

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's ("Bursa Malaysia") 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 adoption of certain new and revised Financial Reporting Standards (FRS) as disclosed in Note A12.

A2. Qualification of financial statements

The preceding year annual financial statements were subjected to the following qualifications;

- i) Going concern, net current liabilities position and negative shareholders' funds, and it is an affected listed issuer under Practice Note No. 17/2005.
- ii) The Company was granted a Restraining Order by the High Court of Malaya pursuant to Sections 176(10) of the Companies Act 1965.
- iii) The Group and the Company have defaulted in their borrowing obligations and no accruals for penalty interest were made.
- iv) The completeness and adequacy of contingent liabilities as disclosed in note 28 of the 2004 audited financial statement.
- v) The financial statements of a subsidiary company, Bell & Order Engineering Pte Ltd have been consolidated based on the unaudited management financial statements.

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

The Company undertook a corporate restructuring exercise as announced on 7th January 2005 which has been completed on 15th December 2005.

A5. Material changes in estimates

There was no material changes in estimates reported in the current quarter under review except for the effects of the corporate restructuring exercise as explained in A6 and B8.

A6. Issuance and repayment of debt and equity securities

During the quarter ended 31st December 2005, the issued and paid-up share capital of the Company was increased from 19,184,000 ordinary shares of RM1.00

each to 211,751,568 ordinary shares of RM1.00 each by the issuance of 192,567,568 new ordinary shares of RM1.00 each of the Company pursuant to the Proposed Acquisitions from KMC Oiltools Cayman Ltd ("KMC OC") and KMC Oiltools Bermuda Limited ("KMC OB") of the entire equity interest in OMS Holdings (M) Sdn Bhd (formerly known as Oiltools Holdings (Malaysia) Sdn Bhd) ("OHMSB") and OMS Services Pte Ltd (formerly known as Oiltools Pte Ltd) ("OSPL") and the proposed acquisitions from Scomi Group Bhd of the entire equity interest in Scomi Transportation Solution Sdn Bhd ("SCOTS") and Scomi Sdn Bhd ("SSB") at an issue price of RM 1.48 per share ("Proposed Acquisitions").

The Proposed Acquisitions were completed on 15th December 2005.

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

A7. Dividends Paid

No dividend has been paid or declared by the Company since the end of the Financial Year and the directors do not recommend any payment of dividend for the Financial Year ended 31st December 2005.

A8. Segmental information

Segmental information by geographical segment for the Financial Year ended 31st December 2005 are as follows:

	<u>Turnover</u> RM'000	<u>Profit/(loss) after Tax</u> RM'000
Malaysia	-	16,424 *
Singapore	918	(846)
	<hr/>	<hr/>
Total	918	15,578
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* The Profit after Tax arose principally from adjustments made to effect the completion of the corporate restructuring exercise and is analysed as follows:

1. Creditors write back following the Section S176 Creditors Scheme of Arrangement	: RM14.0 million
2. Gain on disposal of subsidiaries	: RM6.8 million
3. Operating expenses including loss on disposal of assets	:(RM5.2 million)
Net effects (Profit)	: RM15.6 million
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A9. Valuation of property, plant and equipment

There was no revaluation of property, plant and equipment reflected in the financial statements as no circumstances have arisen to warrant a revaluation on property, plant and equipment.

A10. Material events subsequent to the balance sheet date

Following from the completion of the Proposed Acquisitions as disclosed in A6, the Company becomes a subsidiary of Scomi Group Bhd. On 9th January 2006, the Company changed its name to Scomi Engineering Bhd.

The Proposed Acquisitions mentioned above is a component of the corporate restructuring exercise announced by the Company on 7th January 2005. The Company also undertook a 3 for 1 Rights Issue exercise which was completed on 20th January 2006. Following from the completion of the Rights Issue, the paid up share capital of the Company has increased by a further 57,552,000 shares.

In addition, with the completion of the corporate restructuring exercise, the Company has regularised its financial condition and no longer fulfils the criteria under Paragraph 2.0 of the Practice Note 17/2005. With the uplifting of the PN17 status, the shares of the Company were requoted and relisted on the Bursa Securities on 26th January 2006.

A11. Changes in composition of the Group

On 27th December 2005, the Company issued 192,567,568 new ordinary shares to Scomi Group Bhd at an issue price of RM1.48 per share being consideration shares for the Proposed Acquisitions detailed in B8 (A). With the completion of the Proposed Acquisitions, the Company owns the entire equity interest in OPL, OHMSB, SSB and SCOTS.

A12. Adoption of new and revised Financial Reporting Standards

The new and revised Financial Reporting Standards adopted by the Group is FRS 127 on Consolidated and Separate Financial Statements to better reflect the financial results of the Group. The adoption of this Standard did not result in a change in accounting policies, and therefore no financial impact is reflected.

A13. Contingent liabilities

The contingent liabilities of the Group as at 31st December 2005 were made up of the corporate guarantees issued to financial institutions amounting to RM52 million.

A14. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 31st December 2005:

	<u>Approved and contracted for</u>	<u>Approved but not contracted for</u>
	RM ` 000	RM ` 000
Plant and Machinery	1,031	3,470
Motor Vehicles	<u>15,804</u>	<u>14,865</u>
Total	<u>16,835</u>	<u>18,335</u>

Operating lease commitments:

Future minimum lease rentals payable	<u>Due within 1 year</u>	<u>Due within 1 to 5 years</u>	<u>Due after 5 years</u>
	RM' 000	RM' 000	RM' 000
Property	315	1,444	3,168
Plant and Machinery	478	834	-
Others	11	30	-
Total	<u>804</u>	<u>2,308</u>	<u>3,168</u>

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 31st December 2005

The Group recorded turnover of RM0.19 million for the quarter ended 31st December 2005, compared to RM0.684 million in the corresponding quarter in 2004.

The Group registered a net profit of RM20.5 million during the quarter against a net loss of RM46.2 million in the corresponding quarter.

B2. Variation of results against preceding quarter

The Group achieved a turnover of RM0.190 million for the current quarter ended 31st December 2005 compared to RM0.750 million in the preceding quarter ended 30th September 2005. The decrease was mainly due to the completion of the maintenance service contract operated by the Singapore subsidiary, Bell & Order Engineering Pte Ltd in the current quarter.

B3. Current year prospects

The listing of the Manufacturing Division (comprising the machine shop, transport manufacturing & trading and fleet management units) of Scomi Group Bhd ("SGB") via the corporate restructuring exercise in conjunction with Bell & Order Berhad ("B&O") has been completed on 15th December 2005 and the Company's name was subsequently changed to Scomi Engineering Bhd on 9th January 2006. This allows the machine shop, transport manufacturing & trading and fleet management units to gain access to capital market for raising capital to fund future growths.

The machine shop unit is expected to continue to benefit from the buoyant oil & gas sector, with few planned expansion programmes in existing shops as well as into new areas/territories.

As for the transport manufacturing and fleet management units, the focus is on new niche markets and sectors that have been identified in the new strategic plans of the respective units.

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

The tax amount comprises the following;

	<u>Quarter ended</u>	<u>Quarter ended</u>	<u>Year ended</u>	<u>Year ended</u>
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
	RM'000	RM'000	RM'000	RM'000
Current year Taxation	-	-	-	-
Under Provision in prior year	-	348	-	348
Deferred Taxation	-	(604)	-	(604)
	-	(256)	-	(256)

B6. Unquoted investments and/or properties

There were no unquoted investments made during the quarter under review.

B7. Quoted and marketable investments

There was no purchase or disposal of quoted securities for the financial year under review.

B8. Status of corporate proposal

Acquisition of Machine Shop Business from KMC Oiltools Bermuda Limited and KMC Oiltools Cayman Ltd and acquisition of Scomi Sdn Bhd and Scomi Transportation and Solutions Sdn Bhd from Scomi Group Bhd.

- (A) Acquisition of OMS Oilfield Services Pte. Ltd (formerly known as Oiltools Pte Ltd) ("OPL") and OMS Oilfield Holdings (Malaysia) Sdn Bhd (formerly known as Oiltools Holdings (Malaysia) Sdn Bhd) ("OOHMSB") ("acquisition of Machine Shop Business")

KMC Oiltools Bermuda Limited (formerly known as Oiltools International Limited) ("KMC OB") and KMC Oiltools Cayman Ltd (formerly known as Oiltools International (Cayman) Ltd) ("KMC OC"), entered into the conditional sale and purchase agreement with Bell & Order Berhad ("B&O") on 7th January 2005 for the following:

- (i) the acquisition from KMC OB of the entire equity interest in OPL, comprising 1,010,800 ordinary shares of S\$1.00 each in OPL ("OPL Sale Shares"), and
- (ii) the acquisition from KMC OC of the entire equity interest in OOHMSB, comprising:
- (a) 900,000 class "A" ordinary shares of RM1.00 each in OOHMSB ("OOHMSB A Shares") and 200,000 class "B" ordinary shares of RM1.00 each in OOHMSB ("OOHMSB B Shares"); and

(b) 300,000 OOHMSB A Shares and 600,000 OOHMSB B Shares currently registered in the name of Syarikat Pesaka Antah Sdn Bhd, (collectively to be referred to as "OOHMSB Sale Shares"), for a total 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 ("B&O Shares") at an issue price of RM1.48 per share.

(B) Acquisition of Scomi Sdn Bhd ("SSB") and Scomi Transportation Solutions Sdn Bhd ("SCOTS") ("Disposal of SSB & SCOTS")

On 7th January 2005, the Company entered into a conditional sale and purchase agreement with Scomi Group Bhd to acquire its entire equity interest in SSB, comprising 9,281,762 ordinary shares of RM1.00 each in SSB, and its entire equity interest 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 B&O Shares at an issue price of RM1.48 per share.

The acquisitions of OPL, OHMSB, SSB and SCOTS were completed on 15th December 2005.

B9. Provision of financial assistance by Scomi Group Bhd ("SGB")

The Company has obtained financial assistance from SGB to facilitate the proposed acquisitions stated in section B8 above. The aggregate amount of financial assistance in the form of advances provided by SGB for the reporting quarter was RM399,127. 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 SGB in favour of the Company.

B10. Group borrowings (secured and unsecured)

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

	RM`000
Short term borrowings	34,753
Long term borrowings	30,401
Total	<u>65,154</u>

The Group borrowings are denominated in the following currencies:

	RM`000
Ringgit Malaysia	25,942
US Dollars	39,212
Total	<u>65,154</u>

B11. Off balance sheet financial instruments

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

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. Earnings per share

The computations for earnings per share for the 4th quarter ended 31st December 2005 are as follows:

a) Basic earnings per share	
Net profit attributed to shareholders (RM'000)	15,578
Weighted average number of shares in issue	
Shares issued as of 1/1/05 (19,184k)	
Shares issued on 27/12/05 (192,567k x 5/365 = 2638)	
Average number of shares in issued as at 31/12/05 ('000)	21,822
Basic earnings per share (sen)	71.39
b) Diluted earnings per share	
Net profit attributed to shareholders (RM'000)	15,578
Weighted average number of shares in issue ('000)	21,822
Adjustment for	
- Conversion of warrants	-
- share options	-
Weighted average numbers of shares for diluted earnings per share ('000)	21,822
Diluted earnings per share (sen)	71.39