

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

	3 months ended 30 Sep 2017 RM'000	3 months ended 30 Sep 2016 RM'000	Cumulative period 6 months ended 30 Sep 2017 RM'000	Cumulative period 6 months ended 30 Sep 2016 RM'000
Revenue	152,962	145,478	321,451	350,069
Cost of sales	<u>(129,363)</u>	<u>(131,495)</u>	<u>(272,020)</u>	<u>(310,368)</u>
Gross profit	23,599	13,983	49,431	39,701
Other (expenses)/income	(1,761)	1,108	(6,984)	2,090
Administrative expenses	(17,666)	(20,193)	(34,803)	(41,006)
Marketing and selling expenses	(12,754)	(10,829)	(26,448)	(25,113)
Other operating expenses	(655)	(1,311)	(1,376)	(3,000)
Finance expenses	(5,598)	(4,825)	(10,274)	(10,418)
Finance income	229	363	358	556
Share of results of JV and associates	(1,672)	(2,665)	(2,907)	(5,029)
Loss before tax	(16,278)	(24,369)	(33,003)	(42,219)
Taxation	<u>(3,591)</u>	<u>(891)</u>	<u>(5,851)</u>	<u>(4,842)</u>
Loss for the period	(19,869)	(25,260)	(38,854)	(47,061)
Other comprehensive income				
Currency translation differences	(18,739)	6,028	(51,717)	24,523
Cash flow hedges	<u>11,417</u>	<u>2,090</u>	<u>15,641</u>	<u>3,573</u>
	<u>(7,322)</u>	<u>8,118</u>	<u>(36,076)</u>	<u>28,096</u>
Total comprehensive income for the period	(27,191)	(17,142)	(74,930)	(18,965)
Profit attributable to :				
Owners of the Company	(21,122)	(24,060)	(38,273)	(42,062)
Non-controlling interests	<u>1,253</u>	<u>(1,200)</u>	<u>(581)</u>	<u>(4,999)</u>
Loss for the period	(19,869)	(25,260)	(38,854)	(47,061)
Total comprehensive income attributable to:				
Owners of the Company	(28,444)	(15,942)	(74,349)	(13,966)
Non-controlling interests	<u>1,253</u>	<u>(1,200)</u>	<u>(581)</u>	<u>(4,999)</u>
	<u>(27,191)</u>	<u>(17,142)</u>	<u>(74,930)</u>	<u>(18,965)</u>
Earnings per share				
- Basic and diluted (Sen)	<u>(0.90)</u>	<u>(1.03)</u>	<u>(1.63)</u>	<u>(1.80)</u>

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 2017

	Note	As at 30 Sep 2017 RM'000	As at 31 Mar 2017 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		335,413	525,991
Investment properties		2,353	2,499
Investment in associates		7,439	7,439
Investment in joint ventures		55,296	53,794
Intangible assets		100,633	107,903
Deferred tax assets		10,028	9,125
Other receivables		319	226
		<u>511,481</u>	<u>706,977</u>
CURRENT ASSETS			
Inventories		138,836	164,922
Trade and other receivables		356,107	350,044
Current tax assets		26,208	27,284
Cash and bank balances	B8	51,795	124,792
		<u>572,946</u>	<u>667,042</u>
Assets classified as held for sale		143,471	-
		<u>716,417</u>	<u>667,042</u>
TOTAL ASSETS		<u>1,227,898</u>	<u>1,374,019</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,005,535	1,005,535
Treasury shares		(51)	(51)
Other reserves	B10	(552,484)	(516,408)
Retained earnings	B12	212,906	251,179
Total equity attributable to owners of the Company		<u>665,906</u>	<u>740,255</u>
Non-controlling interests		47,275	47,856
TOTAL EQUITY		<u>713,181</u>	<u>788,111</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	46,975	49,407
Provision for retirement benefits		8,419	10,800
Other payables		2,923	5,693
Derivative financial liabilities	B11	16,347	21,118
Deferred tax liabilities		8,718	9,112
		<u>83,382</u>	<u>96,130</u>
CURRENT LIABILITIES			
Trade and other payables		209,683	253,470
Loans and borrowings	B9	205,779	195,650
Derivative financial liabilities	B11	6,408	23,145
Current tax liabilities		9,465	17,513
		<u>431,335</u>	<u>489,778</u>
TOTAL LIABILITIES		<u>514,717</u>	<u>585,908</u>
TOTAL EQUITY AND LIABILITIES		<u>1,227,898</u>	<u>1,374,019</u>
Net assets per share (RM)		<u>0.28</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 SEPTEMBER 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
As at 1 April 2017	1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111
Total comprehensive income for the year	-	-	(36,076)	(38,273)	(74,349)	(581)	(74,930)
As at 30 September 2017	1,005,535	(51)	(552,484)	212,906	665,906	47,275	713,181
Audited							
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	-	-	59,119	(127,428)	(68,309)	(9,359)	(77,668)
Repurchased during the year	-	(1)	-	-	(1)	-	(1)
As at 31 March 2017	1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111

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 STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

	Note	6 months ended 30 Sep 2017 RM'000	6 months ended 30 Sep 2016 RM'000
Cash Flows From Operating Activities			
(Loss)/Profit before tax		(33,003)	(42,219)
Adjustments for non-cash items:		21,270	37,538
Changes in working capital:			
Inventories		26,086	5,823
Receivables		(39,174)	42,464
Payables		(39,453)	(29,146)
Cash generated from operations		<u>(64,274)</u>	<u>14,460</u>
Tax paid		(6,675)	(10,101)
Interest received		358	556
Net cash generated from operating activities		<u>(70,591)</u>	<u>4,915</u>
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		(284)	306
Purchase of property, plant and equipment		(6,194)	(6,720)
Net cash used in investing activities		<u>(6,478)</u>	<u>(7,824)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(3,549)	(48,788)
Proceeds from borrowings		21,522	82,200
Interest paid on borrowings		(8,925)	(9,152)
Decrease in short term deposit pledged as securities		(3,506)	(22,713)
Net cash used in financing activities		<u>5,542</u>	<u>1,547</u>
Net decrease in cash and cash equivalents		(71,527)	(1,362)
Cash and cash equivalents at beginning of the year		101,680	109,381
Currency translation differences		(4,590)	6,170
Cash and cash equivalents at end of the year	B8	<u><u>25,563</u></u>	<u><u>114,189</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 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 September 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 September 2017.

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

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

Revenue and results for six months ended 30 September 2017

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	255,920	64,878	653	321,451
RESULTS				
Profit from operations	(5,638)	(6,568)	(632)	(12,838)
Realised gain/(loss) on foreign exchange	11,482	885	-	12,367
Unrealised loss on foreign exchange	(20,409)	(3,124)	-	(23,533)
Finance costs	(7,464)	(2,810)	-	(10,274)
Other expenses	4,401	(219)	-	4,182
Share of results in joint ventures	-	(2,907)	-	(2,907)
Profit before tax	(17,628)	(14,743)	(632)	(33,003)
Taxation	(5,200)	(651)	-	(5,851)
Profit for the period	(22,828)	(15,394)	(632)	(38,854)
Other information				
Depreciation and amortisation	15,409	20,517	-	35,926
Interest income	330	28	-	358
Addition to non-current assets other than financial instruments and deferred tax assets	(177,393)	(26,738)	7,639	(196,492)

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A8 Segmental Reporting (“continued”)

Revenue and results for six months ended 30 September 2016

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	264,797	84,726	546	350,069
RESULTS				
Profit from operations	(8,343)	(19,638)	(881)	(28,862)
Realised loss on foreign exchange	(2,415)	(326)	-	(2,741)
Unrealised gain/(loss) on foreign exchange	4,481	(645)	-	3,836
Finance costs	(10,260)	(158)	-	(10,418)
Other operating income	1,016	(21)	-	995
Share of results in joint ventures	-	(4,269)	(760)	(5,029)
Profit before tax	(15,521)	(25,057)	(1,641)	(42,219)
Taxation	(3,819)	(1,023)	-	(4,842)
Profit for the period	(19,340)	(26,080)	(1,641)	(47,061)
Other information				
Depreciation and amortisation	23,101	25,406	-	48,507
Interest income	516	40	-	556
Addition to non-current assets other than financial instruments and deferred tax assets	(18,135)	5,548	(35)	(12,622)

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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 30 SEPTEMBER 2017				
ASSETS				
Assets employed in the segment	716,027	412,705	195	1,128,927
Investment in associates	-	7,439	-	7,439
Investment in joint venture	1,431	35,392	18,473	55,296
	<u>717,458</u>	<u>455,536</u>	<u>18,668</u>	<u>1,191,662</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				26,208
Deferred tax assets				<u>10,028</u>
Total assets				<u><u>1,227,898</u></u>
LIABILITIES				
Liabilities in segment	<u>455,355</u>	<u>14,579</u>	<u>3,845</u>	473,779
<u>Unallocated corporate liabilities:</u>				
Tax payable				9,465
Deferred tax liabilities				8,718
Derivatives financial instruments				<u>22,755</u>
Total liabilities				<u><u>514,717</u></u>
Net assets				<u><u>713,181</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 30 SEPTEMBER 2016				
ASSETS				
Assets employed in the segment	894,632	515,986	262	1,410,880
Investment in joint venture	1,430	52,521	9,420	63,371
	<u>896,062</u>	<u>575,946</u>	<u>9,682</u>	<u>1,481,690</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				23,117
Deferred tax assets				5,791
Total assets				<u><u>1,510,598</u></u>
LIABILITIES				
Liabilities in segment	<u>446,484</u>	<u>147,801</u>	<u>2,680</u>	596,965
<u>Unallocated corporate liabilities:</u>				
Tax payable				19,798
Deferred tax liabilities				5,723
Derivatives financial instruments				41,297
Total liabilities				<u><u>663,783</u></u>
Net assets				<u><u>846,815</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").

On 10 October 2017, the Board had decided to present the Proposed Merger to its shareholders for approval at the meeting of the shareholders of the Company, which is to be convened pursuant to an order of the High Court pursuant to the Section 366 of the Companies Act, 2016.

On 14 November 2017, the High Court had granted Scomi Energy an order pursuant to Section 366 of the Act ("Order") to convene the CCM within 120 days from the date of the Order, for the purpose of considering and if thought fit, approving the Proposed Merger, with or without modification. The venue, date and time of the CCM will be announced in due course.

On 23 November, Securities Commission ("SC") had vide its letter informed that it has no further comments on the explanatory statement ("ES") in relation to the Proposed Merger.

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:-

	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:

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A13 Capital Commitments ("continued")

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Property	-	-	-
Plant & Machinery	-	6,605	6,605
Vessels	-	36,746	36,746
Others	-	1,982	1,982
	<u>-</u>	<u>45,333</u>	<u>45,333</u>

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

	31 Mar 2017 RM'000
Less than one year	5,329
Between one and five years	7,890
	<u>13,219</u>

A14 Related party transactions

	3 months ended 30 June 2017 RM'000	6 months ended 30 Sep 2017 RM'000
Holding company		
Rental expenses	354	659
Utilities	7	12
Related companies		
SAP maintenance fees expenses	282	652
Airline ticketing services - Lintas	202	293
Rental income for office - Suria	(47)	(95)
Associate		
Recharge of expenses paid on behalf	34	68

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		Loss before tax	
	3 Months to		3 Months to	
	30 Sep	30 Sep	30 Sep	30 Sep
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	124,217	110,057	(6,966)	(9,215)
Marine Services	28,479	35,105	(8,939)	(14,547)
Development and Production Asset and Services	266	316	(373)	(607)
	<u>152,962</u>	<u>145,478</u>	<u>(16,278)</u>	<u>(24,369)</u>

B1 Review of Operating Segments (“continued”)

Group

Group revenue for the current quarter is higher by RM7.5 million or 5.1% compared to the corresponding quarter of the preceding year (“2QFY2017”) due to increase in activities in Drilling Services especially in Russia and Turkmenistan.

Loss Before Tax was lower at RM16.3 million, a 33.2% improvement from corresponding quarter due to higher revenue and increase in margins, particularly at Marine Services as well as lower Operating Expenditure.

Drilling Services (“DS”)

The segment’s revenue for the current quarter increased by RM14.2 million or 12.9% as compared to 2QFY2017, mainly due to higher activity in countries such as Russia and Turkmenistan driven by robust drilling activity. Gross Margins have also improved to 20.3% (2QFY2017: 19.9%) due to the various cost-cut initiatives as well as higher top line.

As a result of higher activity level and better margins, the Loss Before Tax for the current quarter has narrowed to RM7.0 million compared to RM9.2 million in the corresponding quarter. Operating Expenditure was lower by 4.3% 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 RM6.6 million or 18.9% compared to 2QFY2017 mainly due to lower Coal Affreightment contract revenue in Malaysia which was partially offset by higher revenue from the Coal unit in Indonesia due to increase in activity level. The margin impact of this lower revenue from the Coal Affreightment contract is minimal due to the generally low margins contributed by the Coal Affreightment contract.

The Loss Before Tax of RM8.9 million in the current quarter was significantly lower compared to the RM14.6 million registered in the corresponding quarter as a result of better margins from the Coal unit in Indonesia.

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B1 Review of Operating Segments (“continued”)

2Q YTD FY2018 vs. 2Q YTD FY2017

	Revenue		Loss before tax	
	6 Months to		6 Months to	
	30 Sep	30 Sep	30 Sep	30 Sep
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	255,920	264,797	(17,630)	(15,521)
Marine Services	64,878	84,726	(14,741)	(25,057)
Development and Production Asset and Services	653	546	(632)	(1,641)
	<u>321,451</u>	<u>350,069</u>	<u>(33,003)</u>	<u>(42,219)</u>

Group

Group revenue for YTD 2QFY2018 is lower by RM28.6 million in current quarter compared to the corresponding period of the preceding year mainly due to lower revenue from Drilling Services, especially from countries such as Malaysia, Indonesia, Thailand and Myanmar which was partially offset by the higher revenue from Russia and Turkmenistan. The lower Coal Affreightment contract revenue also contributed to the decline in revenue for the period.

Loss Before Tax was lower at RM33.0 million, a 21.8% improvement from corresponding quarter due to better margins at Marine Services as well as 7.4% lower Operating Expenditure.

Drilling Services (“DS”)

The segment’s revenue for YTD 2QFY2018 reduced by RM8.9million or 3.4% as compared to 2QFY2017, mainly due to generally lower activity in countries such as Malaysia, Indonesia, Thailand and Myanmar which was partially offset by higher revenue in Russia and Turkmenistan. However, margins have improved due to better cost control measures.

The Loss Before Tax for the current period is at RM17.6 million compared to RM15.5 million in the corresponding period mainly as a result of lower activity level and Forex Losses of RM11.2 million in the current period. Operating Expenditure was lower by 7.0% compared to corresponding quarter as a result of the cost-cutting initiatives undertaken during the year.

B1 Review of Operating Segments (“continued”)

Marine Services (“MS”)

The segment revenue for the current period was lower by RM19.8 million or 23.4% compared to 2QFY2017 mainly due to lower Coal Affreightment contract revenue in Malaysia which was partially offset by higher revenue from the Coal unit in Indonesia due to increase in activity level. The margin impact of this lower revenue from the Coal Affreightment contract is minimal due to the generally low margins contributed by the Coal Affreightment contract.

The Loss Before Tax of RM14.7 million in the current period was significantly lower compared to the RM25.1 million registered in the corresponding period as a result of better margins from the Coal segment.

B2 Review of Operating Segments as Compared to Preceding Quarter

Loss Before Tax was RM16.3 million compared to a Loss Before Tax of RM16.7 million in the preceding quarter. The lower Loss Before Tax for the current quarter is mainly due to better margin at Drilling Services and was offset by Marine Services due to lower guaranteed tonnage billing and reduction in demand from customers.

B3 Current Financial Year Prospects

Drilling Service Outlook

The higher average oil price in the first half of the financial year has resulted in more tenders being rolled out by customers. However, the award of these tenders are only expected towards the end of this financial year or later. As such, our activity is anticipated to remain flat until the end of 2017 with marginal increases in our areas of operation only beginning 2018. We continue to actively participate in new bids and leverage on our existing infrastructure and actively pursue our cost rationalization activities.

Marine Services

We expect the activity at Coal unit in Indonesia to remain robust and contribute positively to our overall bottom line. The Offshore Vessels are still largely idle due to the scarcity of offshore jobs in the Indonesian market.

Development and Production Asset and Services

For Ophir Production, First oil was achieved in Q4 of calendar year 2017. We anticipate Ophir Production to generate positive cash flow from Q2 calendar year 2018.

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

	Current quarter 3 months ended 30 Sep 2017 RM'000	Current quarter 3 months ended 30 Sep 2016 RM'000	Cumulative period 6 months ended 30 Sep 2017 RM'000	Cumulative period 6 months ended 30 Sep 2016 RM'000
The profit before is arrived at after (charging)/crediting:				
Interest income	229	363	358	556
Depreciation and amortisation	(14,607)	-	(35,926)	(48,507)
(Loss)/gain on foreign exchange - net	(3,828)	525	(11,166)	1,095
Gain/(loss) on disposal of property, plant and equipment	(43)	68	260	11
Interest expense	(4,938)	(4,189)	(8,925)	(9,152)
Share of results of joint ventures	(1,672)	(2,666)	(2,907)	(5,029)

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B7 Taxation

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

	Current quarter 3 months ended 30 Sep 2017 RM'000	Current quarter 3 months ended 30 Sep 2016 RM'000	Cumulative period 6 months ended 30 Sep 2017 RM'000	Cumulative period 6 months ended 30 Sep 2016 RM'000
Malaysian income tax				
- current year	788	(732)	334	(548)
Foreign income tax				
- current year	<u>2,803</u>	<u>1,623</u>	<u>5,517</u>	<u>5,390</u>
Total income tax	<u>3,591</u>	<u>891</u>	<u>5,851</u>	<u>4,842</u>
Effective tax rate	<u>-22.1%</u>	<u>-3.7%</u>	<u>-17.7%</u>	<u>-11.5%</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 30 Sep 2017 RM'000
Cash and bank balances	23,445
Short term deposits with licensed banks	<u>28,350</u>
	51,795
Less : restricted cash	(24,140)
Less : bank overdraft	<u>(2,092)</u>
Cash and cash equivalents	<u>25,563</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>205,779</u>	<u>46,975</u>	<u>252,754</u>

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

	RM'000
Ringgit Malaysia	120,281
US Dollar*	<u>132,473</u>
Total	<u>252,754</u>

* *These relate to working capital loans.*

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B10 Other reserves

	As at 30 Sep 2017 RM'000	As at 31 Mar 2017 RM'000
Capital reserve	26,881	26,881
Translation reserves	(168,012)	(116,295)
Hedging reserve	31,970	16,329
Merger reserve	(443,323)	(443,323)
	<u>(552,484)</u>	<u>(516,408)</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>6,408</u>	<u>16,347</u>	<u>22,755</u>

The notional principal amounts of the outstanding CCIRSs at 30 September 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

	As at 30 Sep 2017 RM'000	As at 31 Mar 2017 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,125,251	1,143,446
- Unrealised	<u>(333,625)</u>	<u>(288,378)</u>
	791,626	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>
	797,006	835,279
Less : Consolidation adjustments	<u>(584,100)</u>	<u>(584,100)</u>
Total retained earnings	<u><u>212,906</u></u>	<u><u>251,179</u></u>

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B13 Earnings Per Share

	3 months ended 30 Sep 2017 RM'000	3 months ended 30 Sep 2016 RM'000	6 months ended 30 Sep 2017 RM'000	6 months ended 30 Sep 2016 RM'000
<u>Basic and diluted earnings per share</u>				
Loss for the period	<u>(21,122)</u>	<u>(24,060)</u>	<u>(38,273)</u>	<u>(42,062)</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>
Basic earnings per share (sen)	<u>(0.90)</u>	<u>(1.03)</u>	<u>(1.63)</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.

B17 Authorised For Issue

The interim financial statements were authorised for issue on 30 November 2017 by the Board of Directors.