PART A: EXPLANATORY NOTES AS PER MASB 26

A1. Basis of preparation of interim financial reports

The interim financial statements are prepared in accordance with the requirements of the Financial Reporting Standards ("FRS") 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") 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 audited financial statements for the year ended 31st December 2005.

Up to 31 December 2005, the Group's consolidated financial statements were prepared in accordance with MASB Standards with effective dates before 1 January 2006 except for FRS2: Shared-based payments and FRS 127: Consolidated and separate financial statements, which were early adopted by the Group in 2005.

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 2005 except for the adoption of the remaining new/revised FRSs with effective date for financial period beginning 1 January 2006. The Group has also elected not to adopt the following FRSs prior to their effective dates:

FRS 117: Leases
FRS 124: Related Party Disclosures
FRS 139: Financial Instruments: Recognition and measurement

The adoption of the new/revised FRSs does not have significant financial impact on the Group. The principal effects of the changes from adoption of new accounting policies & accounting estimates are disclosed as follows:

a) FRS 101: Presentation of Financial statements
The revised FRS 101 requires that minority interest be presented within total equity in the consolidated balance sheet, and as an allocation of the net profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. This change in presentation of minority interest has been effected in the Group's consolidated financial statements for financial year ended 31 December 2005 as a result of early adoption of FRS 127. Comparatives to the consolidated income statements and statement of changes in equity have also been restated to conform to the current period's presentation.

b) FRS 116: Property, Plant and Equipment
In accordance with FRS 116, asset residual values, useful lives and depreciation methods will be assessed at each financial year end and adjusted if necessary. If the residual value of an asset increases to an amount equal to or greater than the asset's carrying amount, the asset's depreciation charge is zero unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.
The Group has assessed the changes under FRS 116 and has derived no material adjustment from this assessment.

c) FRS 140: Investment property
FRS 140 requires that properties held for rental yields or capital appreciation rather than being used by the Group be separately classified as investment properties. The Group has now separately classified certain properties previously included in property, plant and equipment as investment properties at cost less accumulated depreciation and impairment.

As a result of the adoption of FRS 140, comparative amounts as at 31 December 2005 have been reclassified as follows:

	As previously stated RM'000	FRS 140 (note A1(d)) RM'000	As restated RM'000
At 31 December 2005			
Property, plant and equipment	332,876	(1,926)	330,950
Investment property, included in property, plant & equipment	-	1,926	1,926

A2. Qualification of financial statements

The preceding year annual financial statements were not subject 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 or repayment of debt and equity securities during the quarter:

During the three-month period ended 31st March 2006, the issued and paid-up share capital of the Company was increased from 992,076,700 ordinary shares of RM0.10 each to 995,243,800 ordinary shares of RM0.10 each by the issuance of:

(i) 3,167,100 new ordinary shares of RM0.10 each pursuant to the exercise of options granted under the ESOS at the option price of RM0.17 per share.

A7. Dividends Paid

No dividends were paid during the quarter under review.

A8. Segmental Information

Division	1st Quarter ended 31-Mar-06	
	Revenue RM`000	Profit before tax RM`000
Oilfield Services	270,438	22,138
Engineering	43,323	7,207
Production Enhancement	6,836	568
Marine Transportation	5,215	4,169
Investment Holding	649	(9,054)
Total	326,461	25,028

Division	1st Quarter ended 31-Mar-05	
	Revenue RM`000	Profit Before Tax RM`000
Oilfield Services	173,641	13,475
Engineering	46,270	5,734
Production Enhancement	4,772	393
Marine Transportation	4,553	145
Investment Holding	- *	- *
Total	229,236	19,747

* The revenue and profit before tax of the investment holding segment was fully eliminated during the quarter.

The presentation of segmental information has been reclassified for the preceding quarter 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

There were no changes in the composition of the Group during the quarter and financial year-to-date under review.

A12. Contingent liabilities

Details of contingent liabilities of the Group as at 31st March 2006 are as follows:

	RM`000
Guarantee relating to borrowings of associates	63
Total	63

A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 31st March 2006:

	Approved and contracted for RM`000	Approved but not contracted for RM`000
Acquisition of shares in KMC Oiltools Bermuda Limited (Put and Call Option)		
- Derrick Acquisition	38,130	-
- Pianca Acquisition *	25,693	-
Property	-	5,934
Plant and Machinery	47,505	96,622
Office Equipment, Furniture and Fittings	499	5,773
Motor Vehicles	5,298	34,004
Total	117,125	142,333

* This is the minimum amount stated as payable to Mr Pianca under the Put & Call agreement in the event of certain events, such as death, occurring before the exercise dates. If the events do not occur, the actual amount payable is based on a stated formula tied to profits of the International Division.

Operating lease commitments:

Future minimum lease rental payable	**Due within 1 year**	**Due within 1 & 5 years**	**Due after 5 years**
Property	4,503	3,637	6,009
Plant and Machinery	2,767	514	277
Others	507	1,506	22
Total	7,777	5,657	6,308

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

B1. Review of performance for the quarter ended 31st March 2006

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM326.5 million for the quarter ended 31st March 2006, compared to RM229.2 million for the corresponding quarter in 2005, with approximately 82% of the turnover contributed by its Oilfield Division.

The group registered a net profit of RM16.1 million during the quarter against RM14.1 million in the corresponding quarter.

The Oilfield Services Division is currently involved in the provision of integrated drilling fluids solutions and generated revenue of RM270.4 million. The North Sea did well with thermal activity in the UK remaining strong while Norway continued to be a major contributor. Africa performed in line with expectations on the back of a strong showing from the machine shop in Nigeria as well as dryer revenues in Congo.

Asia was once again the highest contributor both in terms of revenues and net profits with Malaysia being the single largest contributor. Myanmar performed well thanks to a drilling fluids contract which was extended while Thailand was helped by a sludge treatment job. India on the other hand was adversely affected by the delay of a certain project due to the shortage of available rigs.

In the Americas, the US continued its uptrend on the back of drilling waste management and compensated for a slower than expected the delayed start up in Mexico. Canada's activity levels dipped due to the spring break but this was partially offset by the increase in Derrick unit sales. Venezuela also performed well due to a higher than anticipated level of solids control and containment and handling activities.

The Engineering Division continued to prosper thanks to the profitability of the Singapore Machine Shop.

The Marine Division performed below expectations mainly due to the monsoons in Indonesia which resulted in lower utilization levels as well as an increase in docking costs.

B2. Variation of results against preceding quarter

The group achieved a turnover of RM326.5 million for the current quarter ended 31st March 2006 compared to RM296.3 million in the preceding quarter ended 31st December 2005.

The group achieved a net profit of RM16.1 million for the current quarter ended 31st March 2006 compared to RM109.5 million in the preceding quarter ended 31st December 2005. The high profitability for quarter ended 31st December 2005 was due to the gain arising from the disposal of the Machine Shop Business, Scomi Sdn Bhd and Scomi Transportation Solutions Sdn Bhd.

B3. Current year prospects

The **Oilfield Services 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 infrastructure and market presence in 35 countries 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.

The **Engineering Division** carried on through the listed subsidiary Scomi Engineering Bhd, comprises machine shops, the transportation manufacturing and trading unit and the fleet management unit. Scomi Engineering Bhd now has direct access to the capital market with the ability to raise funds for expansion plans. Scomi Engineering Bhd has embarked on these plans with the expansion of its Labuan machine shop by relocating to its own building on a 7 acre piece of land. It has also increased its equipment with the addition of CNC lathes thus expanding its capabilities to undertake plain end threading. Scomi Engineering Bhd is also refocusing its business strategy and positioning itself as an Energy and Logistics Engineering Company. This includes moving towards fleet management as opposed to the traditional transient car rental business for its fleet management unit. It has also forged alliances with foreign partners namely GIAT Industries of France and Doosan Infracore Co Ltd of Korea to enhance its capabilities in the defense sector. Scomi Engineering has also announced its intention to acquire a stake in MTrans Technologies Sdn Bhd, a company with technology and capabilities to produce public transportation vehicles such as buses and monorails.

The **Production Enhancement Division** is currently a small contributor to the group's performance. Nonetheless, this business area is expected to provide the next channel of growth for Scomi Group Bhd. Scomi Group Bhd is currently working together with a strategic partner to provide technology for a gas separation process and recently participated in a tender for the Provision of an Acid Gas Removal System. The production chemical aspect of the business deals with the supply of chemicals, which are essential elements in crude oil and gas production. Further, it also supplies chemicals for the protection of oil & gas production facilities against corrosion, scaling and bacteria growth.

The **Marine Vessel Transportation Division** has taken on new dimensions with the investment in Scomi Marine Bhd. Scomi Marine Bhd's core businesses are Marine Logistics and Offshore Marine Support Services. Scomi Marine Bhd owns the largest fleet of vessels in South East Asia. Its fleet of 158 vessels comprises utility vessels, anchor handling tugs, barges, tugs, accommodation barges and landing craft. Its marine logistic services business in the coal industry provides inbound and outbound logistics, coal transportation, and port and terminal management services while its offshore marine support services business is in the oil and gas industry provides mainly seismic surveys, rig towing, anchor handling, firefighting, transportations services and offshore accommodation facilities.

The initiatives mentioned above are expected to contribute positively to the earnings of the Group.

B4. Taxation

	Current Year Quarter 31-Mar-06 RM`000	Preceding Year Quarter 31-Mar-05 RM`000
Income Tax	6,034	3,475
Transfer to/(from) deferred tax	399	(722)
(Over)/Under provision in respect of previous years	(210)	4
	6,223	2,757

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 --- >	
	Current Year Ouarter 31-Mar-06 %	Preceding Year Ouarter 31-Mar-05 %
Malaysian statutory tax rate	28	28
Tax effects of:		
- income not subject to tax	(4)	(7)
- different tax rates in other countries	1	(7)
- overprovision in respect of previous years	(1)	-
- unrecognised tax loss/unabsorbed capital allowance	(3)	(1)
- expenses not deductible for tax purposes	3	1
Effective tax rate	25	14

B5. Unquoted investments and/or properties

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

B6. Quoted and marketable investments

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

	RM`000
Total investments at cost	5,000
Total investments at market value	5,000

B7. Status of corporate proposal

(a) Issuance of up to RM500 million Nominal Value Serial Bonds ("Bonds")

As at 31st December 2005, three out of four series of the Bonds amounting to RM380 million were issued and the proceeds utilized by the Company for investment in Scomi Marine Berhad and incidental costs. In the first quarter of 2006, the Company issued the fourth series of the Bonds amounting to RM120 million. Proceeds from this last issuance will be used for working capital purposes.

(b) Modification to terms of RCCPS in Scomi Marine Bhd

On 30th September 2005, the Company subscribed for 173,913,043 ordinary shares of RM1.00 each of Scomi Marine Bhd ("SMB") and 160,000,000 redeemable convertible cumulative preference shares ("RCCPS") in conjunction with SMB's fund raising exercise for the acquisition of the marine logistics and offshore support services of Chuan Hup Holdings Limited. At present, the Company holds 173,913,043 SMB Shares representing 29.58% equity interest in SMB and the RCCPS which upon full conversion into SMB's ordinary shares, will increase the Company's shareholding in SMB to 43.1%.

On 25 January 2006, SMB proposed and the Company accepted SMB's proposal to modify certain terms of the RCCPS pertaining to, amongst others, the allowance for early conversion of the RCCPS into SMB's shares prior to the initial conversion date of one year from the date of issuance of the RCCPS, ie 30th September 2006.

Further to the above, the Company and its parties acting in concert ("PAC") have also applied to SC for an exemption from the obligation to undertake a mandatory general offer pursuant to Part II of the Malaysian Code of Take-overs and Mergers 1998 for the remaining SMB shares upon full conversion of the RCCPS into ordinary shares of RM1.00 each in SMB. ("Proposed Exemption"). SC via its letter dated 25th April 2006, has confirmed that the Proposed Exemption will only be considered when the PAC fulfill certain requirements.

B8. Group borrowings (Secured)

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

	RM`000
Short term borrowings	158,168
Long term borrowings	910,331
Total	1,068,499

The group borrowings are denominated in the following currencies:

	RM`000
Ringgit Malaysia	549,382
US Dollar	481,262
Sterling Pound	21,804
Canadian Dollar	14,422
Singapore Dollar	92
Australian Dollar	-
Others	1,537
Total	1,068,499

B9. Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this report.

B10. 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.

B11. Dividends

A final dividend of 6% less income tax of 28% in respect of the financial year ended 31st December 2005, has been proposed by the Directors for shareholders' approval at the forthcoming Annual General Meeting.

B12. Earnings per share

	< ---Individual Quarter --->	
	31-Mar-06	**31-Mar-05**
Basic earnings per share		
Net profit attributable to shareholders (RM`000)	16,069	14,101
Number of shares at the beginning of the period ('000)	992,077	894,134
Effects of shares issued during the period ('000)		
Effects of private placement ('000)	-	28,812
Effects of share options exercised	2,376	27
Weighted average number of shares ('000)	994,453	922,973
Basic earnings per share (sen)	1.62	1.53
Diluted earnings per share		
Net profit attributable to shareholders (RM`000)	16,069	14,101
Weighted average number of shares as per above ('000)	994,453	922,973
Number of shares under ESOS ('000)	129,184	109,829
Number of ESOS that would have been issued at fair value ('000)	(89,110)	(47,225)
Weighted average number of shares - diluted ('000)	1,034,527	985,577
Fully diluted earnings per share (sen)	1.55	1.43