

A1. Accounting Policies

The interim financial report is unaudited and has been prepared in accordance with the MASB 26 Interim Financial Reporting and Appendix 9B of the Bursa Malaysia Securities Berhad Listing Requirements, it should be read in conjunction with the audited financial statements for the year ended 31 December 2004.

The accounting policies and method of computation adopted in the interim financial report are consistent with those adopted in the audited annual financial statements for the year ended 31 December 2004.

A2. Auditor's Qualification

The Group's most recent annual financial statements were subject to audit qualification.

A3. Seasonal or cyclical factors

The group's operations are not affected by seasonal and cyclical factors.

A4. Extraordinary or exceptional items

There were no extraordinary or exceptional items.

A5. Changes in accounting estimates

There were no changes in accounting estimates for the financial period under review.

A6. Issuance, cancellations, repurchases, resale and repayment of debts and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter year to date.

A7. Dividend

The Company did not make any payment of dividends during the quarter and financial year to date.

A8. Segmental Information

Segmental information by geographical segment for the financial quarter ended 30 June 2005 are as follows :

	<u>TURNOVER</u>	<u>LOSS BEFORE TAX</u>
	30.06.2005 RM'000	30.06.2005 RM'000
Malaysia	36.00	(1,095.57)
Singapore	<u>159.06</u>	<u>(504.62)</u>
	<u>195.06</u>	<u>(1,600.19)</u>

A9. Revaluation of property, plant and equipment

There was revaluation on property, plant and equipment during the financial quarter ended 30 June 2005.

A10. Material Subsequent Events

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

A11. Changes in the Composition of the Company

There were no changes in the composition of the Group during the current financial quarter ended 30 June 2005.

A12. Contingent Liabilities

At 30 June 2005, the Company had contingent liabilities in respect of guarantees issued amounting to S\$976,362 (2003 – S\$7,700,000) for banking facilities extended to a subsidiary company. On December 2004, a notice of demand pursuant to the corporate guarantee has been served on the Company.

Various claims were filed in by the Company's creditors and are pending in the Sessions and High Court of Shah Alam and Kuala Lumpur. Numerous letters of demand were also given to the Company. However, the amount of these claims and demand cannot be quantified as the total claims, including interests and costs, cannot be accurately ascertained. All such claims has been subjected to the Proposed Composite Scheme of Arrangement at the Court Convened Meetings of

Scheme Creditors Meetings held on 17 June 2005. The Company had obtained the approvals of its Scheme Creditors for the said Proposed Composite Scheme of Arrangement at the Court Convened Meetings of Scheme Creditors Meetings. All claims shall be quantified upon court approval.

B1. Review of Performance

The Group recorded a Turnover of RM 0.195 million for the quarter ended 30 June 2005 compared to RM3.60 million achieved in the corresponding period last year.

There has been no significant change in the nature of activities during the financial year. However, the Company ceased business operations in October 2004 and the Singapore subsidiary company is discontinuing its business operations.

As a result, the Group recorded a loss before taxation and minority interest of RM0.719 million for the quarter ended 30 June 2005, compared to a loss before taxation and minority interest of RM1.08 million for the corresponding period last year.

B2. Material changes in Quarterly results compared to the results of the Preceding Quarter

The Group has recorded a loss before taxation and minority interest of RM 0.719 million in the 2nd quarter ended 30 June 2005 compared to a loss before taxation and minority interest of RM 1.60 million in the 1st quarter ended 31 March 2005.

The losses were mainly attributable to cessation and discontinuing of business. However, as mentioned, with the current ongoing corporate exercises which, *inter alia*, involve the proposed acquisitions of the machine shop companies and the transportation engineering companies, the company will be in a position to generate revenue and profitability, after completion of the restructuring exercise, expected to be completed in the final quarter of the year.

B3. Current Year Prospects

B&O is currently undergoing a debt and corporate restructuring exercise involving a reverse takeover of B&O by Scomi Group Bhd (“SCOMI”) and the Board believes that the exercise, when completed, will place the Company on a stronger financial footing with viable core operations in the oil and gas industry.

B4. Variance of Actual Profit from Forecast Profit

Not applicable as no profit forecast was published.

B5. Taxation

The taxation figure comprise the following :-

	<u>Current Quarter</u>	<u>Year-to-date</u>
	RM'000	RM'000
i) Current year taxation	-	-
ii) Under provision in prior years	-	-
iii) Deferred taxation	-	-
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B6. Profit on Sale of Investments and/or Properties

There were no profits on sale of investments and/or properties for the current financial quarter ended 30 June 2005.

B7. Purchase and Disposal of Quoted Securities

There were no purchases or disposal of quoted securities for the current financial quarter ended 30 June 2005.

B8. Status of corporate Proposal

a) On 7 January 2005, the Company announced the following proposals:-

- i) Proposed renounceable rights issue of 57,552,000 ordinary shares of RM1.00 each at an indicative issue price of RM1.20 per rights share on the basis of three (3) rights shares for every one (1) existing ordinary share of RM1.00 each held on an entitlement date to be determined later ("**Proposed Rights Issue**");
- ii) Proposed acquisitions of the entire equity interests in Oiltools Holding (Malaysia) Sdn. Bhd. and Oiltools Pte. Ltd. ("**OPL**") from KMC Oiltools (Cayman) Limited ("**KMC OC**") and KMC Oiltools Bermuda Limited ("**KMC OB**") and the acquisitions of the entire equity interests in Scomi Transportation Solutions Sdn. Bhd. ("**SCOTS**") and Scomi Sdn. Bhd. ("**SSB**") from SCOMI for a total purchase consideration of RM285,000,000 to be satisfied by the issuance of 192,567,567 new B&O shares at an issue price of RM1.48 per share ("**Proposed Acquisitions**");
- iii) Proposed exemptions by the Nominee/SCOMI and persons acting in concert with them from having to undertake a mandatory general offer for the remaining B&O shares not already owned pursuant to the Proposed Acquisitions ("**Proposed GO Exemption**");

- iv) Proposed increase in authorised share capital of B&O from RM100 million comprising 100 million ordinary shares of RM1.00 each to RM300 million comprising 300 million ordinary shares of RM1.00 each ("**Proposed Increase In Authorised Share Capital**"); and
- v) Proposed placement of B&O shares upon completion of the Proposed Acquisitions to meet the public shareholdings spread requirements ("**Proposed Private Placement**").

(hereinafter the Proposed Rights Issue, the Proposed Acquisitions, the Proposed GO Exemption, the Proposed Increase In Authorised Share Capital and the Proposed Placement, are collectively referred to as "**Proposals**")

- b) On 25 April 2005, the company announced that Bank Negara Malaysia ("BNM") had, vide its letter dated 19 April 2005, approved the proposed acquisition of the entire equity interest in OPL from KMC OB for a purchase consideration of RM219.45 million to be satisfied by the issuance of 148,277,027 new ordinary shares of RM1.00 each in B&O at an issue price of RM1.48 per share subject to certain conditions disclosed in the same announcement.
- c) On 9 May 2005, the company announced that the Ministry of International Trade and Industry had, vide its letter dated 6 May 2005, approved the Proposals, subject to B&O obtaining the approval of the Securities Commission and complying with the Guidelines On The Acquisition Of Interests, Mergers And Take-overs By Local And Foreign Interests.
- d) On 25 March 2005, B&O was granted an Order by the High Court of Malaya ("Court") pursuant to Section 176(1) and 176(10) of the Companies Act, 1965 ("Act") whereby all Court proceedings, actions or winding-up proceedings or any execution of judgments or actions against the Company by any person and/or creditor, were restrained and inhibited for ninety (90) days from the date of the restraining order.
- e) On 24 May 2005 B&O issued an Explanatory Statement, together with the notice to convene the Meetings of Scheme Creditors to be held on 17 June 2005 pursuant to the provisions of Section 176 of the Act for the purpose of considering the Proposed Composite Scheme of Arrangement, to the Scheme Creditors pursuant to Section 177(1)(a) of the Act.
- f) On 17 June 2005, the Company had obtained the approvals of its Scheme Creditors for the Proposed Composite Scheme of Arrangement at the Court Convened Meetings of Scheme Creditors Meetings held on 17 June 2005.
- g) On 17 June 2005, Securities Commission ("SC") approved the appointment of Malaysian International Merchant Bankers Bhd as the Independent Adviser to the minority shareholders of B&O in relation to the Proposed GO Exemption.
- h) On 24 June 2005, the SC and the SC (on behalf of the Foreign Investment Committee), approved the Proposals, subject to certain conditions which were announced on 28 June 2005.

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- i) On 30 June 2005, the Company has been granted an extension to the Restraining Order, by the High Court of Malaya ("High Court") in Kuala Lumpur pursuant to Section 176(1) and 176(10) of the Companies Act, 1965 on 30 June 2005 ("Order") for a period of 6 months from 23 June 2005;
- j) On 27 July 2005, the Company announced that it proposes to implement the following:
- i) to establish an employees' share option scheme of up to fifteen per cent (15%) of the enlarged issued and paid-up share capital of the Company after the Proposals ("Proposed ESOS");
- ii) to amend its Articles of Association to facilitate the Proposed ESOS; and
- iii) to increase the authorised share capital of B&O to RM400 million comprising 400 million ordinary shares of RM1.00 each.

B9. Group Borrowing and Debt Securities

As at 30 June 2005, the Group borrowings can be analysed as follows :

	Secured RM'000	Unsecured RM'000	Total RM'000
<u>Short term Borrowing</u>			
Bills payable and Revolving Credit		9,002	9,002
<u>Long term Borrowing</u>			
Bills payable and Revolving Credit	5,147	21,598	26,745
Hire Purchase Creditors		53	53
Bank Overdraft		908	908
	5,147	13,557	18,704
TOTAL	5,147	22,559	27,706

Foreign currency bank borrowings included in the above are as follows :

	Foreign Currency S\$'000	Ringgit Equivalent RM'000
Singapore Dollar		
- Borrowing	3,151.11	7,137.24
	<u>3,151.11</u>	<u>7,137.24</u>

B10. Financial Instruments with Off Balance Sheet Risk

There were no financial instruments with off balance sheet risk during the current financial quarter ended 30 June 2005 and as at 24.08.2005 [Avenue: as per the Bursa Securities Listing Requirements in Chapter 9 Appendix 9C paragraph 10 "A summary of off balance sheet financial instruments by type and maturity profile at the latest practicable date which shall not be later than

7 days from the date of issue of the quarterly report”] being the last practical date from the date of this announcement.

B11. Material Litigation

The latest practicable reporting date for litigation, as confirmed by the Company’s Directors, is 24.08.2005 [Avenue: as per the Bursa Securities Listing Requirements in Chapter 9 Appendix 9C paragraph 11 “*Changes in material litigation (including status of any pending material litigation) since the last annual balance sheet date which shall be made up to a date not earlier than 7 days from the date of issue of the quarterly report.*”]

On 25 March 2005, the Company was granted a Restraining Order by the High Court of Malaya.

On 17 June 2005, the Company had obtained the approvals of its Scheme Creditors for the Proposed Composite Scheme of Arrangement at the Court Convened Meetings of Scheme Creditors Meetings held on 17 June 2005.

On 30 June 2005, the Company has been granted an extension to the Restraining Order, by the High Court of Malaya ("High Court") in Kuala Lumpur pursuant to Section 176(1) and 176(10) of the Companies Act, 1965 on 30 June 2005 ("Order") for a period of 6 months from 23 June 2005.

On 17 June 2005, the Company had obtained the approvals of its Scheme Creditors for the Proposed Composite Scheme of Arrangement at the Court Convened Meetings of Scheme Creditors Meetings held on 17 June 2005

These events have caused all cases to be deferred until the court approval of the Proposed Composite Scheme of Arrangement.

- a) Silvercon Engineering (M) Sdn. Bhd. (formerly known as Sensor Security (M) Sdn. Bhd.) filed seven claims against the Company in 1998, totalling RM645,363 for work done as sub-contractor. Two of these claims, totalling RM316,134, are pending disposal in the Court of Appeal while three claims were amicably settled with the Company agreeing to pay a total of RM73,507 out of the claim amount of RM281,356. However, these settlements are only to be made upon resolution of the suit as mentioned in paragraph (j) below.

One case (RM14,855) has been settled and written submissions are being prepared in another case (RM33,018).

- b) A winding-up petition on the Company, in relation to a judgement sum of RM54,750 obtained on 23 August 2004 against the Company for goods sold and delivered and which remained unpaid, was served on or around 7 March 2005 by Dewantron Sdn. Bhd.. The hearing has been deferred as a result of the restraining order, until the expiration of the restraining order.
- c) On 7 July 2004, Asiankom Communication (M) Sdn. Bhd. (“Asiankom”) served a writ of summons on the Company for a sum of RM352,535 for breach of contract. The Company has also filed a counterclaim against Asiankom for a sum of RM61,866 for unlawful termination

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of contract and the costs incurred for work done by the Company. The hearing has been deferred as a result of the restraining order, until the expiration of the restraining order.

- d) A sealed copy of CK Well Electrical Supplies Sdn. Bhd.'s application for Summary Judgement was served on the Company pertaining to a trade debt of RM53,278. The hearing has been deferred as a result of the restraining order, until the expiration of the restraining order.
- e) DAHE Industries (M) Sdn. Bhd. which is the sub-contractor to Borneo Perkasa Sdn. Bhd., summoned the Company on 28 December 2003 in relation to the construction materials costing RM2,781,388 purportedly illegally retained by the Company. The date for the pre-trial conference has yet to be fixed.
- f) Chin Chee Loong (t/a CCL Electrical Works Sdn. Bhd.) claims of RM379,313 has been fixed for a full trial on 22 March 2006.
- g) Chi-Tak Electrical (SEL) Sdn. Bhd.'s claims of RM59,059 has been fixed for mention on but has been deferred as a result of the restraining order, until the expiration of the restraining order.
- h) On 27 January 2005, Southern Bank Berhad ("SBB") commenced an action in the Singapore High Court against the Company's subsidiary, Bell & Order Engineering Pte. Ltd., for the sum of S\$976,362 arising from the banking facilities granted by SBB to the subsidiary.

A notice of demand dated 30 December 2004 pursuant to the corporate guarantee has been served on the Company.

On 7 April 2005, the Company received a Writ of Summons and a Statement of Claim by SBB for presentation at the Shah Alam High Court. Pursuant to Clause 10 of SBB's Terms and Conditions, on 31 December 2004, SBB set-off the sum of S\$203,075 pledged by the Company's subsidiary to secure the revised banking facilities extended by SBB to the Company's subsidiary and, as at 8 March 2005, there remains due and owing by the Company's subsidiary to SBB the sum of S\$782,847.

- i) On 10 January 2005, AmBank Berhad commenced an action against the Company for the sum of RM1,371,165 being outstanding Bankers' Acceptance balances as at 31 December 2004. The Company filed its appearance on 16 January 2005 and the hearing date has yet to be fixed.
- j) The Company's claims of RM6,646,823 against Silvercon Engineering (M) Sdn. Bhd. was counterclaimed by Silvercon for RM5,489,380. These matters are to proceed to a full trial which has yet to be fixed.
- k) The Company is suing Neural Services Sdn. Bhd. for RM260,923 while the latter is counterclaiming RM121,584 and general damages for breach of contract. A notice of pre-trial conference has yet to be filed.

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NOTES TO THE QUARTERLY REPORTS FOR THE 2nd QUARTER ENDED 30 JUNE 2005

- l) The Company's claims of RM84,873 against Sunway Engineering Sdn. Bhd., and the latter's counterclaim of RM64,271 have been fixed for a full trial on 28 April 2005 but has been deferred as a result of the restraining order, until the expiration of the restraining order.
- m) A RM770,573 claim was made against UEM Genisys Berhad and the latter is counterclaiming RM163,262. The trial has been fixed on 22 March 2005 but has been deferred as a result of the restraining order, until the expiration of the restraining order.
- n) M.L.Piling Sdn. Bhd. and Sri Kenanga (M) Sdn. Bhd. claimed trade debts of RM899,960 and RM1,217,753 respectively from the Company. A settlement was agreed on 9 November 2004 and progress payments were made. However, RM227,960 and RM237,753 respectively, remain unpaid.

B12. Dividend

The Board does not recommend any interim dividend for the financial quarter ended 31 December 2004.

B13. Earnings Per Share

The computations for earnings per share for the financial quarter ended 30 June 2005 are as follows :

a) Basic earnings per share	
Net loss attributable to shareholders (RM'000)	719.22
<i>Weighted average number of shares in issue ('000)</i>	<i>19,184.00</i>
Basic earnings per share (sen)	(3.75)
b) Diluted earnings per share	
Net loss attributable to shareholders (RM'000)	719.22
<i>Weighted average number of shares in issue ('000)</i>	<i>19,184.00</i>
Adjustment for	
- conversion of warrants ('000)	-
- share options ('000)	-
<i>Weighted average numbers of shares for diluted earnings per share</i>	<u><i>19,184.00</i></u>
Diluted earnings per share (sen)	(3.75)

FOR BELL & ORDER BERHAD

30 August 2005