

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 30 SEPTEMBER 2015

	3 months ended 30 Sep 2015 RM'000	3 months ended 30 Sep 2014 RM'000	Cumulative period 6 months ended 30 Sep 2015 RM'000	Cumulative period 6 months ended 30 Sep 2014 RM'000
Revenue	294,449	389,354	628,252	755,082
Cost of sales	(230,251)	(309,183)	(498,778)	(593,714)
Gross profit	64,198	80,171	129,474	161,368
Other income	7,798	486	10,117	856
Administrative expenses	(26,711)	(28,323)	(52,050)	(53,167)
Marketing and selling expenses	(17,699)	(19,213)	(34,704)	(38,181)
Other expenses	(1,819)	-	(3,591)	(1,846)
Finance expenses	(7,858)	(7,024)	(14,803)	(13,472)
Finance income	399	-	581	320
Share of results of JV and associates	(1,017)	1,261	(156)	2,252
Profit before tax	17,291	27,358	34,868	58,130
Taxation	(8,008)	(8,832)	(13,923)	(17,353)
Profit for the period	9,283	18,526	20,945	40,777
Other comprehensive income				
Currency translation differences	49,390	25,773	59,092	15,591
Cash flow hedges	11,186	6,633	21,111	4,872
	60,576	32,406	80,203	20,463
Total comprehensive income for the period	69,859	50,932	101,148	61,240
Profit attributable to :				
Owners of the Company	12,519	18,505	24,557	42,173
Non-controlling interests	(3,236)	21	(3,612)	(1,396)
Profit for the period	9,283	18,526	20,945	40,777
Total comprehensive income attributable to:				
Owners of the Company	73,095	50,911	104,760	62,636
Non-controlling interests	(3,236)	21	(3,612)	(1,396)
	69,859	50,932	101,148	61,240
Earnings per share				
- Basic and diluted (Sen)	0.53	0.79	1.05	1.80

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 2015

	Note	As at 30 Sep 2015 RM'000	As at 31 Mar 2015 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		633,659	582,225
Investment properties		2,701	2,495
Investment in joint ventures		74,824	68,967
Intangible assets		124,542	115,799
Deferred tax assets		6,258	4,744
Other receivables		6,934	1,125
		<u>848,918</u>	<u>775,355</u>
CURRENT ASSETS			
Inventories		261,835	243,078
Trade and other receivables		551,802	563,950
Current tax assets		22,385	12,687
Cash and bank balances	B8	201,387	202,181
		<u>1,037,409</u>	<u>1,021,896</u>
TOTAL ASSETS		<u>1,886,327</u>	<u>1,797,251</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	(532,289)	(612,492)
Retained earnings	B12	413,751	389,194
Total equity attributable to owners of the Company		<u>886,949</u>	<u>782,189</u>
Non-controlling interests		62,787	66,399
TOTAL EQUITY		<u>949,736</u>	<u>848,588</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	170,161	168,475
Provision for retirement benefits		8,106	6,644
Other payables		5,584	5,588
Derivative financial liabilities	B11	50,513	40,366
Deferred tax liabilities		8,005	7,982
		<u>242,369</u>	<u>229,055</u>
CURRENT LIABILITIES			
Trade and other payables		419,860	418,553
Loans and borrowings	B9	209,449	262,614
Derivative financial liabilities	B11	30,836	11,784
Current tax liabilities		34,077	26,657
		<u>694,222</u>	<u>719,608</u>
TOTAL LIABILITIES		<u>936,591</u>	<u>948,663</u>
TOTAL EQUITY AND LIABILITIES		<u>1,886,327</u>	<u>1,797,251</u>
Net assets per share (RM)		<u>0.38</u>	<u>0.33</u>

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

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	Attributable to owners of the Company						
	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
As at 1 April 2015	1,005,535	(48)	(612,492)	389,194	782,189	66,399	848,588
Total comprehensive income for the year	-	-	80,203	24,557	104,760	(3,612)	101,148
As at 30 September 2015	1,005,535	(48)	(532,289)	413,751	886,949	62,787	949,736
Audited							
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	-	-	31,685	77,142	108,827	(1,860)	106,967
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	(224)	(224)
As at 31 March 2015	1,005,535	(48)	(612,492)	389,194	782,189	66,399	848,588

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

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

UNAUDITED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	Note	6 months ended 30 Sep 2015 RM'000	6 months ended 30 Sep 2014 RM'000
Cash Flows From Operating Activities			
Profit before tax		34,868	58,130
Adjustments for non-cash items:		72,035	57,340
Changes in working capital:			
Inventories		(18,757)	(920)
Receivables		6,434	(18,977)
Payables		28,629	(33,190)
Cash generated from operations		123,209	62,383
Tax paid		(14,660)	(17,345)
Interest received		581	1,110
Net cash generated from operating activities		109,130	46,148
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		711	38
Purchase of property, plant and equipment		(13,079)	(30,602)
Additional investment in joint controlled entity		-	(7,569)
Net cash used in investing activities		(12,368)	(38,133)
Cash Flows From Financing Activities			
Repayment of borrowings		(54,124)	(5,192)
Proceeds from borrowings		-	53,974
Interest paid on borrowings		(13,582)	(13,472)
(Increase)/decrease in short term deposit pledged as securities		(22,684)	(45,930)
Dividend paid to minority shareholders of subsidiary		-	(215)
Net cash used in financing activities		(90,390)	(10,835)
Net increase in cash and cash equivalents		6,372	(2,820)
Cash and cash equivalents at beginning of the year		151,693	125,435
Currency translation differences		(29,854)	2,057
Cash and cash equivalents at end of the period	B8	128,211	124,672

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 2015 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 2015.

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 2015.

As of 1 April 2015, the Group and the Company have 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.

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.

A1 Basis of Preparation of interim financial reports ("continued")

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

Amendments to MFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 10	<i>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</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 11	<i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements – Disclosure Initiative</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>

A1 Basis of Preparation of interim financial reports ("continued")

Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 127	<i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)</i>

Effective for annual periods commencing on or after 1 January 2017

MFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods commencing on or after 1 January 2018

MFRS 9 *Financial Instruments (2014)*

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 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*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting 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.

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 2015 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 2015.

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

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 2015

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	534,685	93,567	-	628,252
RESULTS				
Profit from operations	46,851	(7,086)	(55)	39,710
Realised gain on foreign exchange	4,169	166	-	4,335
Unrealised gain/(loss) on foreign exchange	7,398	(2,554)	-	4,844
Finance costs	(14,483)	(320)	-	(14,803)
Other operating income	963	(25)	-	938
Share of results in joint ventures	-	2,452	(2,608)	(156)
Profit before tax	44,898	(7,367)	(2,663)	34,868
Taxation	(12,846)	(1,077)	-	(13,923)
Profit for the period	32,052	(8,444)	(2,663)	20,945
Other information				
Depreciation and amortisation	25,123	21,966	-	47,089
Interest income	537	44	-	581
Addition to non-current assets other than financial instruments and deferred tax assets	16,027	52,820	(2,608)	66,239

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

A8 Segmental Reporting (“continued”)

Revenue and results for six months ended 30 September 2014

	Drilling 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
Realised gain on foreign exchange	84	618	702
Unrealised loss on foreign exchange	(1,941)	(941)	(2,882)
Finance costs	(12,602)	(870)	(13,472)
Other operating income	2,065	1,291	3,356
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
Addition to non-current assets other than financial instruments and deferred tax assets	(1,513)	(14,202)	(15,715)

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

A8 Segmental Reporting (“continued”)

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 SEPTEMBER 2015				
ASSETS				
Assets employed in the segment	1,196,060	586,800	-	1,782,860
Investment in associates	-	-	-	-
Investment in joint venture	461	64,771	9,592	74,824
	<u>1,196,521</u>	<u>651,571</u>	<u>9,592</u>	<u>1,857,684</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				22,385
Deferred tax assets				6,258
Total assets				<u><u>1,886,327</u></u>
LIABILITIES				
Liabilities in segment	<u>751,563</u>	<u>51,942</u>	<u>9,655</u>	813,160
<u>Unallocated corporate liabilities:</u>				
Tax payable				34,077
Deferred tax liabilities				8,005
Derivatives financial instruments				81,349
Total liabilities				<u><u>936,591</u></u>
Net assets				<u><u>949,736</u></u>

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

A8 Segmental Reporting ("continued")

	Drilling 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>	<u>1,690,437</u>
<u>Unallocated corporate assets:</u>			
Current tax assets			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>

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

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>2,200</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	-	4,965	4,965
Plant & Machinery	1,671	56,817	58,488
Vessels	-	34,994	34,994
Others	-	8,061	8,061
	<u>1,671</u>	<u>104,837</u>	<u>106,508</u>

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

A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 30 September 2015 are as follows:

	30 Sep 2015 RM'000
Less than one year	9,025
Between one and five years	10,674
	<u>19,699</u>

A14 Related party transactions

	3 months ended 30 June 2015 RM'000	6 months ended 30 Sep 2015 RM'000
Holding company		
Rental expenses	510	1,028
	<u>510</u>	<u>1,028</u>
Transactions with companies in which certain substantial shareholders have interest		
Lease of office equipment	38	69
Provision of human resources services	51	105
Administration fees charged	13	29
Air ticket cost charged	238	443
Office rental paid/payable	44	90
	<u>384</u>	<u>736</u>
Transactions with joint ventures		
Chartering services paid/payable	2,589	3,520
	<u>2,589</u>	<u>3,520</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 three reportable segments which are Drilling Services, Marine Services and Development and Production Asset and Services. Drilling Services provides integrated drilling fluids, drilling waste management solutions and production chemicals while Marine Services consist of coal transportation and offshore support vessel services. Development and Production Asset and Services provides subsurface, field development and production management services, provision of products and project management services of offshore facilities encompassing pre-development through ready for start-up, operations and maintenance services.

Current 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
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	250,857	317,334	23,707	28,397
Marine Services	43,592	72,020	(4,997)	(1,039)
Development and Production Asset and Services	-	-	(1,419)	-
	<u>294,449</u>	<u>389,354</u>	<u>17,291</u>	<u>27,358</u>

Group

Group revenue for the current quarter decreased by RM94.9 million or 24.3% compared to the corresponding quarter of the preceding year ("2QFY2015") due to lower activity in both Drilling Services and Marine Services under pinned by the low oil prices and weak coal market.

Profit before tax for the current quarter decreased by RM10.1 million or 36.7% compared to 2QFY2015 in line with the lower revenue. Cost optimization has been a focus area and operating expenses were lower in US\$ terms by 18.7% compared to 2QFY2015 though in RM terms it only showed a reduction of 2.7% due to the depreciation of RM against the USD. Higher forex gain also contributed to the profits of the quarter.

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

B1 Review of Operating Segments (“continued”)

Drilling Services

The segment’s revenue for the current quarter decreased by RM66.5 million or 20.9% as compared to 2QFY2015, mainly due to drop in rig count and lower activity level in Malaysia, Myanmar and Indonesia.

Profit before tax recorded a decrease of RM4.7 million or 16.5% compared to 2QFY2015, mainly due to the impact of the slowdown in activity, offset by higher gross profit as a result of favourable product mix and lower cost due to various cost optimisation initiatives.

Marine Services

The segment revenue for the current quarter was lower by RM28.4 million or 39.5% compared to 2QFY2015 mainly due to lower shipments on coal contracts and lower utilisation of offshore vessels.

The segment posted a loss before tax of RM5.0 million due to lower revenue with fixed costs in place.

Development & Production Asset and Services

The loss of RM1.4 million relates to the share of losses in a joint venture –Ophir Production Sdn Bhd (“OPSB”).

2Q YTD FY2016 vs. 2Q YTD FY2015

	Revenue		Profit/(loss) before tax	
	6 Months to		6 Months to	
	30 Sep	30 Sep	30 Sep	30 Sep
	2015	2014	2015	2014
	RM’000	RM’000	RM’000	RM’000
Operating Segments:				
Drilling Services	534,685	605,807	44,899	55,251
Marine Services	93,567	149,275	(7,367)	2,879
Development and Production Asset and Services	-	-	(2,663)	-
	<u>628,252</u>	<u>755,082</u>	<u>34,869</u>	<u>58,130</u>

Group

Group revenue for the 2Q YTD FY2016 decreased by RM126.8 million or 16.8% compared to 2Q YTD FY2015, mainly due to the lower activity in both Drilling Services and Marine Services.

B1 Review of Operating Segments (“continued”)

Profit before tax for the 2Q YTD FY2016 decreased by RM23.2 million or 40.0% compared to 2Q YTD FY2015, primarily due to lower revenue from both divisions, the share of losses in a joint venture – OPSB but offset by higher exchange gain.

Drilling Services

The segment’s revenue for current quarter showed a decrease of RM71.1 million due to lower activity in West Africa, Myanmar, Malaysia and Indonesia.

Profit before tax recorded a decrease of RM10.4 million or 18.7% compared to 2Q YTD FY2015, mainly due to drop in revenue as a result of lower activity level. During the year, various cost-cutting initiatives carried out cushioned the drop in PBT despite lower revenue.

Marine Services

The segment revenue for the current year was lower by RM55.7 million compared to 2Q YTD FY2015 mainly due to lower shipments on coal contracts and lower utilisation of offshore vessels.

The segment posted a loss before tax of RM7.4 million due to lower revenue and certain fixed costs in place.

Development & Production Asset and Services

The loss of RM2.7 million relates to the share of losses in a joint venture –OPSB.

B2 Review of Operating Segments as Compared to Preceding Quarter

Profit before tax for the current quarter decreased by RM0.3 million or 2.0% compared to 1QFY2016, primarily due to lower revenue from both Drilling Services and Marine Services segments. Higher forex gain positively impacted the profits for the quarter.

B3 Current Financial Year Prospects

Group

The low oil price and continuing weak coal market have impacted activity and consequently revenue growth. The Group continues to bid for contracts actively including exploring new markets and expanding current product lines.

Drilling Services

Oil prices are forecast to be subdued over the near term and as such activity levels are likely to remain low. However, the tendering process is still very robust with over US\$400 million bids submitted in Q2. Moving forward, revenue growth remains challenging, while we continue to explore new areas such as graphene enhanced drilling fluids and lubricants and well rejuvenation. Cash flow and cost optimisation remain a focus area and we expect these initiatives to positively impact on cash flow.

Marine Services

Market continues to remain challenging, but management has secured further wins over the quarter as a result of increased bidding activities. For the Indonesian coal market, export forecasts for 2016 is estimated to be lower than current year. Management continues to focus their efforts in managing costs as well as expanding marketing efforts across a wider geographical area. On the offshore side, persistent low oil price have curbed demand for offshore vessels. Competition in this area continues to be tough but management remains focused on prioritising utilisation of our vessels by being very competitive with our charter rates.

Development and Production Asset and Services

The segment continues to explore opportunities in the area of Development and Production with active bidding and evaluation. OPSB has revised its field development plan on 24 August 2015 resulting in lower Capital Expenditure and Operating Expenses.

B4 Profit Forecast

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

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

B5 Corporate Proposals

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

B6 Profit before taxation

	Current quarter 3 months ended 30 Sep 2015 RM'000	Current quarter 3 months ended 30 Sep 2014 RM'000	Cumulative period 6 months ended 30 Sep 2015 RM'000	Cumulative period 6 months ended 30 Sep 2014 RM'000
The profit before taxation is arrived at after (charging)/crediting:				
Interest income	399	790	581	1,110
Recovery of bad debts	1,834	-	1,834	-
Impairment loss on receivables	(815)	-	(815)	-
Depreciation and amortisation	(24,230)	(21,409)	(47,089)	(43,222)
Gain/(loss) on foreign exchange - net	6,902	(1,680)	9,179	(2,180)
Gain/(loss) on disposal of property, plant and equipment	42	163	287	(57)
Interest expense	(7,198)	(7,024)	(13,582)	(13,472)
Share of results of associate	-	(52)	-	(120)
Share of results of joint ventures	(1,017)	1,313	(156)	2,372

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

B7 Taxation

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

	Current quarter 3 months ended 30 Sep 2015 RM'000	Current quarter 3 months ended 30 Sep 2014 RM'000	Cumulative period 6 months ended 30 Sep 2015 RM'000	Cumulative period 6 months ended 30 Sep 2014 RM'000
Malaysian income tax				
- current year	4,428	1,055	4,739	1,729
Foreign income tax				
- current year	3,580	7,777	9,184	15,624
Total income tax	<u>8,008</u>	<u>8,832</u>	<u>13,923</u>	<u>17,353</u>
Effective tax rate	<u>46.3%</u>	<u>32.3%</u>	<u>39.9%</u>	<u>29.9%</u>

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

- Marine segment taxation that is based on revenue instead of profit in Indonesia.
- 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.

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

B8 Cash and bank balances

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

	As at 30 Sep 2015 RM'000
Cash and bank balances	99,980
Short term deposits with licensed banks	101,407
	<u>201,387</u>
Less : restricted cash	(70,698)
Less : bank overdraft	(2,478)
Cash and cash equivalents	<u>128,211</u>

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

B9 Loans and borrowings

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

	Current RM'000	Non- Current RM'000	Total RM'000
Borrowings – secured	<u>209,449</u>	<u>170,161</u>	<u>379,610</u>

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

	RM'000
Ringgit Malaysia	248,578
US Dollar*	127,514
Others	3,518
Total	<u>379,610</u>

* These relate to working capital loans.

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

B10 Other reserves

	As at 30 Sep 2015 RM'000	As at 31 March 2015 RM'000
Capital reserve	26,881	26,881
Translation reserves	(125,354)	(184,446)
Hedging reserve	9,507	(11,604)
Merger reserve	(443,323)	(443,323)
	<u>(532,289)</u>	<u>(612,492)</u>

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	<u>30,836</u>	<u>50,513</u>	<u>81,349</u>

The notional principal amounts of the outstanding CCIRSs at 30 September 2015 were RM215 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 CCIRS reflect the timing of these cash flows. These CCIRS contracts have maturities of up to 4 years from 31 March 2015.

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

B12 Retained Earnings

	As at 30 Sep 2015 RM'000	As at 31 March 2015 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,300,091	1,347,613
- Unrealised	<u>(308,699)</u>	<u>(381,927)</u>
	991,392	965,686
Total share of retained earnings from associated companies:		
- Realised	(16,733)	(16,857)
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	23,192	24,465
- Unrealised	<u>-</u>	<u>-</u>
	997,851	973,294
Less : Consolidation adjustments	<u>(584,100)</u>	<u>(584,100)</u>
Total retained earnings	<u><u>413,751</u></u>	<u><u>389,194</u></u>

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

B13 Earnings Per Share

	3 months ended 30 Sep 2015 RM'000	3 months ended 30 Sep 2014 RM'000	6 months ended 30 Sep 2015 RM'000	6 months ended 30 Sep 2014 RM'000
<u>Basic and diluted earnings per share</u>				
Profit for the period	<u>12,519</u>	<u>18,505</u>	<u>24,557</u>	<u>42,173</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>0.53</u>	<u>0.79</u>	<u>1.05</u>	<u>1.80</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 27 November 2015 by the Board of Directors.