

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 31 DECEMBER 2016

	3 months ended 31 Dec 2016 RM'000	3 months ended 31 Dec 2015 RM'000	Cumulative period 9 months ended 31 Dec 2016 RM'000	Cumulative period 9 months ended 31 Dec 2015 RM'000
Revenue	169,508	324,475	519,577	952,727
Cost of sales	(157,917)	(264,583)	(468,285)	(763,361)
Gross profit	11,591	59,892	51,292	189,366
Other (expenses) / income	23,170	(752)	25,260	9,365
Administrative expenses	(18,319)	(18,892)	(59,325)	(70,941)
Marketing and selling expenses	(13,368)	(17,141)	(38,481)	(51,845)
Other expenses	(1,042)	(1,856)	(4,042)	(5,447)
Finance expenses	(6,217)	(7,058)	(16,635)	(21,861)
Finance income	628	489	1,184	1,070
Share of results of JV and associates	(1,996)	(1,651)	(7,025)	(1,807)
(Loss)/Profit before tax	(5,553)	13,031	(47,772)	47,900
Taxation	(1,385)	(3,515)	(6,227)	(17,438)
(Loss)/Profit for the period	(6,938)	9,516	(53,999)	30,462
Other comprehensive income				
Currency translation differences	35,145	14,109	59,668	73,201
Cash flow hedges	4,469	(4,881)	8,042	16,230
	39,614	9,228	67,710	89,431
Total comprehensive income for the period	32,676	18,744	13,711	119,893
Profit attributable to :				
Owners of the Company	(7,881)	9,969	(49,943)	34,527
Non-controlling interests	943	(453)	(4,056)	(4,065)
Profit for the period	(6,938)	9,516	(53,999)	30,462
Total comprehensive income attributable to:				
Owners of the Company	31,733	19,197	17,767	123,958
Non-controlling interests	943	(453)	(4,056)	(4,065)
	32,676	18,744	13,711	119,893
Earnings per share				
- Basic and diluted (Sen)	(0.34)	0.43	(2.13)	1.47

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	As at 31 Dec 2016 RM'000	As at 31 Mar 2016 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		551,897	536,985
Investment properties		2,552	2,440
Investment in associates		7,439	7,439
Investment in joint ventures		66,688	66,081
Intangible assets		125,939	117,879
Deferred tax assets		4,667	7,885
Other receivables		262	335
		<u>759,444</u>	<u>739,044</u>
CURRENT ASSETS			
Inventories		195,114	205,952
Trade and other receivables		375,324	441,710
Current tax assets		24,061	17,378
Cash and bank balances	B8	100,234	155,858
		<u>694,733</u>	<u>820,898</u>
TOTAL ASSETS		<u>1,454,177</u>	<u>1,559,942</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,005,535	1,005,535
Treasury shares		(50)	(50)
Other reserves	B10	(507,817)	(575,527)
Retained earnings	B12	328,664	378,607
Total equity attributable to owners of the Company		<u>826,332</u>	<u>808,565</u>
Non-controlling interests		53,159	57,215
TOTAL EQUITY		<u>879,491</u>	<u>865,780</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	118,651	103,005
Provision for retirement benefits		9,246	7,359
Other payables		5,584	5,584
Derivative financial liabilities	B11	45,126	28,845
Deferred tax liabilities		6,209	8,602
		<u>184,816</u>	<u>153,395</u>
CURRENT LIABILITIES			
Trade and other payables		230,821	305,541
Loans and borrowings	B9	139,768	197,367
Derivative financial liabilities	B11	2,058	15,247
Current tax liabilities		17,223	22,612
		<u>389,870</u>	<u>540,767</u>
TOTAL LIABILITIES		<u>574,686</u>	<u>694,162</u>
TOTAL EQUITY AND LIABILITIES		<u>1,454,177</u>	<u>1,559,942</u>
Net assets per share (RM)		<u>0.35</u>	<u>0.35</u>

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

SCOMI ENERGY SERVICES BHD (397979-A)
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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2016

	<u>Attributable to owners of the Company</u>						
	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 2016	1,005,535	(50)	(575,527)	378,607	808,565	57,215	865,780
Total comprehensive income for the year	-	-	67,710	(49,943)	17,767	(4,056)	13,711
As at 31 December 2016	1,005,535	(50)	(507,817)	328,664	826,332	53,159	879,491
Audited							
As at 1 April 2015, restated	1,005,535	(48)	(613,230)	381,341	773,598	66,399	839,997
Total comprehensive income for the year	-	-	37,703	(2,734)	34,969	(9,184)	25,785
Repurchased during the year	-	(2)	-	-	(2)	-	(2)
As at 31 March 2016	1,005,535	(50)	(575,527)	378,607	808,565	57,215	865,780

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

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UNAUDITED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 DECEMBER 2016

	Note	9 months ended 31 Dec 2016 RM'000	9 months ended 31 Dec 2015 RM'000
Cash Flows From Operating Activities			
(Loss)/Profit before tax		(47,772)	47,900
Adjustments for non-cash items:		33,015	83,544
Changes in working capital:			
Inventories		10,839	8,108
Receivables		74,533	16,700
Payables		(55,046)	(32,702)
Cash generated from operations		<u>15,569</u>	<u>123,550</u>
Tax paid		(13,188)	(18,189)
Interest received		1,184	1,070
Net cash generated from operating activities		<u>3,565</u>	<u>106,431</u>
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		651	720
Purchase of property, plant and equipment		(16,256)	(20,924)
Additions to intangible assets		(4,901)	(4,159)
Net cash used in investing activities		<u>(20,506)</u>	<u>(25,766)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(128,220)	(110,466)
Proceeds from borrowings		87,064	-
Interest paid on borrowings		(14,677)	(19,980)
Decrease/(increase) in short term deposit pledged as securities		24,522	25,268
Net cash used in financing activities		<u>(31,311)</u>	<u>(105,178)</u>
Net (decrease)/increase in cash and cash equivalents		(48,252)	(24,513)
Cash and cash equivalents at beginning of the year		109,381	151,693
Currency translation differences		17,118	(25,993)
Cash and cash equivalents at end of the period	B8	<u><u>78,247</u></u>	<u><u>101,187</u></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 2016 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 31 December 2016.

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 2016.

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 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *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*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*

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

- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for 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 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.
- from the annual period beginning on 1 April 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 April 2018 for those accounting standards, that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 April 2019 for those accounting standards, that are effective for annual periods beginning on or after 1 January 2019.

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

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and 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*.

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.

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

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*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

Amendments to MFRS 10, 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

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempt from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

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

A2 Audit Report for Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 March 2016 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 31 December 2016.

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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 nine months ended 31 December 2016

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	390,991	127,921	665	519,577
RESULTS				
Profit from operations	(22,975)	(24,984)	(1,413)	(49,372)
Realised loss on foreign exchange	207	(1,574)	-	(1,367)
Unrealised gain/(loss) on foreign exchange	22,380	3,483	-	25,863
Finance costs	(15,305)	(1,330)	-	(16,635)
Other operating income	786	(22)	-	764
Share of results in joint ventures	-	(6,011)	(1,014)	(7,025)
Profit before tax	(14,907)	(30,438)	(2,427)	(47,772)
Taxation	(4,785)	(1,442)	-	(6,227)
Profit for the period	(19,692)	(31,880)	(2,427)	(53,999)
Other information				
Depreciation and amortisation	34,600	38,894	-	73,494
Interest income	1,062	122	-	1,184
Addition to non-current assets other than financial instruments and deferred tax assets	(9,707)	31,225	2,173	23,691

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A8 Segmental Reporting (“continued”)

Revenue and results for nine months ended 31 December 2015

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	806,998	145,036	693	952,727
RESULTS				
Profit from operations	72,818	(10,418)	(197)	62,203
Realised gain on foreign exchange	4,986	389	-	5,375
Unrealised gain/(loss) on foreign exchange	8,847	(3,288)	-	5,559
Finance costs	(21,418)	(443)	-	(21,861)
Other operating income	(1,542)	(27)	-	(1,569)
Share of results in joint ventures	-	1,032	(2,839)	(1,807)
Profit before tax	63,691	(12,755)	(3,036)	47,900
Taxation	(16,331)	(1,107)	-	(17,438)
Profit for the period	47,360	(13,862)	(3,036)	30,462
Other information				
Depreciation and amortisation	39,082	35,508	-	74,590
Interest income	1,009	61	-	1,070
Addition to non-current assets other than financial instruments and deferred tax assets	3,582	34,992	(3,927)	34,647

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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 31 DECEMBER 2016				
ASSETS				
Assets employed in the segment	854,392	496,898	32	1,351,322
Investment in joint venture	1,435	53,624	11,629	66,688
	<u>855,827</u>	<u>557,961</u>	<u>11,661</u>	<u>1,425,449</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				24,061
Deferred tax assets				4,667
Total assets				<u><u>1,454,177</u></u>
LIABILITIES				
Liabilities in segment	<u>410,753</u>	<u>90,335</u>	<u>2,982</u>	504,070
<u>Unallocated corporate liabilities:</u>				
Tax payable				17,223
Deferred tax liabilities				6,209
Derivatives financial instruments				47,184
Total liabilities				<u><u>574,686</u></u>
Net assets				<u><u>879,491</u></u>

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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 31 DECEMBER 2015				
ASSETS				
Assets employed in the segment	1,070,850	571,480	-	1,642,330
Investment in joint venture	708	66,883	5,665	73,256
	<u>1,071,558</u>	<u>638,363</u>	<u>5,665</u>	<u>1,715,586</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				36,647
Deferred tax assets				9,509
Total assets				<u>1,761,742</u>
LIABILITIES				
Liabilities in segment	<u>614,756</u>	<u>71,497</u>	<u>10,572</u>	696,825
<u>Unallocated corporate liabilities:</u>				
Tax payable				22,746
Deferred tax liabilities				7,272
Derivatives financial instruments				66,418
Total liabilities				<u>793,261</u>
Net assets				<u>968,481</u>

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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	-	1,838	1,838
Plant & Machinery	-	10,816	10,816
Vessels	-	24,116	24,116
Others	-	4,468	4,468
	<u>-</u>	<u>41,238</u>	<u>41,238</u>

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A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 31 December 2016 are as follows:

	31 Dec 2016 RM'000
Less than one year	7,255
Between one and five years	<u>10,277</u>
	<u><u>17,532</u></u>

A14 Related party transactions

	3 months ended 31 Dec 2016 RM'000	9 months ended 31 Dec 2016 RM'000
Holding company		
Rental expenses	<u>407</u>	<u>1,230</u>
Transactions with companies in which certain substantial shareholders have interest		
Lease of office equipment	12	48
Provision of human resources services	43	111
Administration fees charged	47	207
Air ticket cost charged	132	459
Office rental paid/payable	<u>45</u>	<u>133</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	
	31 Dec	31 Dec	31 Dec	31 Dec
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	126,195	272,312	615	18,792
Marine Services	43,194	51,469	(5,382)	(5,388)
Development and Production Asset and Services	119	694.00	(786)	(373)
	<u>169,508</u>	<u>324,475</u>	<u>(5,553)</u>	<u>13,031</u>

Drilling Services

The segment's revenue for the current quarter decreased by RM146.1 million or 53.7% as compared to 3QFY2016, mainly due to lower activity in most countries with the exception of Russia showing revenue growth.

Profit Before Tax for the current quarter of RM0.6 million which is a significant drop from the corresponding quarter due to the lower top line and provision for inventory. However, this was offset by lower Operating Expenditure and net forex gain for the quarter.

B1 Review of Operating Segments (“continued”)

Marine Services

The segment revenue for the current quarter was lower by RM8.3 million or 16.1% compared to 3QFY2016 mainly due to lower utilisation and tonnage carried for Coal Unit in Indonesia and the Coal Affreightment contract in Malaysia while Offshore Vessels were mostly idle during the year.

The Loss Before Tax for the segment approximates to the corresponding period (notwithstanding the lower revenue) due to lower Operating Cost in the current quarter.

Development & Production Asset and Services

The Loss Before Tax is mainly due to share of losses in a joint venture – Ophir Productions Sdn. Bhd. (“OPSB”).

3Q YTD FY2017 vs. 3Q YTD FY2016

	Revenue		Profit/(loss) before tax	
	9 Months to		9 Months to	
	31 Dec	31 Dec	31 Dec	31 Dec
	2016	2015	2016	2015
	RM’000	RM’000	RM’000	RM’000
Operating Segments:				
Drilling Services	390,992	806,997	(14,906)	63,691
Marine Services	127,920	145,036	(30,439)	(12,755)
Development and Production Asset and Services	665	694	(2,427)	(3,036)
	<u>519,577</u>	<u>952,727</u>	<u>(47,772)</u>	<u>47,900</u>

Drilling Services

The segment’s revenue for the 3Q YTD FY2017 decreased by RM416.0 million or 51.5% as compared to 3Q YTD FY2016, mainly due to generally lower activity in most countries with Russia showing growth in revenue.

Loss Before Tax for the 3Q YTD FY2017 of RM14.9 million was mainly due to the lower top line, provision for inventory and fixed cost in place and offset by forex gain during the period. Operating Expenditure was lower by 21.6% (in US\$ terms) as a result of continuous cost-cutting initiatives and this cushioned the drop in the profits as well.

B1 Review of Operating Segments (“continued”)

Marine Services

The segment revenue for the 3Q YTD FY2017 was lower by RM17.1 million or 11.8% compared to 3Q YTD FY2016 mainly due to low tonnage carried for coal while Offshore Vessels remained mostly idle during the year.

Loss Before Tax was RM30.4 million due to lower revenue and fixed costs in place, specifically the cost incurred for the idle Coal and Offshore vessels.

Development & Production Asset and Services

The Loss Before Tax is mainly due to share of losses in a joint venture – Ophir Productions Sdn. Bhd. (“OPSB”).

B2 Review of Operating Segments as Compared to Preceding Quarter

Loss Before Tax was RM5.6 million compared to a Loss Before Tax of RM24.4 million in the preceding quarter. The improvement in Loss Before Tax for the current quarter is mainly due to better results at Marine Services and the forex gain during the quarter.

B3 Current Financial Year Prospects

Drilling Service Outlook

The last nine months financial performance have been below expectations. However, oil price has been trending higher in the last couple of months which should encourage our customers to invest in drilling. We continue to bid for new contracts in this challenging environment, especially bringing new products such as production chemicals and green-based chemicals to our existing and new markets. Competitive pricing and a mutually beneficial value proposition with the customers would be the key to growing our revenue.

Marine Services

The strengthening of Coal prices provides an avenue for revenue growth for Marine Services. We are cautiously optimistic that the activity levels would increase in the coal industry and result in positive improvements in the utilisation of the Coal vessels. We continue to explore all opportunities available for the Offshore vessels with the objective to secure competitive contracts.

Development and Production Asset and Services

OPSB continues to streamline its Capex and Operating expenses in order to operate within a lean cost structure to mitigate the impact of low oil prices. First oil is expected to be in mid-2017.

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B4 Profit Forecast

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

B5 Corporate Proposals

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

B6 Profit before taxation

	Current quarter 3 months ended 31 Dec 2016 RM'000	Current quarter 3 months ended 31 Dec 2015 RM'000	Cumulative period 9 months ended 31 Dec 2016 RM'000	Cumulative period 9 months ended 31 Dec 2015 RM'000
The profit before is arrived at after (charging)/crediting:				
Interest income	628	489	1,184	1,070
Recovery of bad debts	908	70	908	1,904
Allowance for inventories	(4,538)	(9,979)	(4,538)	(9,979)
Impairment loss on receivables	-	(2,753)	-	(3,568)
Depreciation and amortisation	(24,987)	(27,501)	(73,494)	(74,590)
Gain on foreign exchange - net	23,401	1,755	24,496	10,934
Gain/(loss) on disposal of property, plant and equipment	(117)	24	(106)	311
Interest expense	(5,525)	(6,398)	(14,677)	(19,980)
Share of results of joint ventures	(1,995)	(1,651)	(7,025)	(1,807)

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B7 Taxation

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

	Current quarter 3 months ended 31 Dec 2016 RM'000	Current quarter 3 months ended 31 Dec 2015 RM'000	Cumulative period 9 months ended 31 Dec 2016 RM'000	Cumulative period 9 months ended 31 Dec 2015 RM'000
Malaysian income tax				
- current year	1,340	197	792	4,936
Foreign income tax				
- current year	45	3,318	5,435	12,502
Total income tax	<u>1,385</u>	<u>3,515</u>	<u>6,227</u>	<u>17,438</u>
Effective tax rate	<u>-24.9%</u>	<u>27.0%</u>	<u>-13.0%</u>	<u>36.4%</u>

The variance in the effective tax rate for the current quarter compared to the Malaysian tax rate of 24% mainly because of:-

- Losses in certain tax jurisdictions not qualifying for tax relief.
- 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.

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B8 Cash and bank balances

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

	As at 31 Dec 2016 RM'000
Cash and bank balances	75,427
Short term deposits with licensed banks	24,807
	<u>100,234</u>
Less : restricted cash	(19,494)
Less : bank overdraft	(2,493)
Cash and cash equivalents	<u>78,247</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>139,768</u>	<u>118,651</u>	<u>258,419</u>

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

	RM'000
Ringgit Malaysia	142,378
US Dollar*	140,029
Total	<u>258,419</u>

* *These relate to working capital loans.*

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B10 Other reserves

	As at 31 Dec 2016 RM'000	As at 31 Mar 2016 RM'000
Capital reserve	26,881	26,881
Translation reserves	(106,578)	(166,246)
Hedging reserve	15,203	7,161
Merger reserve	<u>(443,323)</u>	<u>(443,323)</u>
	<u><u>(507,817)</u></u>	<u><u>(575,527)</u></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>2,058</u>	<u>45,126</u>	<u>47,184</u>

The notional principal amounts of the outstanding CCIRSs at 31 December 2016 were RM105 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 2 years from 31 March 2016.

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B12 Retained Earnings

	As at 31 Dec 2016 RM'000	As at 31 Mar 2016 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,198,537	1,318,941
- Unrealised	<u>(285,363)</u>	<u>(360,653)</u>
	913,174	958,288
Total share of retained earnings from associated companies:		
- Realised	(16,733)	(9,418)
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	16,323	13,837
- Unrealised	<u>-</u>	<u>-</u>
	912,764	962,707
Less : Consolidation adjustments	<u>(584,100)</u>	<u>(584,100)</u>
Total retained earnings	<u><u>328,664</u></u>	<u><u>378,607</u></u>

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B13 Earnings Per Share

	3 months ended 31 Dec 2016 RM'000	3 months ended 31 Dec 2015 RM'000	9 months ended 31 Dec 2016 RM'000	6 months ended 31 Dec 2015 RM'000
<u>Basic and diluted earnings per share</u>				
Profit for the period	(7,881)	9,970	(49,943)	34,527
Issued and paid-up capital	2,341,775	2,341,775	2,341,775	2,341,775
Less : Treasury shares	(149)	(149)	(149)	(149)
Weighted average number of ordinary shares in issue ('000)	<u>2,341,626</u>	<u>2,341,626</u>	<u>2,341,626</u>	<u>2,341,626</u>
Basic earnings per share (sen)	<u>(0.34)</u>	<u>0.43</u>	<u>(2.13)</u>	<u>1.47</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.

B17 Authorised For Issue

The interim financial statements were authorised for issue on 24 February 2017 by the Board of Directors.