

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2014

	3 months ended 30 Sep 2014 RM'000	3 months ended 30 Sep 2013 RM'000	Cumulative period 6 months ended 30 Sep 2014 RM'000	Cumulative period 6 months ended 30 Sep 2013 RM'000
Revenue	389,354	330,368	755,082	651,238
Cost of sales	(309,183)	(253,723)	(593,714)	(492,349)
Gross profit	80,171	76,645	161,368	158,889
Other operating income	486	6,001	1,176	13,777
Administrative expenses	(28,323)	(27,382)	(55,013)	(59,415)
Marketing and selling expenses	(19,213)	(17,302)	(38,181)	(36,134)
Other operating expenses	-	(6)	-	(6)
Finance expenses	(7,024)	(8,329)	(13,472)	(14,972)
Share of results of JV and associates	1,261	1,406	2,252	2,845
Profit before taxation	27,358	31,033	58,130	64,984
Taxation	(8,832)	(7,517)	(17,353)	(16,598)
Profit for the period	18,526	23,516	40,777	48,386
Other comprehensive income				
Currency translation differences	25,773	13,687	15,591	29,497
Cash flow hedges	6,633	(12,273)	4,872	(11,147)
	32,406	1,414	20,463	18,350
Total comprehensive income for the period	50,932	24,930	61,240	66,736
Profit attributable to :				
Owners of the Company	18,505	25,069	42,173	48,592
Non-controlling interests	21	(1,553)	(1,396)	(206)
Profit for the period	18,526	23,516	40,777	48,386
Total comprehensive income attributable to:				
Owners of the Company	50,911	26,483	62,636	66,942
Non-controlling interests	21	(1,553)	(1,396)	(206)
	50,932	24,930	61,240	66,736
Earnings per share				
- Basic and diluted (Sen)	0.79	1.07	1.80	2.08

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	As at 30 Sep 2014 RM'000	As at 31 Mar 2014 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		538,626	561,757
Investment properties		2,416	2,516
Investment in associates		259	124
Investment in joint venture		62,255	54,935
Intangible assets		114,392	114,332
Deferred tax assets		8,459	9,157
Receivables		109	141
		<u>726,516</u>	<u>742,962</u>
CURRENT ASSETS			
Inventories		215,658	214,739
Receivables, deposits and prepayments		527,000	508,000
Tax recoverable		17,386	11,952
Short term deposits, cash and bank balances	B8	229,722	184,443
		<u>989,766</u>	<u>919,134</u>
TOTAL ASSETS		<u>1,716,282</u>	<u>1,662,096</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,005,535	1,005,535
Treasury shares		(48)	(48)
Other reserves	B10	(623,714)	(644,177)
Retained earnings	B12	354,225	312,052
Total equity attributable to owners of the Company		<u>735,998</u>	<u>673,362</u>
Non-controlling interests		66,872	68,483
TOTAL EQUITY		<u>802,870</u>	<u>741,845</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term borrowings	B9	235,644	223,460
Provision for retirement benefits		11,766	5,952
Other payables		2,665	2,676
Derivative financial liabilities	B11	12,797	23,715
Deferred tax liabilities		3,482	5,418
		<u>266,354</u>	<u>261,221</u>
CURRENT LIABILITIES			
Trade and other payables		346,747	390,567
Short term borrowings	B9	280,343	246,090
Derivative financial liabilities	B11	2,885	5,378
Current tax liabilities		17,083	16,995
		<u>647,058</u>	<u>659,030</u>
TOTAL LIABILITIES		<u>913,412</u>	<u>920,251</u>
TOTAL EQUITY AND LIABILITIES		<u>1,716,282</u>	<u>1,662,096</u>
Net assets per share (RM)		<u>0.31</u>	<u>0.29</u>

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

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	Attributable to owners of the Company							
	Share capital RM '000	Treasury shares RM'000	Share premium RM '000	Other reserves RM '000	Retained earnings RM '000	Total RM '000	Non- controlling interests RM '000	Total equity RM '000
As at 1 April 2014	1,005,535	(48)	-	(644,177)	312,052	673,362	68,483	741,845
Total comprehensive income for the year	-	-	-	20,463	42,173	62,636	(1,396)	61,240
Dividends paid to non-controlling interest of subsidiary	-	-	-	-	-	-	(215)	(215)
As at 30 September 2014	1,005,535	(48)	-	(623,714)	354,225	735,998	66,872	802,870
Audited								
As at 1 April 2013	1,005,535	(48)	-	(660,680)	219,918	564,725	70,349	635,074
Total comprehensive income for the year	-	-	-	26,762	81,875	108,637	(944)	107,693
Dividends to shareholders' of a subsidiary	-	-	-	-	-	-	(922)	(922)
Share options								
- value of options terminated/lapsed	-	-	-	(10,259)	10,259	-	-	-
As at 31 March 2014	1,005,535	(48)	-	(644,177)	312,052	673,362	68,483	741,845

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

UNAUDITED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	Note	6 months ended 30 Sep 2014 RM'000	6 months ended 30-Sep-2013 RM'000
Cash Flows From Operating Activities			
Profit before taxation		58,130	64,984
Adjustments for non-cash items:		57,340	43,353
Changes in working capital:			
Inventories		(920)	(8,354)
Receivables, deposits and prepayments		(18,977)	(25,381)
Payables		(33,190)	(10,002)
Cash generated from operations		<u>62,383</u>	<u>64,600</u>
Tax paid		(17,345)	(10,596)
Interest received		1,110	484
Net cash generated from operating activities		<u>46,148</u>	<u>54,488</u>
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		38	393
Purchase of property, plant and equipment		(30,602)	(34,497)
Additional investment in joint controlled entity		(7,569)	-
Net cash used in investing activities		<u>(38,133)</u>	<u>(34,104)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(5,192)	(19,719)
Proceeds from borrowings		53,974	9,623
Interest paid on borrowings		(13,472)	(14,972)
Increase in short term deposit pledged as securities		(45,930)	(42,619)
Dividend paid to minority shareholders of subsidiary		(215)	-
Net cash used in financing activities		<u>(10,835)</u>	<u>(67,687)</u>
Net decrease in cash and cash equivalents		(2,820)	(47,303)
Cash and cash equivalents at beginning of the period		125,435	139,292
Currency translation differences		2,057	(5,307)
Cash and cash equivalents at end of the period	B8	<u>124,672</u>	<u>86,682</u>

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

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

A1 Basis of Preparation of interim financial reports

The interim financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 March 2014 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in associates and joint ventures as at and for the quarter ended 30 September 2014.

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for year ended 31 March 2014.

As of 1 April 2014, the Group has adopted the following MFRSs and amendments which are effective for annual periods beginning on or after 1 January 2014.

Effective for annual periods commencing on or after 1 January 2014

Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>
Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>
Amendments to MFRS 132	<i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 136	<i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IC Interpretation 21	<i>Levies</i>

The adoption of the above MFRSs and amendments does not have any material impact on the financial statements.

A1 Basis of Preparation of interim financial reports (“continued”)

The following MFRS, amendments and interpretations to existing standards that are applicable to the Group but not yet effective and have not been early adopted.

Effective for annual periods commencing on or after 1 July 2014

Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)</i>
Amendments to MFRS 2	<i>Share-based Payment (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 3	<i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>
Amendments to MFRS 8	<i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 13	<i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 119	<i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i>
Amendments to MFRS 124	<i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 138	<i>Intangible Assets (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 140	<i>Investment Property (Annual Improvements 2011-2013 Cycle)</i>

Effective for annual periods commencing on or after 1 January 2016

MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 116	<i>Property, plant and equipment (Clarification of Acceptable Methods of Depreciation and Amortisation)</i>
Amendments to MFRS 138	<i>Intangibles Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)</i>
Amendments to MFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>

A1 Basis of Preparation of interim financial reports (“continued”)

Effective for a date yet to be confirmed

MFRS 9	<i>Financial Instruments (2009)</i>
MFRS 9	<i>Financial Instruments (2010)</i>
MFRS 9	<i>Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures</i>

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

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.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

A2 Audit Report for Preceding Annual Financial Statements

The audit report for the Group’s annual financial statements for the year ended 31 March 2014 was not subject to any qualification.

A3 Seasonal or Cyclical Factors

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

A4 Unusual Items

There are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review.

A5 Significant Estimates and Changes in Estimates

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date including impairment of intangible assets, depreciation on property, plant and equipment, and deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances.

There were no material changes in estimates reported in the current quarter under review.

A6 Debt and Equity Securities

There has been no further repurchase of shares since the last quarter.

A7 Dividends Paid / Payable

There were no dividends paid during the quarter and financial period ended 30 September 2014.

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A8 Segmental Reporting

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

Revenue and results for six months ended 30 September 2014

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
REVENUE			
External sales	605,807	149,275	755,082
RESULTS			
Profit from operations	67,645	529	68,174
Finance costs	(12,602)	(870)	(13,472)
Other operating income	208	968	1,176
Share of results in associates	-	(120)	(120)
Share of results in joint ventures	-	2,372	2,372
Profit before tax	55,251	2,879	58,130
Taxation	(15,647)	(1,706)	(17,353)
Profit for the period	39,604	1,173	40,777
Other information			
Depreciation and amortisation	23,171	20,051	43,222
Interest income	888	222	1,110

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A8 Segmental Reporting ("continued")

Revenue and results for six months ended 30 September 2013

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
REVENUE			
External sales	568,891	82,347	651,238
RESULTS			
Profit from operations	69,983	6,644	76,627
Finance costs	(12,944)	(2,028)	(14,972)
Other operating income	334	150	484
Share of results in associates	-	(95)	(95)
Share of results in joint ventures	-	2,940	2,940
Profit before tax	57,373	7,611	64,984
Taxation	(14,884)	(1,714)	(16,598)
Profit for the period	42,489	5,897	48,386
Other information			
Depreciation and amortisation	20,475	18,851	39,326
Interest income	334	150	484

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A8 Segmental Reporting (“continued”)

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2014			
ASSETS			
Assets employed in the segment	1,118,234	509,689	1,627,923
Investment in associates	-	259	259
Investment in joint venture	452	61,803	62,255
	<u>1,118,686</u>	<u>571,751</u>	1,690,437
<u>Unallocated corporate assets:</u>			
Tax recoverable			17,386
Deferred tax assets			8,459
Total assets			<u><u>1,716,282</u></u>
LIABILITIES			
Liabilities in segment	<u>514,178</u>	<u>362,987</u>	877,165
<u>Unallocated corporate liabilities:</u>			
Tax payable			17,083
Deferred tax liabilities			3,482
Derivatives financial instruments			15,682
Total liabilities			<u><u>913,412</u></u>
Net assets			<u><u>802,870</u></u>

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A8 Segmental Reporting ("continued")

	Oilfield Services RM'000	Marine Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2013			
ASSETS			
Assets employed in the segment	995,248	505,531	1,500,779
Investment in associates	-	281	281
Investment in joint venture	-	53,384	53,384
	<u>995,248</u>	<u>559,196</u>	<u>1,554,444</u>
<u>Unallocated corporate assets:</u>			
Tax recoverable			20,488
Deferred tax assets			12,714
Total assets			<u><u>1,587,646</u></u>
LIABILITIES			
Liabilities in segment	<u>495,570</u>	<u>344,342</u>	839,912
<u>Unallocated corporate liabilities:</u>			
Tax payable			17,667
Deferred tax liabilities			2,463
Derivatives financial instruments			25,794
Total liabilities			<u><u>885,836</u></u>
Net assets			<u><u>701,810</u></u>

A9 Valuation of Property, Plant and Equipment

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

A10 Material Subsequent Events

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

A11 Changes in Composition of the Group

There were no changes in the composition of the Group during the period under review.

A12 Contingent Liabilities

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

	RM'000
Contingent liabilities arising from tax matters	<u>1,600</u>

A13 Capital Commitments

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

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Property	-	3,473	3,473
Plant & Machinery	8,109	63,471	71,580
Vessels	81,938	16,280	98,218
Others	458	13,765	14,223
	<u>90,505</u>	<u>96,989</u>	<u>187,494</u>

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A13 Capital Commitments (“continued”)

The future minimum lease payments under non-cancellable operating leases as at 30 September 2014 are as follows:

	Total outstanding RM'000	Expiring within one year RM'000	Expiring between one to five years RM'000
In respect of:			
Building	5,676	3,109	2,567
Plant & Machinery	1,678	1,060	618
Vessels	3,508	2,819	689
Others	1,004	776	228
	<u>11,866</u>	<u>7,764</u>	<u>4,102</u>

A14 Related party transactions

	3 months ended 30 Sep 2014 RM'000	6 months ended 30 Sep 2014 RM'000
Holding company		
Rental expenses	<u>431</u>	<u>852</u>
Transactions with companies in which certain substantial shareholders have interest		
Lease of office equipment	43	77
Provision of human resources services	51	119
Administration fees charged	26	63
Air ticket cost charged	295	703
Office rental paid/payable	<u>43</u>	<u>86</u>
Transactions with joint ventures		
Chartering services paid/payable	<u>2,099</u>	<u>4,191</u>

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

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

B1 Review of Operating Segments

The Group has two reportable segments which are Oilfield Services and Marine Services. Oilfield Services provides integrated drilling fluids, drilling waste management solutions and production chemicals while Marine Services consist of coal transportation and offshore support vessel services.

Current quarter vs. corresponding quarter of the preceding year

	Revenue		Profit/(loss) before tax	
	3 Months to		3 Months to	
	30 Sep	30 Sep	30 Sep	30 Sep
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Oilfield Services	317,334	290,780	28,397	28,930
Marine Services	72,020	39,588	(1,039)	2,103
	<u>389,354</u>	<u>330,368</u>	<u>27,358</u>	<u>31,033</u>

Group

Group revenue for the current quarter increased by RM59.0 million or 17.9% compared to corresponding quarter of the preceding year ("2QFY2014"), mainly due to increase in activity levels in the Oilfield Services division, as well as additional revenue from a new coal transport contract in the Marine Services division.

Profit before tax for the current quarter decreased by RM3.7 million or 11.8% compared to 2QFY2014, primarily due to lower margins derived from both divisions.

Oilfield Services

The segment's revenue for the current quarter increased by RM26.6 million or 9.1% as compared to 2QFY2014, mainly due to higher revenue from key international markets namely Indonesia and Turkmenistan. These countries continue to generate steady and positive results for the Group.

Profit before tax recorded a slight decrease of RM0.5 million or 1.8% compared to 2QFY2014, mainly due to lower margins as a result of product mix.

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B1 Review of Operating Segments (“continued”)

Marine Services

The segment revenue for the current quarter was higher by RM32.4 million or 81.9% compared to 2QFY2014 mainly due to additional contribution from a new coal logistic contract with a utility service company.

The segment posted comparatively lower profit before tax for the quarter, due to lower utilisation rate of vessels from the Marine Services division.

2Q YTD FY2015 vs. 2Q YTD FY2014

	Revenue		Profit before tax	
	6 Months to		6 Months to	
	30 Sep	30 Sep	30 Sep	30 Sep
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Oilfield Services	605,807	568,891	55,251	57,373
Marine Services	149,275	82,347	2,879	7,611
	<u>755,082</u>	<u>651,238</u>	<u>58,130</u>	<u>64,984</u>

Group

Group revenue for the 2Q YTD FY2015 increased by RM103.8 million or 15.9% compared to 2Q YTD FY2014, mainly due to increase in activity levels in the Oilfield Services division, as well as additional revenue from a new coal logistic contract in the Marine Services division.

Profit before tax for the current quarter decreased by RM6.9 million or 10.5% compared to 2Q YTD FY2014, primarily due to lower margins derived from both divisions.

Oilfield Services

The segment’s revenue for current quarter increased by RM36.9 million or 6.5% as compared to 2Q YTD FY2014, mainly due to higher revenue from key international markets namely Indonesia and Turkmenistan. These countries continue to generate steady and positive results for the Group.

Profit before tax recorded a slight decrease of RM2.1 million or 3.7% compared to 2Q YTD FY2014, mainly due to lower margins as a result of product mix.

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Marine Services

The segment revenue for the current quarter was higher by RM66.9 million or 81.3% compared to 2Q YTD FY2014 mainly due contribution from a new coal logistic contract with a utility service company.

The segment posted comparatively lower profit before tax for the year to date, due to lower utilisation rate of vessels and lower contribution from the coal segment arising from the current weak coal market.

B2 Review of Operating Segments as Compared to Preceding Quarter

	Revenue		Profit/ (loss) before tax	
	3 Months to		3 Months to	
	30 Sep	30 June	30 Sep	30 June
	2014	2014	2014	2014
Operating Segments:				
Oilfield Services	317,334	288,473	28,397	26,854
Marine Services	72,020	77,255	(1,039)	3,918
	<u>389,354</u>	<u>365,728</u>	<u>27,358</u>	<u>30,772</u>

Group revenue for the current quarter increased by RM23.6 million or 6.5% compared to immediate preceding quarter ("1QFY2015"), mainly due to higher activity levels in the Oilfield Services division particularly in Malaysia, Thailand and Indonesia.

Profit before tax for the current quarter decreased by RM3.4 million or 11.1% compared to 1QFY2015, primarily from lower profits of the Marine division. This is due to lower profits from the coal division as utilization of its vessels reduced.

Oilfield Services

The segment's revenue for current quarter increased by RM28.9 million or 10.0% as compared to 1QFY2015, mainly due to higher activity levels in Malaysia, Thailand and Indonesia.

Profit before tax recorded a slight increase of RM1.5 million or 5.7% compared to 1QFY2014, mainly due to higher revenue generated during 2QFY2015.

B2 Review of Operating Segments as Compared to Preceding Quarter
("continued")

Marine Services

The segment revenue for the current quarter and profit before tax was lower by RM5.2 million or 6.8% and RM5.0 million or 126.6% respectively, compared to 1QFY2014. This was mainly due to lower utilisation rate of vessels and lower contribution from coal shipment arising from from the current weak coal market.

B3 Current Financial Year Prospects

Group

Oilfield Services continues to be the major contributor to both revenue and profit. Therefore, the performance of Oilfield Services will have a major bearing on the Group's performance. We are expecting a better second half for FY2015 in anticipation of pick up of its operations within the South East Asian Region. However, the recent drop in oil price could have some impact to the E&P activities.

Oilfield Services

The outlook for the year is positive inspite of the lower activity level in Q2. The activity slowdown in 1HFY15 in Malaysia is expected to turnaround in late Q3 with additional rigs forecasted and new contracts commencing. Activity in Indonesia, Thailand, Myanmar and Turkmenistan is forecast to increase. Improving efficiency and service quality remains the top priority.

Marine Services

The scale-down of mining activities as a result of lower coal prices in Indonesia has affected production output and consequently the volume of tonnage transported for the coal segment. This has affected our carrying volume and we remain cautious for financial year 2015 for this division. For the offshore division, with the continued growth of the oil and gas industry in the region, we are working to improve the fleet utilization and add to the existing fleet via acquisition or construction. The division continue to rationalize its operations to ensure cost optimisation and improve its profitability.

Integrated Drilling Services

SESB secured the Ophir RSC during the current quarter, where it has a 30% interest through its subsidiary, Scomi D&P Sdn Bhd. The project is expected to contribute to the Group from 2QFY2016. We continue to build our capabilities in this segment, with a view to support the above RSC while exploring other opportunities.

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B4 Profit Forecast

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

B5 Corporate Proposals

The Group proposed a renounceable Rights Issue of up to RM140,506,526 nominal value of 5 year Redeemable Convertible Bonds at 100% of its nominal value ("Convertible Bond") on the basis of RM6.00 in nominal value of convertible bonds for every 100 existing ordinary shares of RM0.45 each in the Company subscribed on an entitlement date ("Entitled Shareholders") to be determined. The proposed Rights Issue of Convertible Bonds is renounceable in full or in part. Any unsubscribed Convertible Bonds shall be offered to the other Entitled Shareholders in a fair and equitable manner, and on a basis to be determined by the Board and announced later by the Company.

An application will be made for the listing of and quotation for the Convertible Bonds and the new shares arising from the conversion of the Convertible Bonds.

The gross proceeds raised from the Proposed Rights Issue of Convertible Bonds will be utilised as follows:-

	Amount (RM'000)
To repay the bridging loan	45,000
Working capital / investments	92,007
Defray estimated expenses relating to the Proposed Rights Issue of Convertible Bonds	<u>3,500</u>
	<u>140,507</u>

The breakdown of the working capital requirements of RM92.01 million are as follows:

	Amount RM'000
Projects relating to oilfield and integrated services ⁽¹⁾	50,667
Projects relating to marine vessels ⁽¹⁾	24,000
Other working capital requirements ⁽²⁾	8,000
Minimum coupon requirement ⁽³⁾	<u>9,340</u>
Total	<u>92,007</u>

B5 Corporate Proposals (“continued”)

Notes:

- (1) SESB Group contains 2 divisions, oilfield services division and marine services division. Oilfield and integrated activities include integrated drilling fluids, drilling waste management solutions, multiple drilling services and production enhancement technologies. Marine vessels comprises, amongst others, marine transportation for the coal industry and offshore support vessels to the oil and gas sector. In addition to the working capital for the development for Ophir field, the funds raised is to strengthen the Group’s financial position to undertake future investments in oilfield and marine services operations. Todate, the SESB Group has yet to enter into any new contracts relating to oilfield services or marine services. Any excess/shortfall in the actual amount utilised for oilfield and marine services projects would be adjusted to/from other working capital requirements.
- (2) This is to be used to fund its working capital including but not limited to salaries, overheads and purchase of raw materials.
- (3) This is to prefund the estimated minimum coupon requirement of the Convertible Bonds, which is equivalent to 12 months projected coupon on the Convertible Bonds.

The proposed Rights Issue of the Convertible Bond is pending completion. Subject to the relevant approvals being obtained, the Proposed Rights Issue of Convertible Bonds is expected to be completed by the first quarter of FY2016.

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B6 Profit before taxation

	Current quarter 3 months ended 30 Sep 2014 RM'000	Current quarter 3 months ended 30 Sep 2013 RM'000	Cumulative period 6 months ended 30 Sep 2014 RM'000	Cumulative period 6 months ended 30 Sep 2013 RM'000
The profit before taxation is arrived at after (charging)/crediting:				
Interest income	790	317	1,110	484
Depreciation and amortisation	(21,409)	(20,773)	(43,222)	(39,326)
Recovery/written-back of doubtful debts	-	517	-	4,278
(Loss)/gain on foreign exchange - net	(1,680)	8,203	(2,180)	10,428
Gain/(loss) on disposal of property, plant and equipment	163	387	(57)	691
Interest expense	(7,024)	(8,329)	(13,472)	(14,972)
Share of results of associates	(52)	(71)	(120)	(95)
Share of results of joint venture	1,313	1,477	2,372	2,940

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B7 Taxation

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

	Current quarter 3 months ended 30 Sep 2014 RM'000	Current quarter 3 months ended 30 Sep 2013 RM'000	Cumulative period 6 months ended 30 Sep 2014 RM'000	Cumulative period 6 months ended 30 Sep 2013 RM'000
Malaysian income tax				
- current year	1,055	539	1,729	4,294
- prior year	-	2,133	-	2,133
Foreign income tax				
- current year	7,777	3,132	15,624	8,458
- prior year	-	1,713	-	1,713
Total income tax	<u>8,832</u>	<u>7,517</u>	<u>17,353</u>	<u>16,598</u>
Effective tax rate	<u>32.3%</u>	<u>24.2%</u>	<u>29.9%</u>	<u>25.5%</u>

The effective tax rate for the current quarter is higher than the Malaysian tax rate of 25% mainly because of:-

- (1) Marine segment taxation that is based on revenue instead of profit in Indonesia and;
- (2) The tax effects of the different tax rates in various jurisdictions and certain expenses not deductible for tax purposes;

The above mentioned income tax is related to the revenues and profits recorded by the operating subsidiaries and there are no group relief for losses.

B8 Short term deposits, cash and bank balances

Short term deposits, cash and bank balances at the end of the reporting period comprise of:-

	As at 30 Sep 2014 RM'000
Cash and bank balances	76,233
Short term deposits with licensed banks	153,489
	<u>229,722</u>
Less : restricted cash	(102,465)
Less : bank overdraft	<u>(2,585)</u>
Cash and cash equivalents	<u>124,672</u>

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B8 Short term deposits, cash and bank balances (“continued”)

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

B9 Borrowings

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

	Current RM'000	Non- Current RM'000	Total RM'000
Borrowings – secured	<u>280,343</u>	<u>235,644</u>	<u>515,987</u>

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

	RM'000
Ringgit Malaysia	327,485
US Dollar*	183,287
Others	<u>5,215</u>
Total	<u>515,987</u>

* *These relate to working capital loans.*

B10 Other reserves

	As at 30 Sep 2014 RM'000	As at 31 Mar 2014 RM'000
Capital reserve	26,881	26,881
Exchange fluctuation reserves	(195,585)	(211,176)
Hedging reserve	(11,687)	(16,559)
Merger reserve	<u>(443,323)</u>	<u>(443,323)</u>
	<u>(623,714)</u>	<u>(644,177)</u>

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B11 Derivative Financial Liabilities

	Current RM'000	Non- Current RM'000	Total RM'000
Derivatives used for hedging			
Cross currency interest rate swaps ("CCIRS") at fair value	2,885	12,797	15,682

The notional principal amounts of the outstanding CCIRSs at 30 September 2014 were RM270 million.

The Group had entered into CCIRS 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 Bond. These contracts entitle the Group to receive principal and fixed interest amounts in RM and oblige the Group to pay principal and fixed interest amounts in USD and the CCIRSs reflect the timing of these cash flows. These CCIRS contracts have maturities of up to 4 years from 31 March 2014.

B12 Retained Earnings

	As at 30 Sep 2014 RM'000	As at 31 Mar 2014 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,245,630	1,200,452
- Unrealised	(316,172)	(310,915)
	<u>929,458</u>	<u>889,537</u>
Total share of retained earnings from associated companies:		
- Realised	(16,853)	(16,733)
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	25,720	23,348
- Unrealised	-	-
	<u>938,325</u>	<u>896,152</u>
Less : Consolidation adjustments	(584,100)	(584,100)
Total retained earnings	<u><u>354,225</u></u>	<u><u>312,052</u></u>

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B13 Earnings Per Share

	Current quarter	Current quarter	Cumulative period	Cumulative period
	3 months ended	3 months ended	6 months ended	6 months ended
	30 Sep 2014	30 Sep 2013	30 Sep 2014	30 Sep 2013
	RM'000	RM'000	RM'000	RM'000
<u>Basic and diluted earnings per share</u>				
Profit for the period	<u>18,505</u>	<u>25,069</u>	<u>42,173</u>	<u>48,592</u>
Issued and paid-up capital	2,341,775	2,341,775	2,341,775	2,341,775
Less : Treasury shares	<u>(145)</u>	<u>(145)</u>	<u>(145)</u>	<u>(145)</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,341,630</u>	<u>2,341,630</u>	<u>2,341,630</u>	<u>2,341,630</u>
Basic earnings per share (sen)	<u>0.79</u>	<u>1.07</u>	<u>1.80</u>	<u>2.08</u>

B14 Material Litigation

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

B15 Proposed Dividend

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

B16 Authorised For Issue

The interim financial statements were authorised for issue on 20 November 2014 by the Board of Directors.