

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE QUARTER AND PERIOD ENDED 30 JUNE 2017**

	<b>3 months ended 30 June 2017 RM'000</b>	<b>3 months ended 30 June 2016 RM'000</b>	<b>Cumulative period 3 months ended 30 June 2017 RM'000</b>	<b>Cumulative period 3 months ended 30 June 2016 RM'000</b>
<b>Revenue</b>	<b>168,489</b>	<b>204,591</b>	<b>168,489</b>	<b>204,591</b>
Cost of sales	(142,657)	(178,873)	(142,657)	(178,873)
<b>Gross profit</b>	<b>25,832</b>	<b>25,718</b>	<b>25,832</b>	<b>25,718</b>
Other (expenses)/income	(5,223)	982	(5,223)	982
Administrative expenses	(17,137)	(20,813)	(17,137)	(20,813)
Marketing and selling expenses	(13,694)	(14,284)	(13,694)	(14,284)
Other operating expenses	(721)	(1,689)	(721)	(1,689)
Finance expenses	(4,676)	(5,593)	(4,676)	(5,593)
Finance income	129	193	129	193
Share of results of JV and associates	(1,235)	(2,364)	(1,235)	(2,364)
<b>Loss before tax</b>	<b>(16,725)</b>	<b>(17,850)</b>	<b>(16,725)</b>	<b>(17,850)</b>
Taxation	(2,260)	(3,951)	(2,260)	(3,951)
<b>Loss for the period</b>	<b>(18,985)</b>	<b>(21,801)</b>	<b>(18,985)</b>	<b>(21,801)</b>
<b>Other comprehensive income</b>				
Currency translation differences	(32,978)	18,495	(32,978)	18,495
Cash flow hedges	4,224	1,483	4,224	1,483
	(28,754)	19,978	(28,754)	19,978
<b>Total comprehensive income for the period</b>	<b>(47,739)</b>	<b>(1,823)</b>	<b>(47,739)</b>	<b>(1,823)</b>
<b>Profit attributable to :</b>				
Owners of the Company	(17,151)	(18,002)	(17,151)	(18,002)
Non-controlling interests	(1,834)	(3,799)	(1,834)	(3,799)
<b>Loss for the period</b>	<b>(18,985)</b>	<b>(21,801)</b>	<b>(18,985)</b>	<b>(21,801)</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	(45,905)	1,976	(45,905)	1,976
Non-controlling interests	(1,834)	(3,799)	(1,834)	(3,799)
	(47,739)	(1,823)	(47,739)	(1,823)
<b>Earnings per share</b>				
- Basic and diluted (Sen)	(0.73)	(0.77)	(0.73)	(0.77)

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

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Note	As at 30 June 2017 RM'000	As at 31 Mar 2017 RM'000 (Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		500,077	525,991
Investment properties		2,414	2,499
Investment in associates		7,439	7,439
Investment in joint ventures		54,319	53,794
Intangible assets		105,560	107,903
Deferred tax assets		8,937	9,125
Other receivables		189	226
		<u>678,935</u>	<u>706,977</u>
<b>CURRENT ASSETS</b>			
Inventories		161,828	164,922
Trade and other receivables		321,433	350,044
Current tax assets		23,568	27,284
Cash and bank balances	B8	83,253	124,792
		<u>590,082</u>	<u>667,042</u>
<b>TOTAL ASSETS</b>		<b><u>1,269,017</u></b>	<b><u>1,374,019</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		1,005,535	1,005,535
Treasury shares		(51)	(51)
Other reserves	B10	(545,162)	(516,408)
Retained earnings	B12	234,028	251,179
<b>Total equity attributable to owners of the Company</b>		<u>694,350</u>	<u>740,255</u>
Non-controlling interests		46,022	47,856
<b>TOTAL EQUITY</b>		<u>740,372</u>	<u>788,111</u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	B9	46,325	49,407
Provision for retirement benefits		5,831	10,800
Other payables		5,584	5,693
Derivative financial liabilities	B11	18,595	21,118
Deferred tax liabilities		8,771	9,112
		<u>85,106</u>	<u>96,130</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		195,970	253,470
Loans and borrowings	B9	215,928	195,650
Derivative financial liabilities	B11	17,058	23,145
Current tax liabilities		14,583	17,513
		<u>443,539</u>	<u>489,778</u>
<b>TOTAL LIABILITIES</b>		<u>528,645</u>	<u>585,908</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,269,017</u></b>	<b><u>1,374,019</u></b>
Net assets per share (RM)		<u>0.30</u>	<u>0.32</u>

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

	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
<b>As at 1 April 2017</b>	1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111
Total comprehensive income for the year	-	-	(28,754)	(17,151)	(45,905)	(1,834)	(47,739)
<b>As at 30 June 2017</b>	<b>1,005,535</b>	<b>(51)</b>	<b>(545,162)</b>	<b>234,028</b>	<b>694,350</b>	<b>46,022</b>	<b>740,372</b>
<b>Audited</b>							
<b>As at 1 April 2016</b>	1,005,535	(50)	(575,527)	378,607	808,565	57,215	865,780
Total comprehensive income for the year	-	-	59,119	(127,428)	(68,309)	(9,359)	(77,668)
Repurchased during the year	-	(1)	-	-	(1)	-	(1)
<b>As at 31 March 2017</b>	<b>1,005,535</b>	<b>(51)</b>	<b>(516,408)</b>	<b>251,179</b>	<b>740,255</b>	<b>47,856</b>	<b>788,111</b>

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 JUNE 2017**

	<b>Note</b>	<b>3 months ended 30 June 2017 RM'000</b>	<b>3 months ended 30 June 2016 RM'000</b>
<b>Cash Flows From Operating Activities</b>			
(Loss)/Profit before tax		(16,725)	(17,850)
Adjustments for non-cash items:		21,714	25,797
Changes in working capital:			
Inventories		3,094	6,347
Receivables		892	14,001
Payables		(56,242)	(24,189)
Cash generated from operations		<u>(47,267)</u>	<u>4,106</u>
Tax paid		(2,705)	(5,692)
Interest received		129	193
Net cash generated from operating activities		<u>(49,843)</u>	<u>(1,393)</u>
<b>Cash Flows From Investing Activities</b>			
Proceeds from disposal of property, plant and equipment		(303)	52
Purchase of property, plant and equipment		(3,647)	(4,202)
Net cash used in investing activities		<u>(3,950)</u>	<u>(4,150)</u>
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		(3,563)	(14,493)
Proceeds from borrowings		22,948	-
Interest paid on borrowings		(3,987)	(4,963)
Decrease in short term deposit pledged as securities		(2,285)	(16,737)
Net cash used in financing activities		<u>13,113</u>	<u>(36,193)</u>
Net decrease in cash and cash equivalents		(40,680)	(41,736)
<b>Cash and cash equivalents at beginning of the year</b>		101,680	109,381
Currency translation differences		(3,157)	4,866
<b>Cash and cash equivalents at end of the year</b>	B8	<u>57,843</u>	<u>72,511</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 2017 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 June 2017.

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 2017.

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 2017***

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- 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*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

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

- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*

***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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 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.

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

**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 128, *Investments in Associates and Joint Ventures*  
(*Annual Improvements to MFRS Standards 2014-2016 Cycle*)**

The amendments clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

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 2017 was not subject to any qualification.

**A3 Seasonal or Cyclical Factors**

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

**A4 Unusual Items**

There are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review other than as disclosed in these unaudited condensed consolidated interim financial statements.

**A5 Material Changes In Estimates**

There were no material changes in estimates other than as disclosed in these unaudited condensed consolidated interim financial statements that have a material effect on the results for the current quarter under review.

**A6 Debt and Equity Securities**

There has been no further repurchase of shares during the quarter.

**A7 Dividends Paid / Payable**

There were no dividends paid during the quarter and financial period ended 30 June 2017.



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

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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 three months ended 30 June 2017**

	<b>Drilling Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Development and Production Asset and Services RM'000</b>	<b>Total RM'000</b>
<b>REVENUE</b>				
External sales	131,703	36,399	387	168,489
<b>RESULTS</b>				
Profit from operations	(3,796)	(1,536)	(259)	(5,591)
Realised gain/(loss) on foreign exchange	13,201	882	-	14,083
Unrealised loss on foreign exchange	(18,600)	(2,821)	-	(21,421)
Finance costs	(3,666)	(1,010)	-	(4,676)
Other expenses	2,200	(85)	-	2,115
Share of results in joint ventures	-	(1,235)	-	(1,235)
Profit before tax	(10,661)	(5,805)	(259)	(16,725)
Taxation	(1,995)	(265)	-	(2,260)
Profit for the period	(12,656)	(6,070)	(259)	(18,985)
<b>Other information</b>				
Depreciation and amortisation	9,190	12,129	-	21,319
Interest income	108	21	-	129
Addition to non-current assets other than financial instruments and deferred tax assets	(19,454)	(13,030)	4,667	(27,817)

**SCOMI ENERGY SERVICES BHD (397979-A)**  
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**A8 Segmental Reporting (“continued”)**

**Revenue and results for three months ended 30 June 2016**

	<b>Drilling Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Development and Production Asset and Services RM'000</b>	<b>Total RM'000</b>
<b>REVENUE</b>				
External sales	154,741	49,621	229	204,591
<b>RESULTS</b>				
Profit from operations	(2,339)	(8,101)	(435)	(10,875)
Realised loss on foreign exchange	(1,089)	(23)	-	(1,112)
Unrealised gain/(loss) on foreign exchange	2,266	(584)	-	1,682
Finance costs	(5,578)	(15)	-	(5,593)
Other operating income	433	(21)	-	412
Share of results in joint ventures	-	(1,765)	(599)	(2,364)
Profit before tax	(6,307)	(10,509)	(1,034)	(17,850)
Taxation	(3,435)	(516)	-	(3,951)
Profit for the period	(9,742)	(11,025)	(1,034)	(21,801)
<b>Other information</b>				
Depreciation and amortisation	12,066	12,846	-	24,912
Interest income	174	19	-	193
Addition to non-current assets other than financial instruments and deferred tax assets	(26,339)	(10,914)	(10)	(37,263)

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

**A8 Segmental Reporting (“continued”)**

	<b>Drilling Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Development and Production Asset and Services RM'000</b>	<b>Total RM'000</b>
<b>ASSETS AND LIABILITIES AS AT 30 JUNE 2017</b>				
<b>ASSETS</b>				
Assets employed in the segment	729,369	445,068	317	1,174,754
Investment in associates	-	7,439	-	7,439
Investment in joint venture	1,430	37,388	15,501	54,319
	<u>730,799</u>	<u>489,895</u>	<u>15,818</u>	<u>1,236,512</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				23,568
Deferred tax assets				8,937
Total assets				<u>1,269,017</u>
<b>LIABILITIES</b>				
Liabilities in segment	471,324	(5,281)	3,595	469,638
<u>Unallocated corporate liabilities:</u>				
Tax payable				14,583
Deferred tax liabilities				8,771
Derivatives financial instruments				35,653
Total liabilities				<u>528,645</u>
<b>Net assets</b>				<u>740,372</u>

**SCOMI ENERGY SERVICES BHD (397979-A)**  
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**A8 Segmental Reporting ("continued")**

	<b>Drilling Services RM'000</b>	<b>Marine Services RM'000</b>	<b>Development and Production Asset and Services RM'000</b>	<b>Total RM'000</b>
<b>ASSETS AND LIABILITIES AS AT 30 JUNE 2016</b>				
<b>ASSETS</b>				
Assets employed in the segment	941,385	477,218	269	1,418,872
Investment in joint venture	882	54,685	9,582	65,149
	<u>942,267</u>	<u>539,342</u>	<u>9,851</u>	<u>1,491,460</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				19,360
Deferred tax assets				3,924
Total assets				<u><u>1,514,744</u></u>
<b>LIABILITIES</b>				
Liabilities in segment	<u>510,872</u>	<u>58,367</u>	<u>2,242</u>	571,481
<u>Unallocated corporate liabilities:</u>				
Tax payable				24,909
Deferred tax liabilities				5,550
Derivatives financial instruments				48,847
Total liabilities				<u><u>650,787</u></u>
<b>Net assets</b>				<u><u>863,957</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**

On 21 August 2017, the Board of Directors ("Board") of Scomi Energy Services Bhd ("Scomi Energy") received a proposal ("Proposal Letter") from Scomi Group Bhd ("Scomi") on the proposed merger of Scomi Energy with Scomi by way of a members' scheme of arrangement pursuant to the Section 366 of the Companies Act, 2016, between Scomi and all the shareholders of Scomi Energy, other than Scomi ("Proposed Merger").

The Board has yet to decide on the next course of action.

Save and except for the above, there are no other material events subsequent to the balance sheet date.

**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:-

	<b>RM'000</b>
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:

**SCOMI ENERGY SERVICES BHD (397979-A)**  
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**A13 Capital Commitments ("continued")**

	<b>Approved and contracted for RM'000</b>	<b>Approved but not contracted for RM'000</b>	<b>Total RM'000</b>
Property	-	-	-
Plant & Machinery	-	9,237	9,237
Vessels	-	38,408	38,408
Others	-	1,982	1,982
	<u>-</u>	<u>49,627</u>	<u>49,627</u>

The future minimum lease payments under non-cancellable operating leases as at 30 June 2017 are as follows:

	<b>31 Mar 2017 RM'000</b>
Less than one year	5,087
Between one and five years	8,992
	<u>14,079</u>

**A14 Related party transactions**

	<b>3 months ended 30 June 2017 RM'000</b>
<b>Holding company</b>	
Rental expenses	305
Utilities	5
	<u>5</u>
<b>Related companies</b>	
SAP maintenance fees expenses	370
Airline ticketing services - Lintas	91
Rental income for office - Suria	(48)
	<u>413</u>
<b>Associate</b>	
Recharge of expenses paid on behalf	34
	<u>34</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**

	<b>Revenue</b>		<b>Loss before tax</b>	
	<b>3 Months to</b>		<b>3 Months to</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Operating Segments:				
Drilling Services	131,703	154,741	(10,661)	(6,307)
Marine Services	36,399	49,621	(5,805)	(10,509)
Development and Production Asset and Services	387	229	(259)	(1,034)
	<u>168,489</u>	<u>204,591</u>	<u>(16,725)</u>	<u>(17,850)</u>

**B1 Review of Operating Segments (“continued”)**

**Group**

Group revenue for the current quarter decreased by RM36.1 million or 17.6% compared to the corresponding quarter of the preceding year (“1QFY2017”) due to lower activities in Drilling Services as well as lower tonnage carried under Marine Services for the Coal Affreightment contract in Malaysia.

Loss Before Tax was RM16.7 million due to the lower revenue and fixed costs in place as well as the forex losses during the quarter amounting to RM7.3 million. Operating Expenditure was lower by 12.2% compared to corresponding quarter as a result of continuous cost-cutting initiatives.

**Drilling Services (“DS”)**

The segment’s revenue for the current quarter decreased by RM23.0 million or 14.9% as compared to 1QFY2017, mainly due to lower activity in most countries with the exception of Russia showing a 23% revenue growth. However, Gross Margins have improved to 18.2% (1QFY2017: 14.8%) as a result of the various cost-cut initiatives as well as favourable product-mix margins.

Reported Loss Before Tax of RM10.7 million for the current quarter was mainly due to the lower revenue and the forex losses amounting to RM5.4 million. Operating Expenditure was lower by 14.7% compared to corresponding quarter as a result of the cost-cutting initiatives undertaken during the year.

**Marine Services (“MS”)**

The segment revenue for the current quarter was lower by RM13.2 million or 26.6% compared to 1QFY2017 mainly due to lower Coal Affreightment contract revenue in Malaysia. The margin impact of this lower revenue is minimal due to the generally low margins contributed by the Coal Affreightment contract.

The Loss Before Tax of RM5.8 million was mainly due to the idle Offshore Vessels and the Forex Loss amounting to RM1.9 million. Operating Expenditure was lower by 7.0% compared to corresponding quarter as a result of the cost-cutting initiatives undertaken during the year.



## **B2 Review of Operating Segments as Compared to Preceding Quarter**

Loss Before Tax was RM16.7 million compared to a Loss Before Tax of RM78.9 million in the preceding quarter mainly due to Non-Recurring Charges for 4QFY2017 of RM65.6 million.

Operationally (excluding Non-Recurring Charges for 1QFY2018 and 4QFY2017), the results for 1QFY2018 is an improvement over 4QFY2017 due to higher margins at both DS and MS. The better margins were contributed by favourable product-mix margins at DS and the higher activity at MS.

## **B3 Current Financial Year Prospects**

### **Drilling Service Outlook**

The oil price have been hovering between US\$45 to US\$50 per barrel in the last couple of months. Supply and demand are slow to return to an equilibrium (primarily due to large inventory), although OPEC production cuts should see some drawdown of inventory. Activity is likely to be sluggish until the end of 2017 as we see some rig count increases in our geographical areas of operation only beginning 2018. We continue to explore opportunities that require minimal investment and able to leverage on our existing resources and competitive advantage.

### **Marine Services**

The stable coal prices has continued to drive activity at the Coal unit and we envisage it should contribute positively to the bottom line of the segment. However, we expect the Offshore Vessels unit to continue impacting the profitability of MS as we explore all possibilities to charter out the vessels in a challenging market.

### **Development and Production Asset and Services**

For Ophir Production, the well drilling campaign is expected to be completed by August/September 2017. First oil is expected by fourth quarter of calendar year 2017.

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**B4 Profit Forecast**

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

**B5 Corporate Proposals**

Save as disclosed in Note A10, there were no other corporate proposals announced but not completed as at the date of issue of this report.

**B6 Profit before taxation**

	<b>Current quarter 3 months ended 30 June 2017 RM'000</b>	<b>Current quarter 3 months ended 30 June 2016 RM'000</b>	<b>Cumulative period 3 months ended 30 June 2017 RM'000</b>	<b>Cumulative period 3 months ended 30 June 2016 RM'000</b>
The profit before is arrived at after (charging)/crediting:				
Interest income	129	193	129	193
Depreciation and amortisation	(21,319)	(24,912)	(21,319)	(24,912)
(Loss)/gain on foreign exchange - net	(7,338)	570	(7,338)	570
Gain/(loss) on disposal of property, plant and equipment	303	(57)	303	(57)
Interest expense	(3,987)	(4,963)	(3,987)	(4,963)
Share of results of joint ventures	<u>(1,235)</u>	<u>(2,364)</u>	<u>(1,235)</u>	<u>(2,364)</u>

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**B7 Taxation**

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

	<b>Current quarter 3 months ended 30 June 2017 RM'000</b>	<b>Current quarter 3 months ended 30 June 2016 RM'000</b>	<b>Cumulative period 3 months ended 30 June 2017 RM'000</b>	<b>Cumulative period 3 months ended 30 June 2016 RM'000</b>
Malaysian income tax				
- current year	(454)	184	(454)	184
Foreign income tax				
- current year	<u>2,714</u>	<u>3,767</u>	<u>2,714</u>	<u>3,767</u>
Total income tax	<u>2,260</u>	<u>3,951</u>	<u>2,260</u>	<u>3,951</u>
Effective tax rate	<u>-13.5%</u>	<u>-22.1%</u>	<u>-13.5%</u>	<u>-22.1%</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:-

	<b>As at 30 June 2017 RM'000</b>
Cash and bank balances	55,514
Short term deposits with licensed banks	<u>27,739</u>
	83,253
Less : restricted cash	(22,919)
Less : bank overdraft	<u>(2,491)</u>
Cash and cash equivalents	<u>57,843</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:

	<b>Current RM'000</b>	<b>Non- Current RM'000</b>	<b>Total RM'000</b>
Borrowings – secured	<u>215,928</u>	<u>46,325</u>	<u>262,253</u>

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

	<b>RM'000</b>
Ringgit Malaysia	114,114
US Dollar*	<u>148,139</u>
Total	<u>262,253</u>

\* *These relate to working capital loans.*

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**B10 Other reserves**

	<b>As at 30 June 2017 RM'000</b>	<b>As at 31 Mar 2017 RM'000</b>
Capital reserve	26,881	26,881
Translation reserves	(149,273)	(116,295)
Hedging reserve	20,553	16,329
Merger reserve	(443,323)	(443,323)
	<u>(545,162)</u>	<u>(516,408)</u>

**B11 Derivative Financial Liabilities**

	<b>Current RM'000</b>	<b>Non- Current RM'000</b>	<b>Total RM'000</b>
<b>Derivatives used for hedging</b>			
Cross currency interest rate swaps ("CCIRS") at fair value	<u>17,058</u>	<u>18,595</u>	<u>35,653</u>

The notional principal amounts of the outstanding CCIRSs at 30 June 2017 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 approximately to 2 years from 31 March 2017.

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**B12 Retained Earnings**

	<b>As at 30 June 2017 RM'000</b>	<b>As at 31 Mar 2017 RM'000</b>
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,146,373	1,143,446
- Unrealised	<u>(333,625)</u>	<u>(288,378)</u>
	812,748	855,068
Total share of retained earnings from associated companies:		
- Realised	(16,733)	(9,418)
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	22,113	(10,371)
- Unrealised	<u>-</u>	<u>-</u>
	818,128	835,279
Less : Consolidation adjustments	<u>(584,100)</u>	<u>(584,100)</u>
Total retained earnings	<u>234,028</u>	<u>251,179</u>

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**B13 Earnings Per Share**

	<b>3 months ended 30 June 2017 RM'000</b>	<b>3 months ended 30 June 2016 RM'000</b>	<b>3 months ended 30 June 2017 RM'000</b>	<b>3 months ended 30 June 2016 RM'000</b>
<b><u>Basic and diluted earnings per share</u></b>				
Loss for the period	<u>(17,151)</u>	<u>(18,002)</u>	<u>(17,151)</u>	<u>(18,002)</u>
Issued and paid-up capital	2,341,775	2,341,775	2,341,775	2,341,775
Less : Treasury shares	<u>(154)</u>	<u>(154)</u>	<u>(154)</u>	<u>(154)</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,341,621</u>	<u>2,341,621</u>	<u>2,341,621</u>	<u>2,341,621</u>
<b>Basic earnings per share (sen)</b>	<b><u>(0.73)</u></b>	<b><u>(0.77)</u></b>	<b><u>(0.73)</u></b>	<b><u>(0.77)</u></b>

**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 30 August 2017 by the Board of Directors.