PART A: EXPLANATORY NOTES AS PER MASB 26

A1. Basis of preparation of interim financial reports

These interim financial statements are prepared in accordance with the Malaysian Accounting Standards Board ("MASB") Standard No.26 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s Listing Requirements and should be read in conjunction with the Company's annual financial statements for the year ended 31st December 2004.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted in the annual financial statements for the year ended 31st December 2004 except for the change in accounting policy in relation to negative goodwill.

This change in accounting policy has been accounted for prospectively and the effects of this change on the interim financial statements are disclosed in Note A12.

A2. Qualification of financial statements

The preceding year annual financial statements were not subjected to any qualification.

A3. Seasonal and cyclical factors

The group's results were not materially affected by any major seasonal or cyclical factors.

A4. Unusual and extraordinary items

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cash during the current quarter under review.

A5. Material changes in estimates

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

A6. Issuance and repayment of debt and equity securities

Save as disclosed below, there were no issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities:

During the six-month ended 30th June 2005, the issued and paid-up share capital of the Company was increased from 894,134,400 ordinary shares of RM0.10 each to 988,095,500 ordinary shares of RM0.10 each by the issuance of:

(i) 89,415,000 new ordinary shares of RM0.10 each of the Company pursuant to the Private Placement on 3 March 2005 at the issue price of RM1.63 per share;

(ii) 4,546,100 new ordinary shares of RM0.10 each of the Company pursuant to the exercise of options granted under the ESOS at option prices ranging from RM0.17 to RM1.12 per ordinary share.

A7. Dividends Paid

No dividends were paid during the quarter under review.

A8. Segmental Information

Division	2nd Quarter ended 30th June 2005 Revenue	2nd Quarter ended 30th June 2005 Profit Before Tax	Six-months ended 30th June 2005 Revenue	Six-months ended 30th June 2005 Profit Before Tax
	RM`000	RM`000	RM`000	RM`000
Oil & Gas				
-International	154,956	7,673	286,512	18,053
-Malaysia	52,928	7,320	104,338	10,953
Manufacturing	49,701	6,380	95,971	12,114
Investment Holding	3,650	(3,839)	6,587	(3,839)
	261,235	17,534	493,408	37,281
Inter-segment elimination	(3,650)	-	(6,587)	-
Total	257,585	17,534	486,821	37,281

Division	2nd Quarter ended 30th June 2004 Revenue	2nd Quarter ended 30th June 2004 Profit Before Tax	Six-months ended 30th June 2004 Revenue	Six-months ended 30th June 2004 Profit/(Loss) Before Tax
	RM`000	RM`000	RM`000	RM`000
Oil & Gas	81,382	9,490	147,660	21,193
Transportation Engineering	11,140	452	18,404	(334)
Marine Transportation	393	121	393	121
Investment Holding	2,431	1,552	3,927	1,396
	95,346	11,615	170,384	22,376
Inter-segment elimination	(2685)	(293)	(4,283)	(531)
Total	92,661	11,322	166,101	21,845

The presentation of segmental information has been changed in current year to better reflect the grouping of business activities.

A9. Valuation of property, plant and equipment

There is no revaluation of property, plant and equipment, as the group does not adopt a revaluation policy on property, plant and equipment.

A10. Material events subsequent to the balance sheet date

There was no material event subsequent to the balance sheet date that has not been reflected in this condensed financial statement.

A11. Changes in composition of the group

(a) Acquisition of an additional 14.8% of KMC Oiltools Bermuda Limited ("KMC Oiltools")

On 21st July, 2005, the Company via its wholly owned subsidiary, Kota Minerals and Chemicals Sdn Bhd, completed the acquisition of Derrick Tranche Two Option shares comprising 396,842 KMC Oiltools ordinary shares, 37,459 "A" KMC Oiltools Preference shares, 471,875 "B" KMC Oiltools Preference shares and 1,728 "C" KMC Oiltools Preference shares for USD4,246,667.

On 29th July 2005, the company via its wholly owned subsidiary, Kota Minerals & Chemicals Sdn Bhd, completed the acquisition of Pianca Tranche One A Shares comprising 1,156,360 KMC Oiltools ordinary shares for a consideration of USD6,238,704.

Pursuant to the above acquisitions, the group's effective interest in KMC Oiltools has been increased from 77.7% to 92.5%.

A12. Effect of the change in accounting policy

The effects of the change in accounting policy on negative goodwill are as follows:

	2005	**2004**
	RM'000	**RM'000**
Effects on retained profits:		
At 1 January, as previously stated	70,510	12,869
Effects of change in accounting policy	11,354	11,354
At 1 January, as restated	81,864	24,223

	6 months ended	
	30.06.05	**30.06.04**
	RM'000	**RM'000**
Effects on net profit for the period:		
Net profit before change in accounting policy	20,945	16,734
Effects of change in accounting policy	5,200	-
Net profit for the period	26,145	16,734

The comparative amount for reserve on consolidation of the Group as at 31 December 2004 has been restated as follows:

	Previously Stated RM'000	**Adjustments RM'000**	**Restated RM'000**
Reserve on consolidation	11,354	(11,354)	-

A13. Contingent liabilities

Details of contingent liabilities of the group as at 30th June 2005 are as follows:

	RM`000
Various legal claims of subsidiaries	863
Total	863

A14. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 30th June 2005:

	Approved and contracted for RM`000	Approved but not contracted for RM`000
Acquisition of shares in Oiltools (Put and Call Option)		
- Derrick Acquisition	54,267	-
- Pianca Acquisition	25,693	-
Investment	360,000	
Property	122	13,658
Vessels	-	125,000
Plant and Machinery	30,534	21,570
Office Equipment, Furniture and Fittings	446	2,260
Motor Vehicles	3,962	16,911
Total	475,024	179,399

Operating lease commitments:

Future minimum lease rental payable	**Due within 1 year RM'000**	**Due within 1 to 5 years RM'000**	**Due after 5 years RM'000**
Property	3,683	9,903	5,843
Plant and Machinery	1,392	700	22
Office Equipment, Furniture and Fittings	369	505	0
Others	542	1,812	0
Total	5,986	12,920	5,865

A15. Significant related party transactions

There were no significant related party transactions entered into during the quarter under review.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Review of performance for the quarter ended 30th June 2005

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM257.6 million for the quarter ended 30th June 2005, compared to RM92.7 million in the corresponding quarter in 2004, with approximately 80% of the turnover contributed by its Oil & Gas Division.

The group registered a net profit of RM12.0 million during the quarter against RM9.3 million in the corresponding quarter with approximately 96% of the profits contributed by the Oil & Gas Division.

The acquisition of KMC Oiltools Bermuda Limited has contributed positively to the increase in the group's turnover and profits for the Oil & Gas Division.

The International Division generated revenues of RM155.0 million for the quarter with the Americas being the biggest contributor. This region showed the biggest improvement over the last quarter as revenues increased largely due to an upturn in the USA and increased land farming and containment & handling activities in Venezuela. In Europe, Norway continued to perform well and the UK experienced a turnaround in thermal desorption as the volume of cuttings received rose in the second quarter. The Middle East & North Africa region also had a good quarter with higher than expected sales of Derrick equipment and screens. In Asia, the most significant achievement was the award of two new drilling fluids contracts in Pakistan and Thailand. Major contracts awarded to the Group within the quarter included Petronas Carigali, Turkmenistan; Total, Nigeria; PDVSA Venezuela; CNR,UK; Kerr McGee,UK; ADT,UK and OGDCL, Pakistan.

The Manufacturing Division generated revenue of RM49.7 million during the quarter under review with the machine shops being the main contributor to the division's turnover and net profits. An order for Saudi Aramco was successfully completed and the Singapore Machine Shop received a significant repeat order from the same customer, which augurs well for the future.

B2. Variation of results against preceding quarter

The group achieved a turnover of RM257.6 million for the current quarter ended 30th June 2005 compared to RM229.2 million in the preceding quarter ended 31st March 2005. The increase was mainly due to the International Division which showed an improvement as mentioned in B1 above.

Despite the increase in turnover, the net profit reduced to RM12.0 million for the current quarter 30th June 2005 compared to RM14.1 million in the preceding quarter ended 31st March 2005. It should be noted however that the profits for the preceding quarter included the negative goodwill adjustment of RM5.2 million and hence the underlying profitability showed an increase from RM8.9 million in 1Q to RM12.0 million in 2Q.

Profitability was however affected by the increase in cost infrastructure which include new tenders and contracts in the second half of 2005 and the indirect impact of higher oil prices.

B3. Current year prospects

1) Oil & Gas

a) International Division

The International Division is actively participating in bids and tenders as an integrated service provider of drilling waste management and drilling fluids. The main thrust will be to maximise the benefit of the global infrastructure and market presence in order to increase market share in drilling fluids. In addition, the group will be aiming to take advantage of the increasing trend towards integrated services to boost the drilling waste management business.

b) Malaysia Division

The proposed investment into Habib Corporation Berhd will create opportunities to expand marine vessel transportation of bulk aggregates and offshore support services in the oil & gas industry. Furthermore, this deal is expected to propel the Marine Transportation business into a new arena of challenge as a major regional marine transportation and offshore support service company focusing on oil and gas industry, in line with Scomi's strategy to become a prominent regional player in the sector.

2) Manufacturing Division

The proposed disposal to Bell & Order Bhd would allow the machine shop businesses and transportation engineering division to gain direct access to capital markets and to more easily raise funds for future expansion. Furthermore, this division will be able to specialise in activities within the manufacturing industry.

Despite the increasing turnover, profitability may not increase in tandem, due to the increase in costs. As mentioned in B2, the Group's increase in costs resulted from ramping up of its infrastructure to gear up for newly awarded and future contracts and higher oil prices.

B4. Variance of actual and profit forecast / profit guarantee

The group has not provided any quarterly profit forecast and there is no profit guarantee issued by the group or the Company.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Quarter	Current Year Quarter	Preceding Year Quarter
	30th June 2005	30th June 2004	30th June 2005	30th June 2004
	RM`000	RM`000	RM`000	RM`000
Income Tax	4,166	1,993	7,641	4,992
Transfer (from)/to deferred tax	340	-	(382)	-
Overprovision in respect of previous quarters/years	(323)	-	(319)	-
	4,183	1,993	6,940	4,992

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows: -

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Quarter	Current Year Quarter	Preceding Year Quarter
	30th June 2005	30th June 2004	30th June 2005	30th June 2004
	%	%	%	%
Malaysian statutory tax rate	28	28	28	28
Tax effects of:				
- income not subject to tax	(13.4)	(12.9)	(8.5)	(6.4)
- different tax rates in other countries	8.9		1.2	
- overprovision in previous years	(2.2)		(3.7)	
- expenses not deductible for tax purposes	6.3	2.5	3.4	1.3
- unrecognised tax loss/unabsorbed capital allowance	(4.8)		(3.8)	
- others	1.1		2.0	
Effective tax rate	23.9	17.6	18.6	22.9

B6. Unquoted investments and/or properties

There are no changes to unquoted investments during the quarter under review.

B7. Quoted and marketable investments

Details of investments in quoted securities as at the reporting date are as follows:

	RM`000
Total investments at cost	3,071
Total investments at market value	3,071

B8. Status of corporate proposal

(a) Private Placement

A Private Placement of 10,000,000 new ordinary shares of RM0.50 each of the Company was effected on 19th January 2004 and the shares were granted listing and quotation on the Second Board of the Bursa Malaysia with effect from 27th January 2004.

The status of utilisation of the proceeds raised from the Private Placement exercise is as follows:

	RM '000
Gross Proceeds	125,000
Share issue expenses	(1,913)
Working capital	(117,927)
Advances given to OilServe Marine	(5,160)
Balance as at 30th June 2005	-

Advances given to OilServe Marine were in relation to working capital and payment for the purchase of 2 vessels.

The proceeds from the Private Placement have been applied in full as at 30th June 2005.

(b) Proposed Disposal of Machine Shop Business and Proposed Disposal of Scomi Sdn Bhd and Scomi Transportation and Solutions Sdn Bhd.

(i) Proposed Disposal of Machine Shop Business

On 7th January 2005, KMC Oiltools and KMC Oiltools (Cayman) Ltd ("KMC Cayman") a wholly-owned subsidiary of KMC Oiltools, entered into a tripartite conditional sale and purchase agreement with Bell & Order Berhad ("B&O") for the disposal of:-

(i.1) the entire equity interest in OPL and Oiltools Holdings (Malaysia) Sdn Bhd (since renamed OMS Oilfield Holdings (Malaysia) Sdn. Bhd.) ("OHMSB") held by KMC Oiltools comprising 1,010,800 ordinary shares of S$1.00 each in OPL; and

(i.2) the entire equity interest in OHMSB ("OHMSB A Shares") comprising:
(i.2.1) 900,000 Class A shares of RM1.00 each in OHMSB and
(i.2.2) 200,000 Class B Shares of RM1.00 each in OHMSB held by KMC Oiltools (Cayman) Ltd; and
(i.2.3) 300,000 Class A Shares and 600,000 Class B Shares in OHMSB currently held by Syarikat Pesaka Antah Sdn. Bhd.;

for an aggregate sale consideration of RM237,500,000 to be satisfied by the issuance of 160,472,973 new ordinary shares of RM1.00 each in B&O Shares at an issue price of RM1.48 per share.

(ii) Proposed Disposal of Scomi Sdn Bhd ("SSB") and Scomi Transportation Solutions Sdn Bhd ("SCOTS")

On 7th January 2005, the Company entered into a conditional sale and purchase agreement with B&O to dispose of its entire equity interests in SSB, comprising 9,281,762 ordinary shares of RM1.00 each in SSB, and its entire equity interests in SCOTS, comprising 500,000 ordinary shares of RM1.00 each in SCOTS, to B&O for an aggregate sale consideration of RM47,500,000 to be satisfied by an issuance of 32,094,594 new ordinary shares of RM1.00 each in B&O at an issue price of RM1.48 per share.

The Proposed Disposal of Machine Shop Business and the Proposed Disposal of SSB and SCOTS are collectively referred to as the "Proposed Disposals".

The Proposed Disposals will amount to a reverse take-over of B&O as it will result in the Company becoming the holding company of B&O, holding approximately 71.5% of the enlarged issued and paid-up share capital of B&O.

The above proposal is currently awaiting approval from the regulatory authorities except the Securities Commission ("SC"), which had via its letter dated 24 June 2005, approved the Proposed Disposals subject to certain conditions.

(c) Proposed subscription of shares in Habib Corporation Berhad ("Habib") for a major stake in Singapore Based Marine Vessel Business

On 14th February 2005, the Company entered into a conditional subscription agreement with Habib to subscribe for 173,913,043 new ordinary shares of RM1.00 each in Habib at an issue price of RM1.15 per share. ("Proposed Subscription").

The Proposed Subscription is to be undertaken in conjunction with Habib's proposed acquisition of equity interests in the marine assets and businesses held by Chuan Hup Holdings Limited ("Chuan Hup") ("Proposed Acquisition by Habib").

On 14th February 2005, Habib announced the Proposed Acquisition which shall be undertaken via:

(i) the acquisition of the entire marine logistic business of CH which is undertaken substantially through six(6) subsidiaries of CH;

(ii) acquisition of 29.07% equity interest (205,000,000 shares) in CH Offshore Limited ("CHO"), a public listed company incorporated in Singapore; and

(iii) acquisition of 49.07% equity interest ((298,905,500 shares) in PT Rig Tenders Indonesia ("PTRT"), a public listed company incorporated in Indonesia

for a total purchase consideration of approximately S$570 million.

Upon completion of the Proposed Subscription and the Proposed Acquisition by Habib, the Company shall hold a 29.6% equity stake in Habib.

As at 22nd July 2005, shareholders approval and all approvals from the relevant authorities for the Proposals have been obtained, except for the approval from Bursa Malaysia for the listing of and quotation for the new Habib shares on Bursa Malaysia.

(d) 2nd Private Placement

A 2nd Private Placement of 89,415,000 new ordinary shares of RM0.10 each of the Company was effected on 25th February 2005 at an issue price of RM1.63 per share iand the shares were granted listing and quotation on the Main Board of Bursa Malaysia on 3rd March 2005.

The status of utilisation of the proceeds raised from the 2nd Private Placement is as follows:

	RM '000
Gross proceeds	145,746
Share issue expenses	(3,700)
Working capital	(40,075)
Repayment of borrowing	(60,416)
Balance as at 30th June 2005	41,555

(e) Proposed general offer exemption

On 10th March 2005, the Company made an application to the Securities Commission ("SC") in relation to the proposed general offer exemption to the Company and parties acting in concert with the Company, namely KMC Oiltools and KMC Cayman ("Parties Acting In Concert") from having to undertake a mandatory general offer for the remaining ordinary shares in B&O not already owned by them upon completion of the Proposed Disposals pursuant to practice note 2.9.1 of the Malaysian Code on Take-Overs and Mergers, 1988 ("Proposed GO Exemption").

On 20th April 2005, the SC informed the Company that the Proposed GO Exemption will only be considered upon obtaining the following:

(i) the approval for the Proposed Exemption from the shareholders of B&O, on a poll, at an EGM whereby interested parties shall abstain from voting. The results of the voting by poll must be confirmed by an independent auditor;

(ii) the provision of competent independent advice to the shareholders of B&O, where the appointment of the independent adviser and the contents of the independent advice circular, which will be circulated to the shareholders of B&O, are subject to the SC's prior consent and approval; and

(iii) the company and parties acting in concert with it shall furnish to the SC a statutory declaration (to be dated after the EGM) declaring that they have not purchased any shares in B&O in the six (6) months period prior to the date of posting of the circular relating to the Proposed Exemptions but subsequent to negotiation, discussion, understanding or agreement with the Directors of B&O, whichever is the shorter period, until the SC approves the Proposed Exemption

(f) Transfer of the remaining equity interest in OMS Oilfield Holdings (Malaysia) Sdn. Bhd. ("OHMSB") and Oiltools Services (Malaysia) Sdn Bhd (now named OMS Oilfield Services (Malaysia) Sdn. Bhd. ("OSMSB") directly to SCOMI.

On 5th April 2005, Securities Commission approved a further extension of time to allow the transfer of the remaining equity interests in OHMSB and OSMSB directly to SCOMI or any suitably qualified subsidiaries (as opposed to KMC Cayman and OHMSB) to be completed by 31 December 2005. These companies will become part of the B&O group pursuant to the Proposed Disposals referred to in section B8(c) above, with completion of the transaction being anticipated prior to 31st December 2005.

(g) Proposed Issuance of up to RM500 million Nominal Value Serial Bonds

On 10th June 2005, the Company proposed to issue up to RM500 million nominal value serial bonds ("Proposed Bonds Issue") to the Malaysian debt capital markets. In this connection, the Company has resolved to terminate the earlier proposed issuance of up to USD$100 million nominal value 5 year unsecured guaranteed redeemable convertible bonds.

The Proposed Bonds Issue will be issued on a bought deal basis and will have a nominal value of up to RM500 million with maturity dates ranging from five (5) years to seven (7) years from the date of issuance. The Bonds will not be listed on any exchange and are expected to be issued in the 3rd quarter of 2005.

The Proposed Bond Issue shall enable the Company to secure long term financing at a relatively lower cost in view of the current favourable interest rate environment in the domestic debt market.

The proceeds from the Proposed Bonds Issue will be utilised by the Company for its proposed investment in Habib Corporation Berhad, for its working capital requirements and incidental costs.

B9. Provision of financial assistance to B&O

The Company has rendered financial assistance to B&O to facilitate the Proposed Disposals stated in section B8(c) above. The aggregate amount of financial assistance in the form of advances provided to B&O for the reporting quarter is RM216,078. The amount is not expected to have any material financial impact on the group. It should be noted that Bursa Malaysia Securities Berhad has exempted the Group from having to comply with 8.23(i) of the Listing Requirements in respect of past financial assistance rendered and future financial assistance to be rendered by the Group in favour of B&O.

B10. Group borrowings (secured)

The group borrowings as at the end of the reporting period are as follows:

	RM`000
Short term borrowings	141,541
Long term borrowings	370,072
Total	511,613

The group borrowings are denominated in the following currencies:

	RM`000
Ringgit Malaysia	67,247
US Dollars	415,668
Pound Sterling	13,498
Canadian Dollars	13,832
Singapore Dollars	676
Australian Dollars	692
Total	511,613

B11. Off balance sheet financial instruments

Save as disclosed below, there were no off balance sheet financial instruments as at the date of this report: -

	Notional amount as at 30th June 2005 RM`000
Interest rate swap agreements	
- less than 1 year	95,000

The overseas subsidiaries' hedging policy would aim to hedge up to 100% of its floating-rate liabilities into fixed rate liabilities by the use of various instruments including interest rate swaps, interest rate options etc, for durations generally not exceeding five years. The actual quantum of floating rate liability hedged would depend on the overseas subsidiaries' view of the general trend on US Dollar interest rates.

There is no significant credit risk posed by the above off balance sheet financial instruments.

Overseas subsidiaries proactively manage their overall interest rate risks. Interest expenses in respect of the notional amount borrowed for the interest rate swap transactions were recognised in the income statement on an accrual basis.

B12. Change in material litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

B13. Dividends

The directors recommended the payment of a final dividend of 3% less income tax of 28% in respect of the financial year ended 31st December 2004, to the shareholders of the Company who were on the Record of the Depositors at the entitlement date of 29th August 2005. The final dividend was approved by the shareholders at the 3rd Annual General Meeting. The dividend will be paid on 19th September, 2005.

The directors also recommended the payment of an interim dividend of 6%, less income tax of 28%, (2004: 3% less income tax of 28%) in respect of the financial year ending 31 December 2005 to the shareholders of the Company who are on the Record of Depositors at an entitlement date to be determined.

B14. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30th June 2005	30th June 2004	30th June 2005	30th June 2004
Basic earnings per share				
Net profit attributable to shareholders (RM`000)	12,044	9,592	26,145	16,374
Number of shares at the beginning of the period ('000)	894,134	100,000	894,134	100,000
Effects of shares issued during the period ('000)		-		
Effects of private placement ('000)	89,415	10,000	59,281	8,956
Effects of share options exercised before bonus issue and share split ('000)		1,053		578
Effects of bonus issue ('000)		66,632		65,720
Effects of share split ('000)		710,741		701,018
Effects of share options exercised after bonus issue and share split ('000)	1,832	52	906	26
Weighted average number of shares ('000)	985,381	888,478	954,321	876,298
Basic earnings per share (sen)	1.22	1.04	2.74	1.91
Diluted earnings per share				
Net profit attributable to shareholders (RM`000)	12,044	9,252	26,145	16,734
Weighted average number of shares as per above ('000)	985,381	888,478	954,321	876,298
Number of shares under ESOS ('000)	107,547	57,627	106,486	57,627
Number of ESOS that would have been issued at fair value ('000)	(51,420)	(7,311)	(50,283)	(7,311)
Weighted average number of shares - diluted ('000)	1,041,508	938,794	1,010,524	926,614
Fully diluted earnings per share (sen)	1.16	0.99	2.59	1.81