794)
Other expenses		(2,906)	(5,081)	(26)	(69)
Results from operating activities		(143,459)	(83,606)	(493,388)	(193,013)
Finance costs	21	(29,348)	(20,606)	(7,324)	-
Finance income		1,296	1,783	112	210
Net finance (costs)/income		(28,052)	(18,823)	(7,212)	210
Share of loss of equity-accounted joint ventures, net of tax		(36,663)	(24,208)	-	-
Loss before tax	22	(208,174)	(126,637)	(500,600)	(192,803)
Tax expense	23	(17,744)	(9,128)	-	-
Loss for the year		(225,918)	(135,765)	(500,600)	(192,803)

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 March 2018 (continued)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Other comprehensive (loss)/ income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Cash flow hedges	15(b)	(16,329)	9,168	-	-
Foreign currency translation differences for foreign operations		(9,509)	49,951	-	-
Retirement benefits		350	(1,022)	-	-
Other comprehensive (loss)/ income for the year, net of tax	24	(25,488)	58,097	-	-
Total comprehensive loss for the year		(251,406)	(77,668)	(500,600)	(192,803)
Loss attributable to:					
Owners of the Company		(219,055)	(126,406)	(500,600)	(192,803)
Non-controlling interests		(6,863)	(9,359)	-	-
Loss for the year		(225,918)	(135,765)	(500,600)	(192,803)
Total comprehensive loss attributable to:					
Owners of the Company		(244,543)	(68,309)	(500,600)	(192,803)
Non-controlling interests		(6,863)	(9,359)	-	-
Total comprehensive loss for the year		(251,406)	(77,668)	(500,600)	(192,803)
Basic earnings per share (sen)	25	(9.35)	(5.40)		

The notes on pages 59 to 130 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2018

		/-------Attributable to owners of the Company-------/						
		/----Non-distributable----/			Distributable			
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**
At 1 April 2016		1,005,535	(50)	(575,527)	378,607	808,565	57,215	865,780
Foreign currency translation differences for foreign operations		-	-	49,951	-	49,951	-	49,951
Cash flow hedges - fair value loss	15(b)	-	-	9,168	-	9,168	-	9,168
Retirement benefits		-	-	-	(1,022)	(1,022)	-	(1,022)
Total other comprehensive income for the year		-	-	59,119	(1,022)	58,097	-	58,097
Loss for the year		-	-	-	(126,406)	(126,406)	(9,359)	(135,765)
Total comprehensive income/(loss) for the year		-	-	59,119	(127,428)	(68,309)	(9,359)	(77,668)
Repurchased during the year		-	(1)	-	-	(1)	-	(1)
At 31 March 2017/1 April 2017		1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111
Foreign currency translation differences for foreign operations		-	-	(9,509)	-	(9,509)	-	(9,509)
Cash flow hedges - termination of hedge accounting	15(b)	-	-	(16,329)	-	(16,329)	-	(16,329)
Retirement benefits		-	-	-	350	350	-	350
Total other comprehensive loss for the year		-	-	(25,838)	350	(25,488)	-	(25,488)
Loss for the year		-	-	-	(219,055)	(219,055)	(6,863)	(225,918)
Total comprehensive loss for the year		-	-	(25,838)	(218,705)	(244,543)	(6,863)	(251,406)
At 31 March 2018/1 April 2018		1,005,535	(51)	(542,246)	32,474	495,712	40,993	536,705

The notes on pages 59 to 130 are an integral part of these financial statements.

Company	/----------Non-distributable-----------/			Distributable	
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Retained earnings/ (Accumulated loss) RM'000	Total equity RM'000
At 1 April 2016	1,005,535	(50)	26,881	125,550	1,157,916
Loss for the year	-	-	-	(192,803)	(192,803)
Total comprehensive loss for the year	-	-	-	(192,803)	(192,803)
Repurchased during the year	-	(1)	-	-	(1)
At 31 March 2017	1,005,535	(51)	26,881	(67,253)	965,112
Loss for the year	-	-	-	(500,600)	(500,600)
Total comprehensive loss for the year	-	-	-	(500,600)	(500,600)
At 31 March 2018	1,005,535	(51)	26,881	(567,853)	464,512

The notes on pages 59 to 130 are an integral part of these financial statements.

Statements of Cash Flows for the year ended 31 March 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities					
Loss before tax		(208,174)	(126,637)	(500,600)	(192,803)
Adjustments for:					
Allowance for inventories		2,317	8,154	-	-
Amortisation of intangible assets		258	281	-	-
Depreciation:					
- Property, plant and equipment		80,295	95,033	26	69
- Investment properties		154	143	-	-
Loss on disposal of property, plant and equipment		6,486	1,489	-	-
Impairment loss:					
- Amount due from joint venture		6,713	-	6,713	-
- Amount due from associate		371	-	371	-
- Associate		-	-	225	-
- Property, plant and equipment		4,322	303	-	-
- Receivables		10,753	15,764	-	-
- Subsidiaries		-	-	459,906	200,140
- Joint ventures		7,215	-	13,458	-
- Intangible assets		-	18,219	-	-
Inventories written down		-	378	-	-
Net unrealised loss/(gain) of foreign exchange		53,685	(37,662)	(9,807)	(8,746)
Property, plant and equipment written off		817	147	-	-
Reclassification from hedge reserve to profit and loss due to termination of hedge accounting		(29,218)	-	-	-
Reversal of impairment loss:					
- Receivables		(4,764)	(1,321)	-	-
Reversal of inventories written down		(4,602)	(206)	-	-
Provision for retirement benefits		1,880	2,914	-	-
Share of loss of equity- accounted joint ventures, net of tax		36,663	24,208	-	-
Finance costs		29,348	20,606	7,324	-
Finance income		(1,296)	(1,783)	(112)	(210)
Operating (loss)/profit before changes in working capital		(6,777)	20,030	(22,496)	(1,550)
Changes in working capital:					
Inventories		50,857	32,704	-	-
Receivables		38,718	110,102	10,348	6,301
Payables		(47,385)	(46,436)	(6,373)	3,777
Amount due (to)/from:					
- ultimate holding company		(20,495)	(35,309)	(23,684)	(3,097)
- subsidiary companies		-	-	33,755	(86,884)
- related companies		183	(7,905)	(258)	455
- joint venture companies		(799)	4,388	(11,060)	8,684
- associate companies		(1,112)	(847)	(1,660)	(721)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash generated from/(used in) operations		13,190	76,727	(21,428)	(73,035)
Tax paid		(15,207)	(21,244)	-	-
Retirement benefits paid		(2,267)	(530)	-	-
Interest received		1,296	1,783	112	210
Net cash (used in)/from operating activities		(2,988)	56,736	(21,316)	(72,825)
Cash flows from investing activities					
Additional investment in:					
- subsidiary		-	-	-	(3,921)
- joint ventures		(9,067)	(3,560)	-	-
Acquisition of property, plant and equipment		(22,114)	(25,368)	-	(16)
Proceeds from disposal of property, plant and equipment		15,246	2,136	-	-
Additions to intangible assets		-	(6,641)	-	-
Repayment from subsidiary		-	-	13,769	79,606
Repurchase of treasury shares		-	(1)	-	(1)
Net cash (used in)/from investing activities		(15,935)	(33,434)	13,769	75,668
Cash flows from financing activities					
Proceeds from bank borrowings		-	97,507	-	-
Repayment of bank borrowings		(20,232)	(158,024)	-	-
Interest paid on borrowings		(11,394)	(16,936)	-	-
(Increase)/Decrease in short-term deposits pledged as securities		(233)	23,382	2,854	(210)
Net cash (used in)/from financing activities		(31,859)	(54,071)	2,854	(210)
Net (decrease)/increase in cash and cash equivalents		(50,782)	(30,769)	(4,693)	2,633
Effect of exchange rate fluctuations on cash held		(14,120)	23,068	(518)	-
Cash and cash equivalents at 1 April		101,680	109,381	5,249	2,616
Cash and cash equivalents at 31 March	(i)	36,778	101,680	38	5,249

Notes to statements of cash flows

(i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	12	46,553	99,852	38	5,249
Deposits placed with licensed banks	12	21,122	24,940	3,251	6,105
		67,675	124,792	3,289	11,354
Less: Pledged deposits	12	(20,867)	(20,634)	(3,251)	(6,105)
Bank overdrafts	16	(10,030)	(2,478)	-	-
		36,778	101,680	38	5,249

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

Principal place of business and registered office
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 March 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates and joint ventures.

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

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

These financial statements were authorised for issue by the Board of Directors on 31 July 2018.

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.

The following are accounting standards, amendments and interpretations 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:

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*

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*

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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.

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 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.*

Currently, the Company recognises revenue from contracts with customers based on existing policy as disclosed in Note 2(o). Upon adoption of MFRS 15, the Group and the Company will recognise the revenue from contracts with customers on the basis when a customer obtains control of the goods or services that reflects the consideration to which the Group and the Company expects to be entitled in exchange of those goods and services. The Group and the Company will apply MFRS 15 based on cumulative effect transition approach.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

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.

Currently, the Group and the Company classifies and measures financial assets and liabilities as disclosed in Note 2(c). Upon adoption of MFRS 9, the Group and the Company will classify and measure financial assets and liabilities based on the new policy. Based on the assessment, the Group and the Company does not believe that the new classification requirements will have material impact on the classification and the measurement of the Group and the Company's financial assets and liabilities.

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "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.

The Group and the Company are currently assessing the financial impact arises from the initial adoption of MFRS 9 in respect of ECL model.

1. Basis of preparation (continued)

(a) Statement of compliance (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.

(b) Basis of measurement

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

(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 tests 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 and fair value less costs of disposal 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. Fair value less costs of disposal is determined based on indicative values on a willing buyer willing seller basis, as provided by an independent valuer. The recoverable amounts of goodwill have been determined based on the higher of fair value less costs of disposal and value-in-use calculations, which resulted in no impairment loss during the year.

The Directors are of the opinion that any reasonably expected change in the key assumptions used to determine the recoverable amounts of the CGUs, would not result in any impairment.

The carrying amount of goodwill and estimates used in the calculation are disclosed in Note 4 to the financial statements.

1. Basis of preparation (continued)

(d) Critical accounting estimates and judgements (continued)

(ii) Impairment of receivables

The Group makes allowance for doubtful debts on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Group specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for doubtful debts. Where the expectations differ from the original estimates, the differences will impact the carrying value of receivables as disclosed in Note 10.

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

The recoverable amounts of marine vessels have been determined based on the higher of fair value less costs of disposal and value-in-use calculations as disclosed in Note 3. Based on this assessment, there was an impairment charge of RM4,322,000 recognised in profit or loss for the year ended 31 March 2018 (2017: Nil).

(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 an indicator of impairment. The carrying amounts are disclosed in Note 6, Note 7 and Note 8 respectively. Based on this assessment, there were impairment of investments in joint ventures recognised in the Group's profit or loss amounting to RM7,215,000 (2017: Nil) after the Group's share of losses up to the carrying amount as at the reporting date, while impairment loss in relation to the investments in subsidiaries, joint ventures and associates amounting to RM459,906,000 (2017: RM200,140,000), RM13,458,000 (2017: Nil) and RM255,000 (2017: Nil) respectively were recognised in the profit or loss of the Company.

(v) Income taxes

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

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

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

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

(vi) 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 and have been applied consistently by Group entities, unless otherwise stated.

(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.

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 period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(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.

(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.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(viii) Non-controlling interests

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

(ix) Transactions eliminated on consolidation

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

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

(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.

The income and expenses of foreign operations in hyperinflationary economies are translated to RM at the exchange rate at the end of the reporting period. Prior to translating the financial statements of foreign operations in hyperinflationary economies, their financial statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices 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) **Initial recognition and 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 instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised 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**

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

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

(b) **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial assets (continued)

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in active market and whose fair value cannot be reliably measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

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

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

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

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

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

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

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

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(vi) Derecognition

A financial asset or a part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or 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 and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity 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. 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.

2. Significant accounting policies (continued)

(d) Property, plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

(iii) Depreciation

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

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

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

• Freehold buildings	5 - 50 years
• Leasehold buildings	3 - 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.

2. Significant accounting policies (continued)

(e) Leased assets

(i) Finance leases

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

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

(ii) Operating leases

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

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

(f) Intangible assets

(i) Goodwill

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

(ii) Research and development

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

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

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.

2. Significant accounting policies (continued)

(f) Intangible assets (continued)

(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 remaining useful lives for the current and comparative periods are as follows:

	2018	2017
• patent rights	1 year	1 year
• capitalised development costs:		
- Drilling waste equipment and EMS engineering package	9 years	10 years

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

Development costs work-in-progress are not amortised.

(g) Investment properties

(i) Investment properties carried at cost

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

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

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

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

(ii) Reclassification to/from investment property

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

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

2. Significant accounting policies (continued)

(h) Inventories

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

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

(i) Cash and cash equivalents

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

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and investments in associates and joint ventures) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in equity instrument classified as available-for-sale is not reversed through profit or loss.

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

2. Significant accounting policies (continued)

(j) Impairment (continued)

(ii) Other assets

The carrying amounts of other assets (except for inventories, deferred tax assets and assets arising from employee benefits) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period 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 group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group 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) Compound financial instruments

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

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

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

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

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

(m) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial 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 periods, discounting that amount and deducting the fair value of any plan assets.

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

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

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

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

2. Significant accounting policies (continued)

(m) Employee benefits (continued)

(iv) Share-based payment transactions

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

(v) Termination benefits

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

(n) Provisions

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

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is assessed by reference to surveys of work performed.

2. Significant accounting policies (continued)

(o) Revenue and other income (continued)

(iii) 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 subleased property is recognised as other income.

(iv) 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.

(v) Charter hire income

Revenue from charter hire is recognised on an accrual basis but is deferred when the terms of billings have not been agreed by third parties or when certain conditions necessary for realisation have yet to be fulfilled.

(vi) Management and agency fees

Management and agency fees are recognised on an accrual basis by reference to completion of the specific transaction, assessed on the basis of the actual services provided as a proportion of the total services to be provided.

(p) Borrowing costs

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

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

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

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

(q) Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the 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)

(q) 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.

(r) Earnings per ordinary share

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

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

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

(s) Operating segments

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

(t) Contingencies

(i) Contingent liabilities

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

(ii) Contingent assets

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

(u) Fair value measurements

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

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

2. Significant accounting policies (continued)

(u) Fair value measurements (continued)

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

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

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

Level 3: unobservable inputs for the asset or liability.

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

3. Property, plant and equipment

Group	Freehold 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 2016	2,186	14,528	947,968	542,261	21,030	10,147	45,412	2,783	1,586,315
Additions	-	114	-	6,001	210	278	1,211	17,554	25,368
Disposals	-	-	(8,689)	(5,059)	(875)	(113)	(333)	-	(15,069)
Written off	-	-	-	(1,388)	-	-	(25)	-	(1,413)
Reclassification	-	-	11,242	-	-	-	-	(11,242)	-
Effect of movements in exchange rates	(251)	325	128,000	34,155	1,825	1,070	4,245	707	170,076
At 31 March 2017/ 1 April 2017	1,935	14,967	1,078,521	575,970	22,190	11,382	50,510	9,802	1,765,277
Additions	-	-	-	10,166	71	1,496	1,274	9,107	22,114
Disposals	-	-	(78,073)	(23,117)	(2,951)	(909)	(959)	-	(106,009)
Written off	-	-	-	(7,002)	-	(146)	(513)	-	(7,661)
Reclassification	-	-	16,356	-	-	-	-	(16,356)	-
Effect of movements in exchange rates	(243)	(514)	(129,815)	(36,484)	(3,619)	(3,270)	(134)	(714)	(174,793)
At 31 March 2018	1,692	14,453	886,989	519,533	15,691	8,553	50,178	1,839	1,498,928

3. Property, plant and equipment (continued)

Group	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 2016									
Accumulated depreciation	2,158	12,370	523,343	360,367	15,910	5,989	41,154	-	961,291
Accumulated impairment losses	-	145	86,180	1,714	-	-	-	-	88,039
	2,158	12,515	609,523	362,081	15,910	5,989	41,154	-	1,049,330
Depreciation for the year	8	635	48,600	40,007	2,333	613	2,837	-	95,033
Impairment losses	-	135	-	168	-	-	-	-	303
Disposals	-	-	(7,726)	(2,582)	(593)	(114)	(429)	-	(11,444)
Written off	-	-	-	(1,241)	-	-	(25)	-	(1,266)
Effect of movements in exchange rates	(253)	173	84,355	17,069	1,486	380	4,120	-	107,330
At 31 March 2017/ 1 April 2017									
Accumulated depreciation	1,913	13,178	648,572	413,620	19,136	6,868	47,657	-	1,150,944
Accumulated impairment losses	-	280	86,180	1,882	-	-	-	-	88,342
	1,913	13,458	734,752	415,502	19,136	6,868	47,657	-	1,239,286

3. Property, plant and equipment (continued)

Group	Freehold buildings RM'000	Leasehold buildings RM'000	Marine vessels RM'000	Rental equipment RM'000	Non-rental equipment RM'000	Motor vehicles RM'000	Renovation, fittings, and office equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Depreciation and impairment losses (continued)									
At 1 April 2017									
Accumulated depreciation	1,913	13,178	648,572	413,620	19,136	6,868	47,657	-	1,150,944
Accumulated impairment losses	-	280	86,180	1,882	-	-	-	-	88,342
	1,913	13,458	734,752	415,502	19,136	6,868	47,657	-	1,239,286
Depreciation for the year	8	375	43,973	33,423	1,055	267	1,194	-	80,295
Impairment losses	-	-	4,322	-	-	-	-	-	4,322
Disposals	-	-	(65,523)	(14,327)	(2,676)	(796)	(955)	-	(84,277)
Written off	-	-	-	(6,185)	-	(146)	(513)	-	(6,844)
Effect of movements in exchange rates	(241)	(431)	(89,404)	(23,348)	(3,161)	(294)	(1,599)	-	(118,478)
At 31 March 2018									
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
Carrying amounts									
At 1 April 2016	28	2,013	338,445	180,180	5,120	4,158	4,258	2,783	536,985
At 31 March 2017/ 1 April 2017	22	1,509	343,769	160,468	3,054	4,514	2,853	9,802	525,991
At 31 March 2018	12	1,051	258,869	114,468	1,337	2,654	4,394	1,839	384,624

3. **Property, plant and equipment (continued)**

Company	Renovation and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost			
At 1 April 2016	1,079	200	1,279
Additions	16	-	16
At 31 March 2017/1 April 2017/31 March 2018	1,095	200	1,295
Accumulated depreciation			
At 1 April 2016	989	200	1,189
Depreciation for the year	69	-	69
At 31 March 2017/1 April 2017	1,058	200	1,258
Depreciation for the year	26	-	26
At 31 March 2018	1,084	200	1,284
Carrying amounts			
At 1 April 2016	90	-	90
At 31 March 2017/1 April 2017	37	-	37
At 31 March 2018	11	-	11

3. Property, plant and equipment (continued)

(a) Impairment loss - Marine vessels

During the year ended 31 March 2018, the prolonged decline in global oil and gas prices has resulted in a decrease in charter contracts for the Group vessels, which indirectly has an impact on the recoverable amount of the vessels. Accordingly, the Group reviewed the recoverable amount of its vessels, which resulted in an impairment loss during the year amounting to RM4,322,000 (2017: RM Nil).

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

The fair value was based on the following key assumptions:

(i) historical transacted prices remain relevant; and
(ii) the growth of oil and gas industries will not deteriorate further.

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

	2018 %	2017 %
Revenue growth rates in the first 5 years	0.0	0.0
Discount rate	12.0	12.0
Terminal growth rate	0.0	0.0

Based on the calculations, there was impairment loss amounted to RM4,322,000 (2017: RM Nil). However, an increase/(decrease) of a one percentage point in the discount rate used would have (decreased)/ increased the recoverable amount by approximately (RM30.4 million)/RM36.1 million.

(b) Leased plant and equipment

The net carrying amount of motor vehicles of the Group acquired under finance lease arrangements at the end of the reporting period were RM73,000 (2017: RM84,000).

(c) Leasehold buildings

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

(d) Security

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

	Group	
	2018 RM'000	**2017 RM'000**
Marine vessels	**164,756**	**213,014**

4. Intangible assets

Group	Note	Goodwill RM'000	Patents and other intangible assets RM'000	*Capitalised development cost* Drilling waste equipment RM'000	*Development cost work-in-progress* EMS Engineering Package RM'000	Total RM'000
Cost						
At 1 April 2016		402,517	1,121	7,089	9,269	419,996
Additions		-	-	5,623	1,018	6,641
Effect of movements in exchange rates		388	138	1,250	1,304	3,080
At 31 March/1 April 2017		402,905	1,259	13,962	11,591	429,717
Effect of movements in exchange rates		(415)	(146)	(3,245)	-	(3,806)
At 31 March 2018		402,490	1,113	10,717	11,591	425,911
Accumulated amortisation and impairment loss						
At 1 April 2016						
Accumulated amortisation		-	700	1,056	-	1,756
Accumulated impairment loss		300,361	-	-	-	300,361
		300,361	700	1,056	-	302,117
Amortisation for the year	(a)	-	62	219	-	281
Impairment loss	(b)(ii)	-	-	7,200	11,019	18,219
Effect of movements in exchange rates		-	90	535	572	1,197
At 31 March/1 April 2017						
Accumulated amortisation		-	852	1,434	-	2,286
Accumulated impairment loss		300,361	-	7,576	11,591	319,528
		300,361	852	9,010	11,591	321,814
Amortisation for the year	(a)	-	45	213	-	258
Effect of movements in exchange rates		-	(94)	(2,632)	-	(2,726)
At 31 March 2018						
Accumulated amortisation		-	803	3,724	-	4,527
Accumulated impairment loss		300,361	-	2,867	11,591	314,819
		300,361	803	6,591	11,591	319,346
Carrying amounts						
At 1 April 2016		102,156	421	6,033	9,269	117,879
At 31 March/1 April 2017		102,544	407	4,952	-	107,903
At 31 March 2018		102,129	310	4,126	-	106,565

4. Intangible assets (continued)

(a) Amortisation

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

The remaining useful lives of the patents and capitalised development costs are 1 year and 9 years respectively (2017: 1 year and 10 years respectively).

(b) Impairment

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

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

	Group	
	2018 RM'000	**2017 RM'000**
Oilfield Services	102,129	102,544

Goodwill allocated to Oilfield 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 country based on financial budgets approved by the Board covering a five-year period.

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

	2018 %	**2017 %**
Revenue growth rates in the first 5 years	0.0 - 56.0	0.0 - 53.0
Discount rates	9.0 - 26.0	9.0 - 27.0
Terminal growth rates	0.0	0.0

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

Based on the calculations, no impairment has been recognised in the current financial year. However, an increase/(decrease) of a one percentage point in the discount rate used would have (decreased)/increased the recoverable amount by approximately (RM13 million)/RM17 million.

(ii) Impairment loss on capitalised development cost

Since the previous financial year ended 31 March 2017, the prolonged decline in global gas prices has resulted in several projects being put on hold, which indirectly has impacted the carrying amount of the capitalised development cost. Accordingly, the Group has reviewed the carrying amount of the capitalised development cost and no impairment loss has been recognised in current year (2017: RM18,219,000).

5. Investment properties

	Group	
	2018 RM'000	**2017 RM'000**
Freehold land and buildings		
At cost		
At 1 April	5,075	5,329
Effect of movements in exchange rates	(215)	(254)
At 31 March	4,860	5,075
Accumulated depreciation		
At 1 April	2,121	2,434
Depreciation for the year	154	143
Effect of movements in exchange rates	(10)	(456)
At 31 March	2,265	2,121
Accumulated impairment losses		
At 1 April/31 March	455	455
Carrying amounts		
At 1 April	2,499	2,440
At 31 March	2,140	2,499

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

	Group	
	2018 RM'000	**2017 RM'000**
Rental income	181	181

There were no direct operating expenses arising from investment property that generated rental income during the year as all expenses were incurred by the tenant.

(a) Security

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

5. Investment properties (continued)

(b) Fair value information

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

	Group	
	2018 RM'000	2017 RM'000
Freehold land	5,431	6,495
Freehold land and buildings	3,950	3,950
	9,381	10,445

Level 2 fair value

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

6. Investments in subsidiaries

		Company	
	Note	2018 RM'000	2017 RM'000
Unquoted shares, at cost		11,016	11,016
Deemed investment - capital contribution		1,473,187	1,479,104
		1,484,203	1,490,120
Less: Accumulated impairment losses	(a)	(1,101,038)	(641,132)
		383,165	848,988

(a) Impairment review of investment in subsidiaries

Due to the presence of impairment indicator during the financial year arising from operation of the subsidiaries, the Company has undertaken an impairment assessment on investment in the subsidiaries.

The recoverable amount for one of the impaired subsidiary of RM303,100,000 (2017: RM753,597,000) 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 key assumptions as disclosed in Note 4(b)(i) for Oilfield Services.

In relation to the other impaired subsidiary, the recoverable amount of RM17,800,000 (2017: RM75,634,000) 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. The recoverable amount for another impaired subsidiary is RM128,100,000 (2017: RM188,969,000) based on valuation report of operating assets in that company prepared by an independent accredited valuer not connected within the Group. The fair value was based on the basis of willing buyer and willing seller of similar vessels in average condition and not under the condition of forced sale.

Based on the calculations, an impairment of RM459,906,000 (2017: RM200,140,000) has been recognised in the current financial year.

6. Investments in subsidiaries (continued)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Direct subsidiaries				
Scomi Oilfield Limited	Malaysia/ Bermuda	Investment holding	100	100
Scomi Marine Services Pte. Ltd. ("SMS")*	Singapore	Investment holding	100	100
Trans Advantage Sdn. Bhd.	Malaysia	Ship chartering and ship management	100	100
Scomi KMC Sdn. Bhd. (including 4% held by Scomi Oiltools Sdn. Bhd.)	Malaysia	Provision of oilfield equipment, supplies and services	52	52
Scomi Sosma Sdn. Bhd.	Malaysia	Distribution of chemical products and services	100	100
Scomi D&P Sdn. Bhd.	Malaysia	Investment holding	100	100
Significant subsidiaries of Scomi Oilfield Limited				
Scomi Oiltools Sdn. Bhd.	Malaysia	Provision of oilfield equipment, supplies and provision of management services	100	100
Scomi Oiltools (Cayman) Ltd*	United Arab Emirates/ Cayman Islands	Provision of oilfield equipment, supplies and services in Saudi Arabia and United Arab Emirates	100	100
Scomi Oiltools Ltd*	Pakistan, Turkmenistan/ Cayman Islands	Provision of oilfield equipment, supplies and services in Pakistan and Turkmenistan	100	100
Scomi Oiltools (Africa) Limited	Congo & Nigeria/ Cayman Islands	Investment holding and provision of oilfield equipment, supplies and services in Congo and Nigeria	100	100

6. Investments in subsidiaries (continued)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	2017 %
Significant subsidiaries of Scomi Oilfield Limited (continued)				
Scomi Oiltools (Thailand) Ltd*	Thailand	Provision of oilfield equipment, supplies and services	100	100
KMCOB Capital Berhad	Malaysia	Undertake the issuance of private debt securities in such classes, series, form or denomination and to secure the redemption thereof and the utilisation of proceeds from such issuance and to undertake any refinancing exercise in respect of such private debt securities	100	100
Scomi Oiltools Oman LLC*	Oman	Provision of oilfield equipment, supplies and services	51	51
Scomi Oiltools Pty. Ltd.*	Australia	Provision of oilfield equipment, supplies and services	100	100
Significant subsidiary of Scomi Marine Services Pte. Ltd.				
PT Rig Tenders Indonesia, Tbk*+	Indonesia	Ship owning and chartering	80.54	80.54
Significant subsidiary of Scomi Sosma Sdn. Bhd.				
Scomi Anticor S.A.S#	France	Design and field deployment of various oil and gas production chemicals	100	100
Significant subsidiary of Scomi Oiltools (Africa) Limited				
WASCO Oil Services Company Nigeria Limited	Nigeria	Provision of oilfield equipment, supplies and services	60	60

6. Investments in subsidiaries (continued)

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Significant subsidiaries of Scomi Oiltools (S) Pte. Ltd.				
KMC Oiltools India Pte. 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 Russia LLC*	Russia	Provision of oilfield equipment, supplies and services	100	100
Significant subsidiaries of PT Rig Tenders Indonesia, Tbk				
Rig Tenders Marine Pte. Ltd.*	Singapore	Ship chartering	80.54	80.54
CH Logistic Pte. Ltd.*	Singapore	Investment holding	80.54	80.54
CH Ship Management Pte. Ltd.*	Singapore	Provision of management services	80.54	80.54
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.

6. Investments in subsidiaries (continued)

(c) Non-controlling interests in subsidiaries

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

	Subsidiaries with material NCI RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2018			
Carrying amount of NCI	30,550	10,443	40,993
(Loss)/Profit allocated to NCI	(8,693)	1,830	(6,863)
2017			
Carrying amount of NCI	39,241	8,615	47,856
(Loss)/Profit allocated to NCI	(10,936)	1,577	(9,359)

Summarised financial information before intra-group elimination

	2018 RM'000	2017 RM'000
As at 31 March		
Non-current assets	248,784	366,650
Current assets	114,177	120,887
Non-current liabilities	(3,435)	(3,859)
Current liabilities	(118,937)	(158,623)
Net assets	240,589	325,055
Year ended 31 March		
Revenue	187,279	168,038
Loss for the year	(52,167)	(56,599)
Total comprehensive loss	(51,821)	(56,599)
Cash flows from operating activities	128	33,041
Cash flows used in investing activities	(552)	(16,515)
Cash flows used in financing activities	(16,516)	(5,291)
Net (decrease)/increase in cash and cash equivalents	(16,940)	11,235
Dividends paid to NCI	-	-

7. Investments in joint ventures

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost					
- outside Malaysia		4,432	5,210	2,042	2,042
Share of post-acquisition reserves		(42,368)	(6,241)	-	-
Deemed investment - capital contribution	(a)	61,051	54,496	15,053	15,053
Deemed investment - financial guarantee liabilities		329	329	329	329
Impairment loss		(6,688)	-	(17,424)	(3,966)
		16,756	53,794	-	13,458

(a) Deemed investment - capital contribution

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

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Held by the Company				
MarineCo Limited*	Malaysia	Ship chartering	51	51
Gemini Sprint Sdn. Bhd.*	Malaysia	Ship chartering and management	51	51
Transenergy Shipping Pte. Ltd.	Malaysia	Ship chartering	50	50
Transenergy Shipping Management Sdn. Bhd.	Malaysia	Ship chartering and management	50	50
Held by PT Rig Tenders Indonesia, Tbk				
Rig Tenders Offshore Pte. Ltd.*	Singapore	Ship owning and chartering	70	70
Held by Scomi Oilfield Limited				
Vibratherm Limited#	England and Wales	Development of microwave thermal treatment equipment	50	50
Held by Scomi Oiltools Sdn. Bhd.				
Scomi Platinum Sdn. Bhd.	Malaysia	Manufacture of palm based oleochemical products	50	50
Global Oilfield Products Sdn. Bhd.	Malaysia	Manufacture of oilfield supplies	25	25

7. Investments in joint ventures

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

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	2017 %
Held by Scomi D&P Sdn. Bhd.				
Ophir Production Sdn. Bhd.	Malaysia	Development and production of crude oil for Ophir field	30	30

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

As at the date of the financial statements, Vibratherm Limited remained inactive, therefore no share of results was recorded.

Summarised financial information of joint ventures

	2018 RM'000	2017 RM'000
Revenue	190,407	92,013
Loss for the year	(97,672)	(43,769)
Group's share of results for the year	(36,663)	(24,208)
Total assets	370,002	267,319
Total liabilities	(275,788)	(152,333)
Net assets	94,214	114,986
Group's share of net assets	16,756	53,794

8. Investments in associates

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost				
- outside Malaysia	16,857	16,857	16,857	16,857
Less: Impairment loss	(9,789)	(9,789)	(9,418)	(9,193)
Add: Share of post-acquisition profit	371	371	-	-
	7,439	7,439	7,439	7,664

Details of the associates are as follows:

Name of entity	Principal place of business/ Country of incorporation	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Held by the Company				
Southern Petroleum Transportation Joint Stock Company*	Vietnam	Owner and operator of Tankers	13.84	13.84
Emerald Logistics Sdn. Bhd.	Malaysia	Ship chartering and management	49	49
Held by Scomi Marine Services Pte. Ltd.				
King Bridge Enterprises Ltd.	British Virgin Islands	Investment holding	49	49

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

Summarised financial information of material associates

	2018 RM'000	2017 RM'000
Revenue	119,720	135,444
Profit after tax	424	2,917
Group's share of results for the year	-	-
Group's share of reversal of impairment loss for the year	-	-
	-	-
Total assets	161,861	176,160
Total liabilities	(100,794)	(116,374)
Net assets	61,067	59,786
Group's share of associates' net assets	6,971	7,029

9. Deferred tax assets/(liabilities)

a) Recognised deferred tax assets/(liabilities)

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Tax losses and capital allowances	-	3,097	-	-	-	3,097
Property, plant and equipment	-	-	(1,700)	(4,417)	(1,700)	(4,417)
Deductible/(Taxable) temporary differences	2,183	6,028	(2,368)	(4,695)	(185)	1,333
Tax assets/(liabilities)	2,183	9,125	(4,068)	(9,112)	(1,885)	13
Set off	-	-	-	-	-	-
Net tax assets/(liabilities)	2,183	9,125	(4,068)	(9,112)	(1,885)	13

b) Movement in temporary differences during the year

	At 1.4.2016 RM'000	Recognised in profit or loss (Note 23) RM'000	Effect of movements in exchange rates RM'000	At 31.3.2017/ 1.4.2017 RM'000	Recognised in profit or loss (Note 23) RM'000	Effect of movements in exchange rates RM'000	At 31.3.2018 RM'000
Group							
Tax losses and capital allowances	3,328	(231)	-	3,097	(3,097)	-	-
Property, plant and equipment	(4,716)	494	(195)	(4,417)	2,485	232	(1,700)
Deductible/(Taxable) temporary differences	671	200	462	1,333	(2,931)	1,413	(185)
	(717)	463	267	13	(3,543)	1,645	(1,885)

c) Unrecognised deferred tax assets

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deductible temporary differences	12,709	14,748	7,304	2,582

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 the Group and the Company can utilise the benefits therefrom.

10. Trade and other receivables

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-current				
Other receivables	5,525	226	-	-
Amount due from ultimate holding company	39,195	-	39,157	-
	44,720	226	39,157	-
Current				
Trade receivables	192,810	238,622	2,030	1,808
Less: Allowance for impairment loss	(51,771)	(55,607)	-	-
Trade receivables - net	141,039	183,015	2,030	1,808
Other receivables	72,571	82,684	1,608	1,425
Deposits	2,977	4,068	-	-
Prepayments	13,457	10,853	193	116
	89,005	97,605	1,801	1,541
Amount due from:				
- ultimate holding company	9,990	36,857	581	23,378
- related companies	21,454	24,581	311	299
- subsidiaries	-	-	58,993	81,289
- joint ventures	2,134	7,986	40	6,474
- associate	167	-	-	-
	33,745	69,424	59,925	111,440
	263,789	350,044	63,756	114,789
	308,509	350,270	102,913	114,789

Group

Credit terms for trade receivables range from 30 to 90 days (2017: 30 to 90 days). No interest is charged on outstanding trade receivables within the stipulated credit period from the due date of invoice. Thereafter, interest is charged at 1.5% to 2.0% (2017: 1.5% to 2.0%) per annum on the outstanding balance.

Included in other receivables are Value-Added-Tax ("VAT") recoverable amounting to RM24 million (2017: RM36 million).

Group and Company

Amounts due from ultimate holding company and related companies are unsecured, interest free and repayable in six instalments with the final instalment by the end of 2019. The repayment includes set off by transfer of property at market value estimated at RM6.5 million. Amounts due from subsidiaries and joint ventures are unsecured, interest-free and are repayable on demand.

11. Inventories

	Group	
	2018 RM'000	2017 RM'000
At cost		
Raw materials	5,097	3,908
Finished goods	80,887	130,257
Consumables	25,746	30,757
	111,730	164,922
Recognised in profit or loss:		
Inventories recognised as cost of sales	228,350	243,876
Allowance for inventories	2,317	8,154
Inventories written down	-	378
Reversal of write-down	(4,602)	(206)

The reversal of write-down is included in cost of sales.

12. Cash and bank balances

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	46,553	99,852	38	5,249
Short-term deposits placed with licensed banks	21,122	24,940	3,251	6,105
	67,675	124,792	3,289	11,354

The effective interest rates for short-term deposits placed with licensed banks of the Group and of the Company at the end of the reporting period range from 0.18% to 6.50% (2017: 0.18% to 6.50%) per annum. Short-term deposits of the Group and of the Company have maturity periods ranging from 1 day to 365 days (2017: 1 day to 365 days).

Included in the Group's and the Company's deposits placed with licensed banks are RM20,867,000 (2017: RM20,634,000) and RM3,251,000 (2017: RM6,105,000) pledged for banking facilities granted to the Group and the Company.

13. Share capital

	Group and Company			
	2018		2017	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Ordinary shares, issued and fully paid At 1 April/31 March	1,005,535	2,341,775	1,005,535	2,341,775

Ordinary shares

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

14. Treasury shares

	Group and Company			
	2018		2017	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
At 1 April	51	154	50	149
Purchased during the year	-	-	1	5
At 31 March	51	154	51	154

None of the treasury shares repurchased has been sold as at 31 March 2018.

At the end of the financial year, 154,100 (2017: 154,100) ordinary shares are held as treasury shares at a carrying value of RM51,000 (2017: RM51,000) and the number of outstanding shares in issue after setting off against treasury shares is 2,341,621,335 shares (2017: 2,341,621,335 shares).

15. Reserves

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Translation reserve	(a)	(125,804)	(116,295)	-	-
Hedging reserve	(b)	-	16,329	-	-
Merger reserve	(c)	(443,323)	(443,323)	-	-
Capital reserve	(d)	26,881	26,881	26,881	26,881
Retained earnings		32,474	251,179	(567,853)	(67,253)
		(509,772)	(265,229)	(540,972)	(40,372)

(a) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign operation.

(b) Hedging reserve

	Group	
	2018 RM'000	2017 RM'000
At 1 April	16,329	7,161
Reclassification to other comprehensive income		
- finance costs	12,889	9,168
Reclassification to profit or loss	(29,218)	-
At 31 March	-	16,329

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

In December 2017, the Group has obtained approval from the bond holder for rescheduling of the bond payment. The Group also decided to discontinue cash flow hedge accounting. The related cumulative gain or loss recognised in other comprehensive income (hedge reserve) is reclassified into profit or loss.

(c) Merger reserve

This represents the net equity comprising the carrying amount of assets and liabilities of Scomi Oilfield Limited (Bermuda) Eastern ("SOLE"), Scomi Sosma Sdn. Bhd. ("SSSB") and Scomi KMC Sdn. Bhd. ("SKMC") as at 1 January 2011 from the consolidated financial statements of Scomi Group Bhd.

(d) Capital reserve

The capital reserve arose from the capital reduction and repayment to shareholder of the Company, completed on 29 August 2012.

16. Loans and borrowings

	Note	Group 2018 RM'000	Group 2017 RM'000
Non-current			
Guaranteed Serial Bonds - secured	(a)	76,822	49,380
Finance leases	(c)	-	27
		76,822	49,407
Current			
Guaranteed Serial Bonds - secured	(a)	27,500	52,504
Bank loans - secured	(b)	58,462	89,780
Revolving credit - secured	(b)	44,890	50,836
Finance leases	(c)	22	52
Bank overdrafts - secured		10,030	2,478
		140,904	195,650
		217,726	245,057

Reconciliation of movement of liabilities to cash flows arising from financing activities

Group

	At 1 April 2017 RM'000	Net changes from financing cash flows RM'000	Interest charge/ Amortisation cost RM'000	Foreign exchange movement RM'000	At 31 March 2018 RM'000
Guaranteed Serial Bonds	101,884	(4,460)	6,669	229	104,322
Bank loans	89,780	(26,499)	-	(4,819)	58,462
Revolving credit	50,836	(617)	-	(5,329)	44,890
Finance leases	79	(50)	-	(7)	22
Bank overdrafts	2,478	7,552	-	-	10,030
Total liabilities from financing activities	245,057	(24,074)	6,669	(9,926)	217,726

(a) RM300 million Guaranteed Serial Bonds

The Bonds are secured by an irrevocable and unconditional financial guarantee insurance policy issued by Danajamin Nasional Berhad ("Danajamin") and certain Guarantors pursuant to a financial guarantee insurance facility of an aggregate principal amount of RM300 million and such amount equivalent to 1 coupon payment obligation of the Bonds.

In December 2017, the Group has obtained approval from the bond holder to extend the tenure of the bond by another two years with revised amounts and maturity dates. There was a breach in the bond covenant on EBITDA to gross debt ratio of -0.28 (2017: -0.21), in which the Company has since obtained a waiver letter from Danajamin.

16. Loans and borrowings (continued)

(b) Bank loans and revolving credit are secured by:

(i) Assignment and charge of relevant bank accounts;
(ii) Assignment of contract proceeds;
(iii) Corporate Guarantees from the Company and certain subsidiaries of the Company;
(iv) Pledge of shares in certain subsidiaries held by the Company and certain subsidiaries of the Company;
(v) Fixed and floating charge over all the present and future assets of certain subsidiaries of the Company;
(vi) Charge on machinery and equipment of project financed; and
(vii) Top up and cash deficiency agreement in certain subsidiaries.

In previous year, two loan covenants were breached in respect of compliance with debt to net cash accruals ratio and minimum tangible net worth covenant in one of the subsidiary in the Group. These covenants remain breached as at 31 March 2018. During the year, there was an additional breach in the loan covenants in adjusted tangible net worth covenant apart from the breaches in previous year in the same subsidiary.

The non-current portion of the loan amounted to RM43,108,000 (2017: RM66,500,000) was subsequently reclassed to current liabilities as the subsidiary was unable to obtain an indulgence letter as at the end of financial year.

(c) Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2018 RM'000	Interest 2018 RM'000	Present value of minimum lease payments 2018 RM'000	Minimum lease payments 2017 RM'000	Interest 2017 RM'000	Present value of minimum lease payments 2017 RM'000
Group						
Less than one year	23	(1)	22	58	(6)	52
Between one and five years	-	-	-	28	(1)	27
	23	(1)	22	86	(7)	79

The finance leases are secured against the respective assets acquired.

17. Provision for retirement benefits

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

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

	Group	
	2018 RM'000	2017 RM'000
Present value of unfunded obligations	8,932	10,800
Unrecognised actuarial loss	-	-
At end of the financial year	8,932	10,800

17. Provision for retirement benefits (continued)

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	
	2018 RM'000	2017 RM'000
Balance at 1 April	10,800	7,359
Included in profit or loss		
Current service costs	1,621	2,645
Interest cost	258	278
Amortisation of actuarial loss	-	5
Others	(1,130)	(14)
	749	2,914
Included in other comprehensive income		
Remeasurement (gain)/loss		
Actuarial loss/(gain) arising from:		
- Demographic assumption	-	1,909
- Financial assumption	138	303
- Experience adjustment	(488)	(942)
- Foreign exchange effect	-	(213)
	(350)	1,057
Other		
Benefits paid	(2,267)	(530)
Balance at 31 March	8,932	10,800

The principal actuarial assumptions used were as follows:

	Group	
	2018	2017
Discount rates (per annum) (%)	7.0	7.5 - 8.0
Expected rates of salary increases (per annum) (%)	0.0 - 8.0	0.0 - 8.0
Normal retirement age (years)	55	55

The most recent actuarial valuation was carried out as at 24 May 2018 by independent professional actuaries using the projected unit credit method.

18. Trade and other payables

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current					
Other payables		3,738	5,693	2,923	4,834
Current					
Trade payables	(a)	129,711	152,564	5,068	10,967
Other payables		8,325	10,561	1,383	677
Accruals	(b)	78,132	72,530	798	568
		86,457	83,091	2,181	1,245
Amount payable to:					
- associates		-	574	-	751
- subsidiaries		-	-	20,900	12,431
- ultimate holding company		4,668	4,155	-	-
- related companies		10,149	13,086	1,171	950
- joint ventures		62	-	62	-
		14,879	17,815	22,133	14,132
		231,047	253,470	29,382	26,344
		234,785	259,163	32,305	31,178

Group

(a) Credit terms granted by suppliers to the Group range from cash terms to 90 days (2017: cash terms to 90 days).

(b) Included in accruals is an amount of RM0.7 million (2017: RM0.8 million) for certain legal claims brought against a subsidiary of the Group arising from the ordinary course of business. Management is uncertain of the expected utilisation of the balance provided as at 31 March 2018, but is of the view that the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at 31 March 2018.

Group and Company

The amounts payable to associates, subsidiaries, ultimate holding company, related companies and joint ventures are unsecured, interest-free and repayable on demand.

19. Derivative financial liabilities

Group	Nominal value 2018 RM'000	Liabilities 2018 RM'000	Nominal value 2017 RM'000	Liabilities 2017 RM'000
Cash flow hedges				
Cross currency interest rate swaps	(10,516)	(10,516)	(44,263)	(44,263)
	(10,516)	(10,516)	(44,263)	(44,263)
Included in:				
Non-current liabilities		-		(21,118)
Current liabilities		(10,516)		(23,145)
		(10,516)		(44,263)

Cross currency interest rate swaps ("CCIRSs")

The notional principal amount of the outstanding CCIRSs at 31 March 2018 were RM105 million (2017: RM105 million).

The Group had entered into CCIRSs during 2012 and 2013, that were designated as cash flow hedges to hedge the Group's exposure to foreign exchange risk on its Guaranteed Serial Bonds. These contracts entitled the Group to receive principal and fixed interest amounts in RM and obliged the Group to pay principal and fixed interest amounts in USD and the CCIRSs reflect the timing of these cash flows. These CCIRSs contracts have maturities of up to 4 years from 31 March 2014. The Group has assessed and continued to apply the same cash flow hedges to hedge the issued Guaranteed Serial Bonds.

The Group had hedged the entire balance of the RM denominated Guaranteed Serial Bonds. The USD interest rates on the CCIRSs contracts designated as hedging instruments in the cash flow hedges ranged from 4.08% to 7.30% per annum (2017: 4.08% to 7.30% per annum) and the interest rates in RM ranged from 4.10% to 7.20% per annum (2017: 4.10% to 7.20% per annum). In December 2017, the Group decided to discontinue its application of hedge accounting on the cash flow hedge. Gains and losses recognised on the CCIRSs as of 31 March 2018 will be continuously released to the profit or loss within finance cost until the expiry of the CCIRS.

20. Revenue

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Sales of goods	295,608	289,379	-	-
Rendering of services	119,082	90,074	-	-
Rental/Charter hire income	199,267	284,559	32,054	82,273
	613,957	664,012	32,054	82,273

21. Finance costs

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest expense on:				
- Guaranteed Serial Bonds	4,677	6,073	-	-
- Bank loans and other	6,717	5,768	-	-
- Effect of interest on CCIRSs	2,088	3,045	-	-
	13,482	14,886	-	-
Amortisation of loan arrangement	7,186	5,720	-	-
Financial assets that are not fair value through profit or loss	8,680	-	7,324	-
	15,866	5,720	7,324	-
	29,348	20,606	7,324	-

22. Loss before tax

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss before tax is stated after charging:				
Allowance for inventories	2,317	8,154	-	-
Amortisation of patent rights and development costs	258	281	-	-
Auditors' remuneration:				
KPMG Malaysia				
Statutory audit	1,213	1,213	75	75
Non-audit fees	66	141	6	6
Overseas affiliates of KPMG				
Malaysia				
Statutory audit	2,432	1,422	-	-
Other auditors				
Statutory audit	325	395	-	-
Depreciation:				
- Property, plant and equipment	80,295	95,033	26	69
- Investment properties	154	143	-	-
Impairment loss:				
- Amount due from joint venture	6,713	-	6,713	-
- Amount due from associate	371	-	371	-
- Associate	-	-	255	-
- Property, plant and equipment	4,322	303	-	-
- Receivables	10,753	15,764	-	-
- Subsidiaries	-	-	459,906	200,140
- Joint ventures	7,215	-	13,458	-
- Intangible assets	-	18,219	-	-
Inventories written down	-	378	-	-
Loss from disposal of property, plant and equipment	6,486	1,489	-	-
Net loss on foreign exchange				
- Realised	-	-	-	1,467
- Unrealised	53,685	-	9,807	-
Personnel expenses (including key management personnel):				
- Expenses related to defined benefit plans	1,542	2,914	-	-
- Wages, salaries and others	150,516	156,316	-	-
- Termination benefits	369	481	-	-
- Contribution to state plans	6,535	7,838	-	-
- Other employee benefits	14,188	17,325	-	-
Property, plant and equipment written off	817	147	-	-
Rental of premises	15,774	16,284	138	161
Rental of equipment	12,767	35,962	-	-
Termination costs for CCIRSs	29,350	-	-	-

22. Loss before tax (continued)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
and after crediting:				
Interest income from deposit placed with licensed banks	1,296	1,783	112	210
Net gain on foreign exchange				
- Realised	6,347	1,565	912	-
- Unrealised	-	37,662	-	8,746
Reclassification from hedge reserve to profit and loss due to termination of hedge accounting	29,218	-	-	-
Rental income from a related company	181	181	-	-
Reversal of impairment loss:				
- Receivables	4,764	1,321	-	-
Reversal of inventories written off	4,602	206	-	-

23. Tax expense

Recognised in profit or loss

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Current tax expense				
Malaysian income tax	167	(1,287)	-	-
Foreign income tax	13,842	12,564	-	-
Under/(over) provision in prior year	192	(1,686)	-	-
Total current tax expense	14,201	9,591	-	-
Deferred tax expense				
Origination and reversal of temporary differences	4,006	252	-	-
Over provision in prior year	(463)	(715)	-	-
Total deferred tax expense	3,543	(463)	-	-
Total income tax expense	17,744	9,128	-	-

23. Tax expense (continued)

Reconciliation of tax expense

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Loss for the year	(225,918)	(135,765)	(500,600)	(192,803)
Total income tax expense	17,744	9,128	-	-
Loss before tax	(208,174)	(126,637)	(500,600)	(192,803)
Tax calculated at the Malaysian tax rate of 24% (2017: 24%)	(49,962)	(30,393)	(120,144)	(46,273)
Tax effects of:				
- different tax rates in other countries	5,713	3,754	-	-
- expenses not deductible for tax purposes	38,486	28,701	115,422	46,273
- income not subject to tax	(2,732)	(544)	-	-
- utilisation of previously unrecognised tax losses and capital allowances	-	(16,076)	-	-
- deferred tax assets not recognised	26,510	26,087	4,722	-
- deferred tax - over provision in prior year	(463)	(715)	-	-
- current tax - under/(over) provision in prior year	192	(1,686)	-	-
Total income tax expense	17,744	9,128	-	-

24. Other comprehensive income

	2018			2017		
Group	**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 is or maybe reclassified subsequently to profit or loss						
Cash flow hedges						
- Termination of hedge	(16,329)	-	(16,329)	-	-	-
- Gains arising during the year	-	-	-	9,168	-	9,168
Foreign currency translation differences for foreign operations	(9,509)	-	(9,509)	49,951	-	49,951
Remeasurement of defined benefit liability	350	-	350	(1,270)	248	(1,022)
	(25,488)	-	(25,488)	57,849	248	58,097

25. Earnings per share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 March 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018	**2017**
Loss attributable to owners of the Company (RM'000)	(219,055)	(126,406)
Weighted average number of ordinary shares of RM0.45 each in issue ('000)	2,341,621	2,341,621
Basic earnings per share (sen)	(9.35)	(5.40)

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the end of the reporting period.

There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

26. Operating segments

Management has determined the operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM") which are used for allocating resources and assessing performance of the operating segments.

The Chief Operating Decision Maker considers the business from the industry perspective and the service rendered. The following reportable segments have been identified:

(i) Drilling Services - supply and manufacturing of equipment, supply of a wide range of specialised chemicals and provision of services.

(ii) Marine Services - provision of transportation of bulk aggregates for the coal industry and other shipping related services.

(iii) Development and Production Asset and Services - provision of services in development and management of marginal hydrocarbon assets; services encompasses preparation and execution of Field Development Plan and supplying and operations and maintenance of offshore oil and gas facilities.

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 (i.e. the Group's Chief Executive Officer). 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 cash equivalents, and mainly excludes investments, deferred tax assets and current tax assets. Segment liabilities comprise payables and exclude current tax liabilities and deferred tax liabilities.

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

26. Operating segments (continued)

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 liability.

2018	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Revenue				
External sales	485,188	127,528	1,241	613,957
Segment results				
Results from operating activities	(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 loss of equity-accounted joint ventures, net of tax	-	(32,634)	(4,029)	(36,663)
Loss before tax	(108,657)	(94,503)	(5,014)	(208,174)
Tax expense	(16,810)	(934)	-	(17,744)
Loss for the year	(125,467)	(95,437)	(5,014)	(225,918)
Other information				
Depreciation and amortisation	36,591	44,116	-	80,707
Interest income	913	383	-	1,296
Additions to non-current assets other than financial instruments and deferred tax assets	(37,262)	(147,879)	5,039	(180,102)

26. Operating segments (continued)

2017	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Revenue				
External sales	487,747	174,959	1,306	664,012
Segment results				
Results from operating activities	(49,289)	(28,816)	(1,481)	(79,586)
Realised gain/(loss) on foreign exchange	2,935	(1,370)	-	1,565
Unrealised gain on foreign exchange	29,354	8,308	-	37,662
Finance costs	(18,265)	(2,341)	-	(20,606)
Other expenses	(37,930)	(3,534)	-	(41,464)
Share of loss of equity-accounted joint ventures, net of tax	-	(19,466)	(4,742)	(24,208)
Loss before tax	(73,195)	(47,219)	(6,223)	(126,637)
Tax expense	(8,064)	(1,064)	-	(9,128)
Loss for the year	(81,259)	(48,283)	(6,223)	(135,765)
Other information				
Depreciation and amortisation	46,523	48,934	-	95,457
Interest income	1,423	360	-	1,783
Additions to non-current assets other than financial instruments and deferred tax assets	(230)	(39,085)	6,121	(33,194)

26. Operating segments (continued)

2018	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
Segment assets				
Assets employed in the segment	655,164	325,833	246	981,243
Investment in associates	-	7,439	-	7,439
Investments in joint ventures	753	-	16,003	16,756
Unallocated corporate assets:				
Current tax assets				20,174
Deferred tax assets				2,183
Total assets				1,027,795
Segment liabilities				
Liabilities in segment	369,976	87,217	4,250	461,443
Unallocated corporate liabilities:				
Current tax liabilities				15,063
Deferred tax liabilities				4,068
Derivative financial liabilities				10,516
Total liabilities				491,090
Net assets				536,705
2017				
Segment assets				
Assets employed in the segment	825,293	450,298	786	1,276,377
Investment in associates	-	7,439	-	7,439
Investments in joint ventures	1,304	41,526	10,964	53,794
Unallocated corporate assets:				
Current tax assets				27,284
Deferred tax assets				9,125
Total assets				1,374,019
Segment liabilities				
Liabilities in segment	459,561	51,655	3,804	515,020
Unallocated corporate liabilities:				
Current tax liabilities				17,513
Deferred tax liabilities				9,112
Derivative financial liabilities				44,263
Total liabilities				585,908
Net assets				788,111

26. Operating segments (continued)

Assets employed in segment consist of property, plant and equipment, receivables and cash and cash equivalents, and mainly exclude deferred tax assets and current tax assets. Liabilities in segment comprise payables and exclude current tax liabilities, deferred tax liabilities and derivative financial liabilities.

	Total revenue		Total non-current assets	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Malaysia	131,013	171,868	66,512	54,701
Indonesia	110,967	163,317	260,748	397,905
Turkmenistan	68,507	82,594	4,346	6,815
Russia	90,706	74,574	7,565	8,355
Thailand	-*	45,900	-*	6,467
	401,193	538,253	339,171	474,243

*contributed less than 10% during the current financial year

With the exception of the countries disclosed above, no other individual country contributed more than 10% of consolidated revenue or assets.

Revenue is disclosed based on the location of the sales of goods, services or rental/charter hire. Total non-current assets are determined based on where the assets are located.

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

	Revenue		Segment
	2018 RM'000	**2017 RM'000**	
Customer A	-*	82,273	**Marine**
Customer B	-*	62,373	**Oilfield**
Customer C	-*	76,016	**Oilfield**
Customer D	73,883	-*	**Oilfiled**
	73,883	220,662	

*contributed less than 10% during the current financial year

Revenue for 1 (2017: 3) major customers constitutes 12.0% (2017: 33.2%) of total consolidated revenue.

27. Financial instruments

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL") - Held for trading ("HFT"); and
(c) Financial liabilities measured at amortised cost ("FL").

2018	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
Group			
Financial assets			
Trade and other receivables*	295,052	295,052	-
Cash and bank balances	67,675	67,675	-
	362,727	362,727	-
Financial liabilities			
Loans and borrowings	(217,726)	(217,726)	-
Trade and other payables	(234,785)	(234,785)	-
Derivative financial liabilities	(10,516)	-	(10,516)
	(463,027)	(452,511)	(10,516)
Company			
Financial assets			
Trade and other receivables*	102,720	102,720	-
Cash and bank balances	3,289	3,289	-
	106,009	106,009	-
Financial liabilities			
Trade and other payables	(32,305)	(32,305)	-

* Excluding prepayments

27. Financial instruments (continued)

(a) Categories of financial instruments (continued)

2017	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL - HFT RM'000
Group			
Financial assets			
Trade and other receivables*	339,417	339,417	-
Cash and bank balances	124,792	124,792	-
	464,209	464,209	-
Financial liabilities			
Loans and borrowings	(245,057)	(245,057)	-
Trade and other payables	(259,163)	(259,163)	-
Derivative financial liabilities	(44,263)	-	(44,263)
	(548,483)	(504,220)	(44,263)
Company			
Financial assets			
Trade and other receivables*	114,673	114,673	-
Cash and bank balances	11,354	11,354	-
	126,027	126,027	-
Financial liabilities			
Trade and other payables	(31,178)	(31,178)	-

* Excluding prepayments

27. Financial instruments (continued)

(b) Net losses and gains arising from financial instruments

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net (losses)/gains on:				
Fair value through profit or loss:				
- Held for trading	(2,088)	(3,045)	-	-
Loans and receivables	(4,693)	(12,660)	(10,124)	9,357
Financial liabilities measured at amortised cost	(27,260)	(17,502)	(5,982)	(1,868)
	(34,041)	(33,207)	(16,106)	7,489

(c) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(d) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, balances and deposits placed with licensed banks.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to a joint venture and certain subsidiaries.

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.

The Group adopts the policy of dealing only with customers of appropriate credit history to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties that are regulated and with sound credit rating.

Exposure to credit risk, credit quality and collateral

The Group and the Company do not hold any collateral from their customers.

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 365 days, which are deemed to have higher credit risk, are monitored individually.

27. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:

	Group	
	2018 RM'000	**2017 RM'000**
Malaysia	27,096	15,563
Other Asia	65,933	99,630
Middle East and Africa	39,673	66,247
Other countries	8,337	1,575
	141,039	183,015

Impairment losses

The Group maintain an ageing analysis in respect of trade receivables only. The ageing of trade receivables as of the end of the reporting year was:

(i) Trade receivables that are neither past due nor impaired

The credit quality of trade receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Group 1 - new customers (less than 6 months)
Group 2 - existing customers (more than 6 months) with no defaults in the past
Group 3 - existing customers (more than 6 months) with some defaults/delays in the past. All were fully recovered.

None of the trade receivables that are fully performing has been renegotiated during the financial year. The historical information of the financial assets that are neither past due nor impaired are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Group 1	494	2,496
Group 2	54,061	76,089
Group 3	-	-
	54,555	78,585

27. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

(ii) Trade receivables that are past due but not impaired

The ageing analysis of trade receivables past due but not impaired is as follows:

Group	Gross RM'000	Individual impairment RM'000	Net RM'000
2018			
Not past due	54,555	-	54,555
Past due 0 - 30 days	40,898	-	40,898
Past due 31 - 120 days	26,136	-	26,136
More than 120 days	71,221	(51,771)	19,450
	192,810	(51,771)	141,039
2017			
Not past due	78,585	-	78,585
Past due 0 - 30 days	44,134	-	44,134
Past due 31 - 120 days	34,465	-	34,465
More than 120 days	81,438	(55,607)	25,831
	238,622	(55,607)	183,015

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2018 RM'000	2017 RM'000
At 1 April	55,607	38,482
Impairment loss recognised	10,753	15,764
Impairment loss reversed	(4,764)	(1,321)
Currency translation differences	(9,825)	2,682
At 31 March	51,771	55,607

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

27. Financial instruments (continued)

(d) Credit risk (continued)

Receivables (continued)

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to a joint venture and certain subsidiaries. The Company monitors on an ongoing basis the results of the joint venture and subsidiaries and repayments made by the joint venture and subsidiaries.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Corporate guarantees provided to banks				
- notional values	-	-	105,000	105,000

As at the end of the reporting period, there was no indication that the joint venture or any subsidiary would default on repayment.

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in short-term deposits placed with licensed banks and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group has only invested in short-term deposits placed with licensed banks. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations.

The investments and other financial assets are unsecured.

Inter-company advances

Risk management objectives, policies and processes for managing the risk

The Group and the Company provides unsecured advances to the ultimate holding company, related companies, subsidiaries and associates. The Group and the Company monitors the results of the ultimate holding company, related companies, subsidiaries and associates regularly.

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.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the ultimate holding company, related companies, subsidiaries and associates are not recoverable. The Company does not specifically monitor the ageing of current advances to the ultimate holding company, related companies, subsidiaries and associates.

27. Financial instruments (continued)

(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 cash equivalents 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 they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

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:

2018 Group	**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	58,462	1.40% - 6.05%	64,212	64,212	-	-
Finance leases	22	2.32%	23	23	-	-
Revolving credit - secured	44,890	3.44% - 6.90%	45,238	45,238	-	-
Guaranteed Serial Bonds	104,322	3.90% - 4.90%	117,596	32,563	45,090	39,943
Bank overdraft - secured	10,030	10.01% - 12.01%	10,702	10,702	-	-
Trade and other payables	234,785		234,785	234,785	-	-
	452,511		472,556	387,523	45,090	39,943
Derivative financial liabilities						
Interest rate swaps:						
- Outflow	10,516	4.08% - 7.30%	61,835	61,835	-	-
- Inflow	-	4.10% - 7.20%	(51,370)	(51,370)	-	-
	463,027		483,021	397,988	45,090	39,943
Company						
Non-derivative financial liabilities						
Trade and other payables	33,219	-	33,219	33,219	-	-
Financial guarantees	-	-	105,000	105,000	-	-

27. Financial instruments (continued)

(e) Liquidity risk (continued)

Maturity analysis (continued)

2017 Group	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	89,780	1.10% - 6.05%	94,630	94,630	-	-
Finance leases	79	2.32% - 4.70%	86	58	28	-
Revolving credit - secured	50,836	2.10% - 5.60%	51,114	51,114	-	-
Guaranteed Serial Bonds	101,884	3.90% - 4.30%	118,343	6,733	59,460	52,150
Bank overdraft - secured	2,478	6.70%	2,624	2,624	-	-
Trade and other payables	259,163	-	259,163	253,470	5,693	-
	504,220		525,960	408,629	65,181	52,150
Derivative financial liabilities						
Interest rate swaps:						
- Outflow	44,263	4.08% - 7.30%	161,154	6,970	154,184	-
- Inflow	-	4.10% - 7.20%	(115,784)	(5,235)	(110,549)	-
	548,483		571,330	410,364	108,816	52,150
Company						
Non-derivative financial liabilities						
Trade and other payables	31,178	-	31,178	26,344	4,834	-
Financial guarantees	-	-	105,000	105,000	-	-

27. 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.

The Group uses financial instruments such as currency forwards and cross currency interest rate swaps ("CCIRSs") to manage against financial risk exposures.

(i) Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily *U.S. Dollar ("USD")*.

Risk management objectives, policies and processes for managing the risk

The Group does not have a fixed policy to hedge its sales and purchases via forward contracts. These exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies wherever possible and close monitoring of the currency exposures by management.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	***Denominated in* USD**	
	2018 RM'000	**2017 RM'000**
Group		
Cash and bank balances	340	7,084
Trade and other receivables	6,891	33,878
Loans and borrowings	(46,316)	(49,894)
Trade and other payables	(31,785)	(56,678)
Net exposure	(70,870)	(65,610)

27. Financial instruments (continued)

(f) Market risk (continued)

(i) Currency risk (continued)

Currency risk sensitivity analysis

The Company's financial assets and liabilities are significantly denominated in Malaysian Ringgit ("MYR"), which is its functional currency. The Company is not significantly exposed to foreign currency risk.

A 5% (2017: 5%) strengthening/weakening of USD against MYR at the end of the reporting period would have (increased)/decreased equity and post-tax profit or loss by the amounts shown below. This analysis 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.

	Equity/Profit or loss (Increase)/Decrease	
	2018 RM'000	**2017 RM'000**
Group		
USD against RM		
- strengthened	(2,693)	(2,493)
- weakened	2,693	2,493

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk. The Group also uses hedging instruments such as cross currency interest rate swaps to minimise its exposure to interest rate volatility.

Risk management objectives, policies and processes for managing the risk

The Group manages its interest rate exposure by obtaining financing at competitive rates, which is a mix of fixed and floating interest rates borrowing instruments. The Group reviews its debt portfolio, taking into account the investment holding period and nature of its assets.

27. Financial instruments (continued)

(f) Market risk (continued)

(ii) Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Fixed rate instruments		
Financial assets	21,122	24,940
Financial liabilities	(104,344)	(101,963)
	(83,222)	(77,023)
Floating rate instruments		
Financial liabilities	(113,382)	(143,094)

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 value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Profit or loss	
Group	**100 bp Increase RM'000**	**100bp Decrease RM'000**
2018		
Floating rate instruments	(862)	862
2017		
Floating rate instruments	(1,088)	1,088

27. Financial instruments (continued)

(g) Hedging activities

Cash flow hedge

The Group has entered into an interest rate swap to hedge the cash flow risk in relation to the fixed interest rate of Guaranteed Serial Bonds. The interest rate swap has the same nominal value of RM105,000,000 (2017: RM105,000,000) and is settled every six months, consistent with the interest repayment schedule of the Bonds.

The following table indicates the periods in which the cash flows associated with the interest rate swap are expected to occur and affect profit or loss:

Group	Carrying amount RM'000	Expected cash flows RM'000	Under 1 Year RM'000	1 - 2 Years RM'000	2 - 5 Years RM'000
2018					
Interest rate swap	10,516	10,465	10,465	-	-
2017					
Interest rate swap	44,263	45,370	1,735	43,635	-

In previous year, a gain of RM5,488,000 was recognised in other comprehensive income and loss of RM3,680,000 was reclassified from equity to profit or loss as finance expenses.

On December 2017, the Group has obtained approval from the bond holder for rescheduling of the bond payment. The cash flow hedge accounting is discontinued prospectively and the hedge is no longer highly effective. The related cumulative gain or loss recognised in other comprehensive income (hedge reserve) is reclassified into profit or loss.

(h) Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings approximate 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.

27. Financial instruments (continued)

(h) Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018										
Financial liabilities										
Guaranteed Serial Bonds	-	-	-	-	-	-	104,322	104,322	104,322	104,322
Finance leases	-	-	-	-	-	-	22	22	22	22
Cross currency interest rate swaps	-	10,516	-	10,516	-	-	-	-	10,516	10,516
2017										
Financial liabilities										
Guaranteed Serial Bonds	-	-	-	-	-	-	101,884	101,884	101,884	101,884
Finance leases	-	-	-	-	-	-	79	79	79	79
Cross currency interest rate swaps	-	44,263	-	44,263	-	-	-	-	44,263	44,263

Level 2 fair value

Derivatives

The fair value of cross currency interest rate swaps is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

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 (2017: no transfer in either directions).

Level 3 fair value

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Guaranteed Serial Bonds and finance leases	Discounted cash flows using a rate based on current market rate of borrowing of the respective Group entities at the reporting date

28. 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 investor, creditor 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 that complies with debt covenants and regulatory requirements.

The debt-to-equity ratios at 31 March 2018 and 31 March 2017 were as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Total loans and borrowings (Note 16)	217,726	245,057
Less: Cash and bank balances (Note 12)	(67,675)	(124,792)
Net debt	150,051	120,265
Total equity	536,705	788,111
Debt-to-equity ratio	0.28	0.15

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

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Group has complied with this requirement.

29. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Less than one year	4,095	5,464
Between one and five years	5,562	8,408
More than five years	-	584
	9,657	14,456

The Group lease under operating leases. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are increased every year to reflect market rentals. None of the leases includes contingent rentals.

30. Capital and other commitments

	Group	
	2018 RM'000	**2017 RM'000**
Authorised capital expenditure but not recognised in the financial statements:		
Property, plant and equipment		
- not contracted for	34,847	35,241

31. Contingent liabilities (unsecured)

	Group	
	2018 RM'000	**2017 RM'000**
Taxation	2,000	2,200

The Directors are of the opinion that provisions are not required in respect of the contingent liabilities, as it is not probable that a future sacrifice of economic benefits will be required.

32. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

The Group has related party relationship with its holding companies, significant investors, subsidiaries, associates and key management personnel.

32. Related parties (continued)

Significant related party transactions

Related party transactions have been entered into the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the transactions below are shown in Notes 10 and 18.

		Group		Company	
		2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
A.	**Ultimate holding company**				
	Rental expenses for office	(838)	(1,031)	(146)	(171)
	Utilities	(8)	(15)	(8)	(15)
B.	**Related companies**				
	SAP maintenance fee expense	(2,132)	(2,275)	(151)	(276)
	Training fee	(28)	(465)	-	(125)
	Airline ticketing services - Lintas	(658)	(608)	(10)	(90)
	Rental income for office - Suria	181	181	-	-
C.	**Associates**				
	Recharge of expense paid/received on behalf	(715)	(112)	(715)	(112)
D.	**Key management personnel**				
	Salaries and short-term employee benefits	4,573	3,106	697	556
	Defined contribution plan	96	214	96	66
	Termination benefits	-	296	-	-
		4,669	3,616	793	622

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

Other key management personnel comprise persons other than the Directors of Group entities, having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly.

The estimated monetary value of Directors' benefit-in-kind is RM Nil (2017: Nil).

Certain executive officers are subject to mutual term of notice of 12 months. Upon resignation at the Group's request, they are entitled to terminate benefits up to 24 months gross salary.

33. Directors' remuneration

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-executive directors				
Fees	332[1]	376	332[1]	376
Allowances	75[2]	68	75[2]	68
	407	444	407	444
Executive directors				
Fees	748[1]	753	-	-
Allowances	14	13	-	-
	762	766	-	-
	1,169	1,210	407	444

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

[2] Meeting allowance and transport allowance for the period from 1 April 2017 to 31 March 2018 is subject to the shareholders' approval at the forthcoming AGM of the Company.

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 50 to 130 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 31 March 2018 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:

Lee Chun Fai
Director

Shah Hakim @ Shahzanim bin Zain
Director

Petaling Jaya

Date: 31 July 2018

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 50 to 130 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ramesh Veetikat Ramachandran, Passport No: Z3965153, at Petaling Jaya in the State of Selangor Darul Ehsan on 31 July 2018.

Ramesh Veetikat Ramachandran

Before me:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scomi Energy Services Bhd, which comprise the statements of financial position as at 31 March 2018 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 50 to 130.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 March 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants *("By-Laws")* and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

i) Valuation of intangible assets

Refer to Note 2(f)(i) and 2(f)(iii) – Significant accounting policies: Goodwill and other intangible assets and Note 4 - Intangible assets.

The key audit matter

As disclosed in Note 4, as at 31 March 2018, the Group has intangible assets consisting of:

a) Goodwill allocated to Oilfield Services of RM102.1 million; and

b) Other intangible assets in relation to patent of RM0.3 million and capitalised development cost of drilling waste equipment of RM4.1 million.

In relation to goodwill, the Group is required to perform an annual impairment assessment.

In relation to other intangible assets, the Group is required to assess for indicators of impairments in respect of other intangible assets. Where indicators of impairment are identified, a full impairment assessment is performed.

These assessments involve significant judgment in the application of valuation models and assumptions. As a consequence, there is a risk that goodwill and other intangible assets may be overstated.

Key Audit Matters (continued)

i) Valuation of intangible assets (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We assessed the Group's impairment model and discounted cash flow projections prepared by management and approved by Directors which support their goodwill impairment review;
- o We challenged the reasonableness of discounted cash flow projections and the evidence supporting the underlying assumptions used by the Group, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- o We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;
- o We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value;
- o We reassessed the management's assessment of the existence of impairment indicators for other intangible assets and assessed the appropriateness of the amortisation period to understand whether the amortisation period remains appropriate; and
- o We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

ii) Valuation of marine vessels

Refer to Note 2(d) – Significant accounting policies: Property, plant and equipment and Note 3 – Property, plant and equipment.

The key audit matter

As disclosed in Note 3, the Group held a significant carrying amount of marine vessels of RM258.9 million included in the Group's property, plant and equipment as at 31 March 2018. As the Marine Services sector continues to be affected by the weakening of the oil and gas, and coal markets in the recent years, this is an indication that these marine vessels might be impaired. An impairment loss of RM4.3 million has been recognised to profit or loss by the Group during the year.

The Group estimated the recoverable amount of the marine vessels by preparing a discounted cash flow projections or relying on external valuation report. These assessments involved significant judgement in the application of expert valuations or valuation models and assumptions.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

Discounted cash flow projections:

- o We assessed the Group's impairment model and discounted cash flow projections prepared by management and approved by Directors which support their marine vessels impairment review;
- o We challenged the reasonableness of discounted cash flow projections and the evidence supporting the underlying assumptions used by the Group, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- o We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;

Key Audit Matters (continued)

ii) Valuation of marine vessels (continued)

How the matter was addressed in our audit (continued)

- o We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value; and
- o We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

External valuation report:

- o We assessed the valuations report obtained from the external valuation expert engaged by the Group against the externally available market data. We also assessed the competency, capabilities and objectivity of the expert through available data research.

iii) Recoverability of trade receivables

Refer to Note 2(c) – Significant accounting policies: Financial instruments and Note 10 – Trade and other receivables.

The key audit matter

As disclosed in Note 10, the Group held a significant balance of trade receivables amounted to RM141.0 million as at 31 March 2018. There is a risk over the recoverability of these balances as the decline in oil and gas, and coal markets has affected the offshore drilling activities and coal transportation business in the past two years.

There is a significant judgement involved in assessing the adequacy of impairment loss in respect of the trade receivables balances. Therefore, there is a risk that impairment loss of trade receivables have not been adequately accounted for.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We tested the Group's controls over the receivables collection processes;
- o We assessed the accuracy of trade receivables aging report used to assess the adequacy of impairment loss of trade receivables. We also assessed the historical trading experience and collection trend of these customers;
- o We assessed the post year-end cash collections against year-end trade receivables and investigated the significant individual overdue balances by reference to recent history of recoveries on these balances and checked review the correspondences with the customers;
- o We assessed the historical accuracy of impairment loss of trade receivables and the level of bad debt write-offs during the year; and
- o We assessed the adequacy of the disclosures in the financial statements of the Group in relation to the degree of estimation involved in arriving at the impairment loss of trade receivables.

iv) Valuation of inventories

Refer to Note 2(h) – Significant accounting policies: Inventories and Note 11 – Inventories.

The key audit matter

As disclosed in Note 11, the Group has significant inventory balances of RM111.7 million as at 31 March 2018 which mainly arise from its oilfield services, such as chemicals and consumables as at 31 March 2018. As the Oilfield Services sector continues to be affected by the weakening of the oil and gas market in the recent years, this is an indication that these inventories might be slow moving or obsolete.

There is significant judgement involved in assessing the level of inventory provision required in respect of write-down of inventories. Therefore, there is a risk that write-down of inventories have not been adequately provided for.

Key Audit Matters (continued)

iv) Valuation of inventories (continued)

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We assessed the design and effectiveness of controls over identifying write-downs of inventories and obtaining an understanding of the Group's process for measuring the amount of write-down required. These controls are also designed to identify inventories that are sold below its cost;
- o We assessed the Group's provision for those inventories identified as slow moving, or potentially slow moving, by assessing the ageing of inventory maintained by the Group. We also tested the accuracy of the ageing of inventory used for this purpose; and
- o We tested a sample of inventories to sales subsequent to the year end and ascertained that these were sold at prices higher than their net book values.

v) Valuation of investment in subsidiaries (Company level)

Refer to Note 2(a)(i) – Significant accounting policies – Subsidiaries and Note 6 – Investment in subsidiaries.

The key audit matter

As at 31 March 2018, the Company has investment in subsidiaries with an aggregated carrying amount of RM383.2 million (76% of the total assets of the Company) mainly in respect of investment in Scomi Oilfield Limited as disclosed in Note 6. The entity had incurred operating losses for the financial year ended 31 March 2018. This increased the risk that the carrying amount of the Company's investment in subsidiaries might exceed their recoverable amount. Based on the impairment assessment carried by management, an impairment loss of RM459.9 million was recorded for the current year.

We identified the carrying value of the Company's investment in subsidiaries as a key audit matter because of its significance to total assets in the Company's financial statements and it required us to exercise judgement in evaluating the appropriateness of the assumptions used in deriving the recoverable amount to assess the adequacy of management impairment loss provision.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- o We reassessed the Company's assessment on indicators of impairment in investment in subsidiaries;
- o We challenged the reasonableness of cash flow projections and the evidence supporting the underlying assumptions used by the Company, by comparing to approved budgets, considering budget accuracy, cost inflation and discount rates;
- o We used our valuation experts to support us with this analysis, specifically on the discount rates used, with reference to our understanding on the business, comparisons to other similar companies and broader market considerations;
- o We assessed the sensitivity analysis on the key inputs to impairment models in order to understand the impact of reasonably possible change in key assumptions on the overall carrying value; and
- o We assessed the adequacy of the disclosures in the financial statements of the Company in relation to the key assumptions and in respect of the sensitivity of the outcome of the impairment assessment to changes in those key assumptions.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Annual Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Muhammad Azman bin Che Ani
Approval Number: 02922/04/2020 J
Chartered Accountant

Petaling Jaya

Date: 31 July 2018

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 Dato' Kamaluddin bin Abdullah (resigned on 24 January 2018) Tan Sri Nik Mohamed bin Nik Yaacob (resigned on 19 July 2018)
Scomi Oiltools Sdn Bhd	Hilmy Zaini bin Zainal (appointed on 30 April 2018) Zubaidi bin Harun (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018) Shah Hakim @ Shahzanim bin Zain (resigned on 30 April 2018)
Scomi Oiltools Pty Ltd	Hilmy Zaini bin Zainal Ian Duncan Crabb Nicholas Harold Doust (appointed on 31 October 2017) Dinesh Jayaratnam Chelvathurai (resigned on 31 October 2017)
KMCOB Capital Berhad	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud
Scomi Oiltools Ltd	Hilmy Zaini bin Zainal (appointed on 30 April 2018) Ramesh Veetikat Ramachandran (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi KMC Sdn Bhd	Aminuddin bin Omar Azaddin Hilmy Zaini bin Zainal (appointed on 17 July 2018) Shah Hakim @ Shahzanim bin Zain (resigned on 17 July 2018)
Scomi Equipment Inc (Texas, USA)	Stephen Fredrick Bracker Nicholas Harold Doust (appointed on 6 May 2018) Joseph Daniel Farrar (resigned on 6 May 2018)
Scomi Oiltools (Thailand) Ltd	Nicholas Harold Doust Mukhnizam bin Mahmud Hilmy Zaini bin Zainal (appointed on 1 May 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi Oiltools Oman LLC	<u>Authorised Managers</u> Michael George Fielding Ramesh Veetikat Ramachandran Norasazly bin Mohd Taha Muhammad Farook Khalid Muhammad Alizubair Alzubair Rashad Muhammad Alzubair Alzubair
Scomi Oiltools (Cayman) Ltd	Shah Hakim @ Shahzanim bin Zain Ramesh Veetikat Ramachandran
PT Inti Jatam Pura	Dick Sadikin Sapi'ie Mastura binti Mansor
PT Multi Jaya Persada	Dick Sadikin Sapi'ie Mastura binti Mansor
PT Scomi Oiltools	Erwin Ariyanto Mastura binti Mansor Mukhnizam bin Mahmud Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)

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 (S) Pte Ltd (Singapore)	Mukhnizam bin Mahmud Tan Hoon Gee
Scomi Oiltools (Africa) Limited	Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
KMC Oiltools India Private Limited	Pradip Kumar Sinha Mukhnizam bin Mahmud Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Wasco Oil Service Company Nigeria Limited	Chief Samuel Odu Ezediaro Michael George Fielding Ramesh Veetikat Ramachandran Hilmy Zaini bin Zainal (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi Oiltools (RUS) Limited Liability Company	Hilmy Zaini bin Zainal Mukhnizam bin Mahmud
Trans Advantage Sdn Bhd	Mukhnizam bin Mahmud Abu Zaharoff bin Abu Bakar
Scomi Anticor S.A.S	Ramesh Veetikat Ramachandran Jessie Chan Daniel Bertrand
Scomi Sosma Sdn Bhd	Hilmy Zaini bin Zainal (appointed on 30 April 2018) Zubaidi bin Harun (appointed on 30 April 2018) Wan Ruzlan Iskandar bin Wan Salaidin (resigned on 30 April 2018)
Scomi Marine Services Pte Ltd	Mukhnizam bin Mahmud Tan Hoon Gee Shah Hakim @ Shahzanim bin Zain Rohaida binti Ali Badaruddin Mohd Rashid bin Jamil (resigned on 23 July 2018)
PT Rig Tenders Indonesia Tbk	<u>Commissioners</u> Tatang Tabrani Mohammad Faisal Ibrahim Shah Hakim @ Shahzanim bin Zain Syed Abdullah bin Syed Abd Kadir <u>Directors</u> Abdul Rahman Abbas Mukhnizam bin Mahmud Mastura binti Mansor Chacko Kunjuvaru
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 Koh Eng Pew
CH Ship Management Pte Ltd	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud Tan Hoon Gee Koh Eng Pew

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
CH Logistics Pte Ltd	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud Tan Hoon Gee
Grundtvig Marine Pte Ltd	Kanesan A/L Veluppillai Mukhnizam bin Mahmud Tan Hoon Gee Koh Eng Pew
PT Batuah Abadi Lines	Mukhnizam bin Mahmud Abdul Hadi
Scomi D&P Sdn Bhd	Shah Hakim @ Shahzanim bin Zain Mukhnizam bin Mahmud
Scomi Oiltools Egypt S.A.E	Amira Saad Zaghloul Muhammad Asri bin Omar Nor Azly Taha
Scomi Argentina Sociedad Anonima (Argentina)	Osmar Ely Julio Cesar Pulisich
KMC Oiltools BV (Netherlands)	Stephen Fredrick Bracker Orangefield (Netherlands) B.V.

Analysis of Shareholdings as at 30 June 2018

Share Capital

Total Number of Issued Shares : 2,341,775,435 ordinary shares which includes 154,100 ordinary shares purchased by the Company under share buy-back scheme and retained as treasury shares

Class of shares : Ordinary shares

Voting Rights : One vote per ordinary share

No. of shareholders : 6,040

Distribution of Shareholdings

Size of Shareholdings	Shareholders		Shareholding	
	No. of holders	%	No. of shares held	%
Less than 100	55	0.91	1,278	Negligible
100 to 1,000	604	10.00	412,658	0.02
1,001 to 10,000	2,766	45.79	15,518,507	0.66
10,001 to 100,000	2,028	33.58	79,088,780	3.38
100,001 to less than 5% of issued shares	585	9.69	2,201,708,116	94.02
5% and above of issued shares	2	0.03	44,891,996	1.92
Total	**6,040**	**100.00**	**2,341,621,335**	**100.00**

List of Top Thirty (30) Largest Shareholders

No	Name of Shareholder	No. of Shares Held	%
1.	Scomi Group Bhd	1,066,967,312	45.57
2.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Scomi Group Bhd	206,041,600	8.80
3.	UOBM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Scomi Group Bhd (PCB)	173,983,800	7.43
4.	Lembaga Tabung Haji	108,317,600	4.63
5.	UOBM Nominees (Asing) Sdn Bhd TAEL One Partners Ltd for Petroworld Investments Inc	98,430,000	4.20
6.	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Scomi Group Bhd	90,000,000	3.84
7.	Maybank Nominees (Asing) Sdn Bhd Pledged Securities Account for Caprice Capital International Ltd	52,596,000	2.25
8.	Meer Sadik Bin Habib Mohamed	42,783,996	1.83
9.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt an for UOB Kay Hian Pte Ltd (A/C Clients)	35,649,000	1.52
10.	Assets Nominees (Asing) Sdn Bhd Guoline Capital Limited	16,665,400	0.71
11.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Yap Yean (60000335)	15,048,400	0.64

List of Top Thirty (30) Largest Shareholders

No	Name of Shareholder	No. of Shares Held	%
12.	Ambank (M) Berhad Pledged Securities Account for Ali Bin Abdul Kadir (SMART)	10,380,000	0.44
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tze Aw (7000019)	8,700,000	0.37
14.	SJ SEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Francis Ho Ik Sing SMT	6,739,700	0.29
15.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hon Chee Hooi (E-Skin)	6,410,400	0.27
16.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kho Chong Yau (E-TSA)	5,700,000	0.24
17.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ang Choon Kiat	5,504,000	0.24
18.	HSBC Nominees (Asing) Sdn Bhd Exempt An for Bank Julius Baer & Co. Ltd. (Singapore BCH)	5,011,500	0.21
19.	Renata Anita De Raj	4,737,000	0.20
20.	Tng Kee Meng	4,700,000	0.20
21.	Citigroup Nominees (Asing) Sdn Bhd Exempt An for OCBC Securities Private Limited (Client A/C-NR)	4,593,300	0.20
22.	Tan Yu Yeh	4,500,000	0.19
23.	Public Nomienees (Tempatan) Sdn Bhd Pledged Securities Account for Johnson Hii Chang Hium (E-PDG)	4,105,000	0.18
24.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Hee Yuen Sang (MY2105)	4,093,000	0.17
25.	Hemant Hiralal Kothari	4,059,500	0.17
26.	Low Chu Mooi	4,000,000	0.17
27.	Sng Beng Hock Michael	4,000,000	0.17
28.	Mohammed Abdul Aziz S Alajaji	3,700,000	0.16
29.	RHB Nominees (Tempatan) Sdn Bhd Soo Chew Sheng	3,606,000	0.15
30.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Poh Soon Sim (CEB)	3,459,000	0.15
	Total	**2,004,481,508**	**85.60**

Shareholdings of Substantial Shareholders

Name of substantial shareholders	Direct shareholding		Deemed interested shareholding	
	No. of shares	%	No. of shares held	%
Scomi Group Bhd	1,536,992,712[1]	65.64	350,000[2]	0.01

Notes:
[1] Includes 206,041,600 shares held through Maybank Nominees (Tempatan) Sdn Bhd and 173,983,800 shares held through UOBM Nominees (Tempatan) Sdn Bhd and 90,000,000 shares held through Affin Hwang Nominees (Tempatan) Sdn Bhd pledged Securities Account.
[2] Deemed interested by virtue of Section 8(4) of the Companies Act 2016 ("the Act") through its shareholding in Scomi Energy Sdn Bhd, which in turn is interested in the Company.

Shareholdings of Directors

Directors	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Tan Sri Nik Mohamed bin Nik Yaacob[4]	-	-	-	-
Dato' Sri Meer Sadik bin Habib Mohamed	42,783,996	1.83	547,404[1]	0.02
Dato' Jamelah Binti Jamaluddin	-	-	-	-
Ravinder Singh Grewal A/L Sarbjit S	-	-	-	-
Lee Chun Fai	-	-	-	-
Stephen Fredrick Bracker	-	-	-	-
Shah Hakim @ Shahzanim bin Zain	2,108,000[2]	0.09	56,900[3]	Negligible

Notes:
[1] Deemed interested by virtue of Section 59(11)(c) of the Act through his spouse, Datin Zarida Binti Noordin's shareholdings in the Company.
[2] Held through Maybank Securities Nominees (Tempatan) Sdn Bhd pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin).
[3] Deemed interested by virtue of Section 8(4) of the Act through his shareholdings in Rentak Rimbun Sdn Bhd, held through KAF Nominees (Tempatan) Sdn Bhd pledged securities Account for Rentak Rimbun Sdn Bhd (RE001).
[4] Resigned on 19 July 2018.

Shareholdings of Directors in Related Corporation

Name of Director	Direct Interest		Indirect Interest	
	No. of shares	%	No. of shares	%
Shah Hakim @ Shahzanim bin Zain	1,865,049[1]	0.17	88,726,369[2]	8.11

Notes:
[1] 886,214 shares held through Maybank Securities Nominees (Tempatan) Sdn. Bhd. pledged Securities Account for Shah Hakim @ Shahzanim bin Zain (Margin) and Maybank Nominees (Tempatan) Sdn. Bhd. pledged Securities Account for Shah Hakim @ Shahzanim bin Zain.
[2] Deemed interested by virtue of Section 8(4) of the Act through his shareholding in Kaspadu Sdn Bhd and Rentak Rimbun Sdn Bhd.

No	Registered Owner	Description/ Location address	Existing use	Tenure of land: Freehold or leasehold (years)/date of acquisition	Land/ Built Up area	Audited NBV as at 31.03.18 (RM '000)	Approximate age of building (FY2018)
1	P.T. Rig Tenders Indonesia, Tbk	Office building Wisma Rig Tenders Jl. Dr Saharjo No.129 Jakarta12860	Office building	Freehold 29.07.1993	Land area: n/a Built-up area: 512 sq metres	-	18 years
2	P.T. Rig Tenders Indonesia, Tbk	Land Jl. Dr Saharjo No.129 Jakarta 12860	Land for the building as mentioned in item 1	Freehold 01.01.1997	Land area: 490 sq metres Built-up area: n/a	1,479.93	n/a
3	P.T. Rig Tenders Indonesia, Tbk	Land Jl Belitung Darat No.88 Banjarmasin 70116	Land for the building as mentioned in item 4	Freehold 09.01.2003	Land area: 190 sq metres Built-up area: n/a	10.80	n/a
4	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	-	23 years
5	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	Land & building: 170	21 years

List of Properties as at 31 March 2018

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 31.03.18 (RM '000)	Approximate age of building (FY2018)
6	Scomi Sosma Sdn Bhd	Land held under Geran 250133, Lot 7627, Mukim of Sepang, Selangor Darul Ehsan	Land	Freehold 7.4.2011	Land area: 0.7412 hectares	176	n/a
		Land held under Geran 250134, Lot 7628, Mukim of Sepang, Selangor Darul Ehsan	Land	Freehold 7.4.2011	Land area: 0.6229 hectares	148	n/a
		Land held under Geran 250135, Lot 7629, Mukim of Sepang, Selangor Darul Ehsan	Land	Freehold 7.4.2011	Land area: 0.6993 hectares	166	n/a

CORPORATE

Malaysia

Scomi Group Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Energy Services Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Oiltools Sdn Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Scomi Sosma Sdn Bhd
Level 17, 1 First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Malaysia

OPERATING LOCATIONS

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

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

China
Scomi Oiltools Ltd
Beijing Representative Office
Room A0910, Tower A
North Star Huibin Plaza
No.8 Beichendonglu Road
Chao Yang District, Beijing
China

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

France
Scomi Anticor SAS
6 Avenue des Amandiers
Z.A. du Mardaric
04310 Peyruis, France

Gabon
Scomi Oiltools (Africa) Ltd
Boulevard Ondimba
BP: 1591, Port Gentil
Gabon Republic

India
KMC Oiltools India Pvt. Ltd
Unit No.305, Western Edge II
3rd Floor, Near Western Express Highway
Borivali, Mumbai 400066
Maharashtra
India

Indonesia
PT Rigtenders Indonesia TBK
Tetrapack Bld. 1st floor,
Jl. Buncit Raya Kav. 100
South of Jakarta
Indonesia

PT Scomi Oiltools
Jl. Mulawarman No.155
Rt 05, Kelurahan Manggar
Balikpapan76116
East Kalimantan
Indonesia

PT Rig Tenders Indonesia
PT Batuah Abadi Lines
Jl. Belitung Darat No.88
Rt 19, Banjarmasin
South Kalimantan
Indonesia

PT Scomi Oiltools
Jl. Raya Duri Dumai KM 131
Duri, Pekanbaru
Sumatra 28884
Indonesia

Malaysia
Global Research & Technology Centre
No. 9 Jalan Astaka U8/83
Seksyen U8, 40150 Shah Alam
Selangor Darul Ehsan
Malaysia

Scomi Oiltools Sdn Bhd (Kemaman)
Warehouse 24, Letterbox No.72
Kemaman Supply base
24007 Kemaman
Terengganu Darul Iman
Malaysia

Scomi Oiltools Sdn Bhd (Labuan)
Labuan Integrated Base
Lot 205331935, Jalan Kinabenua
Letter Box 82023
87030 Labuan Federal Territory
Labuan, Malaysia

Marine Co Limited
Level 6-D, Main Office Tower
Financial Park, Jalan Merdeka
PO Box 80887
87018 Labuan Federal Territory
Labuan, Malaysia

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

Scomi Sosma Sdn Bhd
Lot 32, Tangjung Kidurong
97000 Bintulu, Sarawak
Malaysia

Myanmar
Scomi Oiltools (Thailand) Ltd
c/o: Business Suite #4-11
Level 4, Sedona Hotel Yangon
No.1 Kaba Aye Pagoda Road
Yankin Township, Yangon
Myanmar

Nigeria
Wasco Oil Service Company Nigeria Ltd
No.9 Wharf Road, Before Onne Police Station
Onne, Rivers State,
Nigeria

Wasco Oil Service Company Nigeria Ltd
Onne Oil & Gas Free Zone Complex
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

Corporate Directory

Pakistan
Scomi Oiltools Ltd
Plot No. 212, East Service Road,
Industrial Area I-10/3
Islamabad
Pakistan

Scomi Oiltools Ltd
Plot No. A-146
SITE, Superhighway
Karachi
Pakistan

Russia
Scomi Oiltools (Rus) LLC
Bld.1, 24/2 Sretenka Str.
107045 Moscow
Russia

Scomi Oiltools (Rus) LLC
Western Siberia Office
Bld.8, 5 Kuzovatkina Str.
628600 Nizhnevartovsk
Tyumen Region
Russia

Scomi Oiltools (Rus) LLC
Western Siberia Office
Quarter 04 Block 01
Yugozapadnaya Industrial District
628305 Nefteyugansk Town
Tyumen Region
Russia

Saudi Arabia
Scomi Oiltools (Cayman) Ltd
803, 8th Floor, Al Jarbou Tower
Custodian of the Two Holy Mosque Rd
Aqrabia P.O.Box 31151
Al Khobar 31952
Saudi Arabia

Thailand
Scomi Oiltools (Thailand) Ltd
21 Floor CTI Tower, 191/45,
Ratchadapisek Road, Khet Klongtoey
Bangkok 10110
Thailand

Scomi Oiltools (Thailand) Ltd
163, Moo 6 Tumbol Lankrabue
Amphur Lankrabue
Kamphaengphet
62170 Thailand

Scomi Oiltools (Thailand) Ltd
424/9, Moo 6 Songkhla-Koh Yor Road
Amphur Muang, Songkhla
Kamphaengphet
90100 Thailand

Turkmenistan
Scomi Oiltools Ltd
Office L7, 12th Floor, Berkarar Business Center
82, Ataturk (1972) Street
744028 Ashgabat
Turkmenistan

Scomi Oiltools Ltd
(Turkmenistan Branch)
High Road 9 Kilometer
745030 Hazar
Turkmenistan

Scomi Oiltools Ltd
(Turkmenistan Branch)
Petronas Base, Turkmenbashy City
Balkan Region

UAE
Scomi Oiltools (Cayman) Ltd
Mezzanine Floor M02, Liwa Tower
P.O Box 45333, Liwa Street,
Abu Dhabi
United Arab Emirates

Scomi Oiltools (Cayman) Ltd
Oilfield Supply Centre, Building B-40,
Jebel Ali Free Zone
P.O. Box 1779
Dubai
United Arab Emirates

USA
Scomi Equipment Inc
6607 Theall Road,
Houston, TX 77066,
Texas
USA

Vietnam
Scomi Oiltools Ltd
c/o: 9A, Pham Van Nghi
Thang Nhat ward
Vung Tau City
Vietnam

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 22nd Annual General Meeting of **SCOMI ENERGY SERVICES BHD.** ("the Company") will be held at Persatuan Alumni Universiti Malaya, Lot 10476, Jalan Susur Damansara (Jalan Damansara Lama), Off Jalan Gegambir, 50480 Kuala Lumpur on Friday, 24 August 2018 at 10.00 a.m. to transact the following business:

AS ORDINARY BUSINESS:

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

1. To receive the Audited Financial Statements for the financial year ended 31 March 2018 and the Reports of the Directors and Auditors thereon. (Please refer to Note 2)

2. To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Articles of Association and being eligible, offer themselves for re-election:

   (i) Dato' Sri Meer Sadik bin Habib Mohamed (Ordinary Resolution 1)
   (ii) Lee Chun Fai (Ordinary Resolution 2)

3. To approve the payment of Directors' fees amounting to RM332,000.00 for Non-Executive Directors in respect of the financial year ended 31 March 2018. (Ordinary Resolution 3)

4. To approve the payment of Directors' Remuneration (excluding Directors' fees) to Non-Executive Directors up to an amount of RM160,000.00 from 25 August 2018 until the next Annual General Meeting of the Company. (Ordinary Resolution 4)

5. To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 March 2019 and to authorise the Directors to fix their remuneration. (Ordinary Resolution 5)

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following as Ordinary Resolutions:

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

   "That, subject always to the Companies Act 2016, the Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and the approvals of any relevant governmental and/or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot shares in the Company, at any time and from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided it does not exceed 10% of the total number of issued shares of the Company as prescribed by the MMLR at the time of issuance of shares and such authority under this resolution shall continue to be in force until the conclusion of the next Annual General Meeting of the Company or when it is required by law to be held, whichever is earlier.

7. To transact any other business of the Company for which due notice shall have been given in accordance with the Companies Act 2016 and the Articles of Association of the Company.

By Order of the Board

SIM BEE SIN (MAICSA 7056323)

Company Secretary
Petaling Jaya
Date: 31 July 2018

Note 1: Appointment of Proxy

(i) Other than an exempt authorised nominee, a member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.

(ii) Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds with ordinary shares standing to the credit of the said Omnibus Account.

(iii) Where a member or an exempt authorised nominee appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.

(iv) The instrument appointing a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.

(v) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the 22nd Annual General Meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

(vi) The lodging of a completed Form of Proxy to the Share Registrar of the Company will not preclude a member from attending and voting in person at the meeting should the member subsequently wish to do so. If a member subsequently decide to attend and vote in person at the meeting, the member is requested to rescind his/her earlier appointment of proxy(ies), and notify the Share Registrar of the Company as soon as practicable.

(vii) For the purpose of determining a member who shall be entitled to attend the forthcoming 22nd Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 54 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 17 August 2018. Only depositor whose name appears on the General Meeting Record of Depositors as at 17 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Note 2: Audited Financial Statements for the financial year ended 31 March 2018 and the Reports of the directors and Auditors thereon

The Audited Financial Statements under Agenda 1 are laid before the shareholders for discussion only as under the provisions of Section 340(1)(a) of the Companies Act 2016, the Audited Financial Statements do not require a formal approval of the shareholders and hence, the matter is not put forward for voting.

Note 3: Abstention from voting

(i) The interested Directors of the Company who are shareholders of the Company will abstain from voting on the relevant resolutions in respect of their re-election as the Director of the Company at the 22nd Annual General Meeting.

(ii) All the Non-Executive Directors of the Company who are shareholders of the Company will abstain from voting on Ordinary Resolutions 3 and 4 concerning fees and remuneration to Non-Executive Directors at the 22nd Annual General Meeting.

Note 4: Explanatory Notes on Directors' Fees

Ordinary Resolution 3

The fees for the Non-Executive Directors as set out below have been implemented since Financial Year ("FY") 2009 and the Board had agreed that the Directors' Fees in respect of FY 2018 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 FY 2018 will only be made if the proposed Resolution 3 has been approved at the 22nd Annual General Meeting of the Company.

Note 5: Explanatory Notes on Directors' Remuneration (excluding Directors' fees)

Ordinary Resolution 4

Pursuant to Section 230 of the Companies Act 2016, which came into force on 31 January 2017, any fees and benefits payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

The Company is therefore seeking the shareholders' approval for the payment of Directors' Remuneration (excluding Directors' fees) to its Non-Executive Directors for the period commencing 25 August 2018 until the next Annual General Meeting to be held in 2019 ("Relevant Period") in accordance with the remuneration structure set out below, payable as and when incurred:

1	Meeting Allowance	Board of Directors	RM1,000 per meeting
2	Meeting Allowance	Board Committee	RM1,000 per meeting
3	Transport allowance for attending Annual General Meeting, Board Meetings, Board Committee Meetings, Directors' Training and the Company's events	Non-Executive Director who is based in Malaysia but outside of Wilayah Persekutuan Kuala Lumpur and Selangor	RM500 per trip

In determining the estimated total Directors' Remuneration (excluding Directors' Fees) for the Relevant Period, the size of the Board and Board Committees and the number of meetings estimated to be held during the Relevant Period based on the above remuneration structure were taken into consideration.

Note 6: Explanatory Notes on Special Business:

Ordinary Resolution 6
- Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016

The Ordinary Resolution 6 is proposed pursuant to Sections 75 and 76 of the Companies Act 2016, and if passed, will give the Directors of the Company authority from the date of the forthcoming 22nd Annual General Meeting of the Company, to issue and allot shares in the Company at any time up to an aggregate amount not exceeding 10% of the total number of issued shares of the Company for such purposes as the Directors deem fit and in the interest of the Company ("Share Mandate"). This Share Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting of the Company is required by law to be held.

With this Share Mandate, the Company will have the flexibility to raise capital from the equity market in a shorter period of time compared to a situation without the Share Mandate, for any purpose including funding future investment project(s), working capital and/or acquisition(s) without convening an Extraordinary General Meeting ("EGM"). In addition, the costs involved will also be lower as the need to have an EGM will be dispensed with if the proposed issuance of shares is within the 10% threshold. The Company will have to seek shareholders' approval at an EGM to be convened in the event that the proposed issuance of shares exceeds the 10% threshold allowed by the Share Mandate.

The proposed resolution is to seek a renewal of the Share Mandate which was approved by the shareholders at the 21st Annual General Meeting of the Company held on 21 August 2017. As the date of this notice, no new shares in the Company were issued and allotted pursuant to that Share Mandate, which will lapse at the conclusion of the forthcoming 22nd Annual General Meeting to be held on 24 August 2018.

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 22nd Annual General Meeting and any adjournment thereof, a member of the Company is hereby:

(i) consenting to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 22nd Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 22nd Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes");

(ii) warranting that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes ("Warranty"); and

(iii) agreeing that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the Warranty.

Form of Proxy

SCOMI ENERGY SERVICES BHD
(Company No. 397979-A)
(Incorporated in Malaysia)
Registered Office: Level 17, 1 First Avenue,
Bandar Utama, 47800 Petaling Jaya,
Selangor Darul Ehsan.

CDS Account No.	
No. of Ordinary Shares Held	

I/We* ____ NRIC/Passport No. ____________________
(Full Name)

of ____
(Full Address)

being a *member/members of Scomi Energy Services Bhd, hereby appoint ____________________

____ NRIC/Passport No. ____________________
(Full Name)

of ____
(Full Address)

or failing him/her ________________________________ NRIC/Passport No ____________________
(Full Name)

of____
(Full Address)

or failing *him/her the Chairman of the Meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 22nd Annual General Meeting of the Company to be held at Persatuan Alumni Universiti Malaya, Lot 10476, Jalan Susur Damansara (Jalan Damansara Lama), Off Jalan Gegambir, 50480 Kuala Lumpur on Friday, 24 August 2018 at 10.00 a.m. or any adjournment thereof.

Resolution		**For**	**Against**
Ordinary Business			
	To re-elect the following Directors who retire by rotation in accordance with Article 86 of the Company's Articles of Association and being eligible, have offered themselves for re-election:-		
Ordinary Resolution 1	(i) Dato' Sri Meer Sadik bin Habib Mohamed		
Ordinary Resolution 2	(ii) Lee Chun Fai		
Ordinary Resolution 3	To approve the payment of Directors' fees amounting to RM332,000.00 for Non-Executive Directors in respect of the financial year ended 31 March 2018.		
Ordinary Resolution 4	To approve the payment of Directors' Remuneration (excluding Directors' fees) to Non-Executive Directors up to an amount of RM160,000.00 from 25 August 2018 until the next Annual General Meeting of the Company.		
Ordinary Resolution 5	To re-appoint KPMG PLT as Auditors of the Company for the financial year ending 31 March 2019 and to authorise the Directors to fix their remuneration.		
Special Business			
Ordinary Resolution 6	Authority to Issue and Allot Shares Pursuant to Sections 75 and 76 of the Companies Act 2016.		

Please indicate with a tick mark ("✔") in the space provided to show how you wish your vote to be casted. If no specific direction as to voting is given, the proxy will vote or abstain at his/her discretion.

Dated this _________ *day of* ____________________ *2018*   *Signature/Seal* ______________________________

Fold this flap for sealing

Notes:

(i) Other than an exempt authorised nominee, a member of the Company entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote on his/her behalf. A proxy may but need not be a member of the Company.

(ii) Where a member is an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, who holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds with ordinary shares standing to the credit of the said Omnibus Account.

(iii) Where a member or an exempt authorised nominee appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.

(iv) The instrument appointing a proxy, in the case of an individual shall be signed by the appointer or his/her attorney duly authorised in writing and in the case of a corporation, either under seal or under the hand of an officer or attorney duly authorised. If no name is inserted in the space for the name of your proxy, the Chairman of the Meeting will act as your proxy.

(v) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the office of the Share Registrar of the Company, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time for holding the 22nd Annual General Meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

(vi) The lodging of a completed Form of Proxy to the Share Registrar of the Company will not preclude a member from attending and voting in person at the meeting should the member subsequently wish to do so. If a member subsequently decide to attend and vote in person at the meeting, the member is requested to rescind his/her earlier appointment of proxy(ies), and notify the Share Registrar of the Company as soon as practicable.

(vii) For the purpose of determining a member who shall be entitled to attend the forthcoming 22nd Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 54 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 17 August 2018. Only depositor whose name appears on the General Meeting Record of Depositors as at 17 August 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Personal Data Privacy:

By lodging of a completed Form of Proxy to the Share Registrar of the Company for appointing a proxy(ies) and/or representative(s) to attend and vote in person at the 22nd Annual General Meeting and any adjournment thereof, the member accepts and agrees to the personal data privacy terms as set out in the Notice of 22nd Annual General Meeting dated 31 July 2018.

Then fold here

Affix
Stamp

The Registrar of Scomi Energy Services Bhd
Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia

1st fold here

Scomi Energy Services Bhd (397979-A)
Level 17, 1 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia
T +603 7717 3000   F +603 7728 5258
W www.scomienergy.com.my