

## **PART A: EXPLANATORY NOTES AS PER FRS 134**

### **A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2005.

The significant accounting policies, methods of computation and basis of consolidation applied in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2005 except for changes arising, if any, from the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial periods beginning 1 January 2006.

FRS2	Share-based Payment
FRS3	Business Combinations
FRS5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of the above new/revised FRSs does not have significant financial impact on the Group for the period under review. The principal effects of the changes in accounting policies resulting from the adoption of the other new/revised FRSs are summarised below:-

#### **(a) FRS 5 : Non-current Assets Held for Sale and Discontinued Operations**

The Group has applied FRS 5 in accordance with its transitional provisions, which has resulted in the recognition of a discontinued operation. The Group ceased providing services in the design, manufacture, supply and installation of sound and communication systems since early 2005 and the comparative figures now reflect this business activity as a discontinued operation.

**A2. Auditors' Report on Preceding Annual Financial Statements**

The auditors' report on the financial statements for the year ended 31 December 2005 was not qualified.

**A3. Seasonal or Cyclical Factors**

The operations of the Group were not significantly affected by any major seasonal or cyclical factors.

**A4. Unusual and Extraordinary Items**

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

**A5. Material Changes in Estimates**

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

**A6. Debt and Equity Securities**

On 20 January 2006, the Company allotted and issued 57,552,000 ordinary shares of RM1.00 each at an issue price of RM1.20 per share pursuant to the Rights Issue.

Subsequently on 15 February 2006, the Company has granted 34,860,000 share options to its directors and employees in accordance with its Employee Share Option Scheme ("ESOS") at an issue price of RM1.00, of which only 10% is exercisable in the first year of issuance.

There were no other issuances, cancellations, share buy-backs, resale of shares bought back and repayment of debt and equity securities by the Group in the quarter under review.

**A7. Dividend Paid**

There was no dividend paid during the quarter under review.

## A8. Segmental Information

	3 months ended		YTD 3 months ended	
	31.03.06 RM'000	31.03.05 RM'000	31.03.06 RM'000	31.03.05 RM'000
<b>Segment Revenue</b>				
Revenue from continuing operations:				
Machine Shop Division	33,379	-	33,379	-
Logistics Engineering Division	8,499	-	8,499	-
Fleet Management Division	1,445	-	1,445	-
Investment Holding	-	-	-	-
Total revenue from continuing operations	43,323		43,323	
Revenue from discontinued operations	-	268	-	268
<b>Total</b>	<b>43,323</b>	<b>268</b>	<b>43,323</b>	<b>268</b>
<b>Segment Results</b>				
Results from continuing operations:				
Machine Shop Division	5,776	-	5,776	-
Logistics Engineering Division	94	-	94	-
Fleet Management Division	158	-	158	-
Investment Holding	(578)	-	(578)	-
Total results from continuing operations	5,450	-	5,450	-
Loss from discontinued operations	-	(869)	-	(869)
<b>Total</b>	<b>5,450</b>	<b>(869)</b>	<b>5,450</b>	<b>(869)</b>

## 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. Subsequent Events

There was no material event subsequent to the end of the current quarter except for the matters disclosed in B8 of this interim financial report.

## A11. Changes in Composition of the Group

There were no changes in the composition of the Group during the quarter under review.

## A12. Discontinued Operations

The business of Bell & Order Berhad ("B&O") ceased in early 2005 and its revenue, results and cash flows were as follows: -

	3 months ended		YTD 3 months ended	
	31.03.06	31.03.05	31.03.06	31.03.05
	RM'000	RM'000	RM'000	RM'000
Revenue	-	268	-	268
Loss before tax	-	(869)	-	(869)
Income tax expense	-	-	-	-
Loss for the period	-	(869)	-	(869)
Cash flows from operating activities	-	621	-	621
Cash flows from investing activities	-	17	-	17
Cash flows from financing activities	-	(451)	-	(451)
Total cash flows	-	187	-	187

## A13. Contingent Liabilities

There were no changes in contingent liabilities since the last balance sheet date as at 31 December 2005.

## A14. Capital Commitments

The capital commitments not provided for in the financial statements are as follows:

	As at	As at
	31.03.06	31.12.05
	RM'000	RM'000
Approved and contracted	11,451	22,084
Approved but not contracted	<u>45,186</u>	<u>18,142</u>
Total	<u>56,637</u>	<u>40,226</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**

The Group recorded a turnover of RM43.32 million for the quarter ended 31<sup>st</sup> March 2006 and the results are not comparable with the corresponding quarter in 2005 due to the corporate exercise which was completed on 15 December 2005. The financial results for the corresponding quarter in 2005 were from businesses contributed by the Bell & Order Berhad Group of companies which have been discontinued.

**B2. Results against Preceding Quarter**

The Group achieved a profit after tax of RM5.45 million for the quarter ended 31<sup>st</sup> March 2006. This is not comparable with the preceding quarter under review as the completion of the corporate exercise was on 15 December 2005 and no revenue or profits were taken up in the remaining days of the quarter in view of its immateriality.

**B3. Current year prospects**

The demand for machine shop services is expected to improve in line with the anticipated growth in oil and gas development expenditures domestically as well as within the region. Domestic requirement is expected to increase few folds with the increased activities especially catering for the deep water and marginal fields operations. We are seeing a similar trend in the Middle East especially in Saudi Arabia where to date we have already secured orders in excess of USD30 million for delivery over the next 12 months. We are therefore investing in capacity expansion as well as new facilities within the region to capitalise on this demand.

The Logistics Engineering Division is expected to provide a more significant contribution to the group's results upon completion of the proposed acquisition of 51% equity interest in MTrans Transportation Systems Sdn Bhd. The proposed acquisition will not only provide the Logistics Engineering Division additional capacity for fabrication of specialised vehicles but also access to monorail technology. Under the 9th Malaysia Plan, the investment in urban transportation systems is expected to increase and the proposed acquisition will allow us to competitively bid for the upcoming urban transportation systems projects. In addition, the monorail unit has to date participated in bids and submitted proposals in various countries in the region as well as the Middle East.

The Logistics Engineering Division has in April 2006, signed collaboration agreements with Doosan Infracore Co. Ltd and Giat Industries of Korea and France respectively for the transfer of technology and manufacturing capability of armoured vehicles for the purpose of supply to local and international markets. It is anticipated that this project has a longer gestation period and will positively contribute to the group over the medium to long term period.

The Fleet Management Unit continues to focus on its fleet management outsourcing business. The Unit is actively marketing its services to multinational companies with sizeable vehicle fleets in operation.

**B4. Profit Forecast or Profit Guarantee**

This section is not applicable as no Profit Forecast or Profit Guarantee was published or issued.

**B5. Income Tax Expense**

The tax amount comprises the following: -

	<b>3 months ended</b>		<b>YTD 3 months ended</b>	
	31.03.06	31.03.05	31.03.06	31.03.05
	RM'000	RM'000	RM'000	RM'000
Current Tax				
Malaysian income tax	217	-	217	-
Foreign tax	1,700	-	1,700	-
	<u>1,917</u>	-	<u>1,917</u>	-
Deferred tax	(160)	-	(160)	-
Total income tax expense	<u>1,757</u>	-	<u>1,757</u>	-

**B6. Unquoted Investments and Properties**

There were no sales of unquoted investments and properties during the quarter under review.

**B7. Quoted and Marketable Investments**

Details of investments in Money Market Fund as at the reporting date are as follows:

	As at 31.03.06 RM'000	As at 31.12.05 RM'000
Total investments at cost	<u>5,000</u>	-
Total investments at market value	<u>5,000</u>	-

## B8. Corporate Proposals

### Status of Corporate Proposals Announced

- (a) **Renounceable Rights Issue of 57,552,000 new ordinary shares of RM1.00 each in Scomi Engineering Bhd (formerly known as Bell & Order Berhad) ("SEB" or "Company") at an issue price of RM1.20 per rights share on the basis of three (3) rights share for every one (1) existing SEB share held ("Rights Issue")**

On 20th January 2006, the Company allotted and issued 57,552,000 new ordinary shares of RM1.00 each at an issue price of RM1.20 per share pursuant to the Right Issue. The cash proceeds from this issue amounted to RM69,062,400.

On 26<sup>th</sup> January 2006, the shares were listed and quoted on the Second Board of Bursa Malaysia.

The proceeds were utilised in the 1<sup>st</sup> quarter of 2006 as follows:-

	RM '000
Gross proceeds	69,062
Settlement of creditors pursuant to the composite scheme of arrangement	(14,918)
Expenses in relation to the corporate exercise	(4,365)
Working capital for business expansion	(20,700)
Balance as at 31 <sup>st</sup> March 2006	<u>29,079</u>

- (b) **Proposed Acquisition of 51% equity interest in MTrans Transportation Systems Sdn Bhd ("MTrans") from Kiara Kilau Sdn Bhd ("KKSB") for a total cash consideration of RM30 million.**

On 28 April 2006, the Company announced that it has entered into a Conditional Share Sale Agreement ("Conditional SSA") with Kiara Kilau Sdn Bhd ("KKSB") to acquire 13,260,000 ordinary shares of RM1.00 each ("Shares") in MTrans Transportation Systems Sdn Bhd ("MTrans"), representing 51% of the issued and paid-up share capital of MTrans, for a total purchase consideration of RM30 million, to be satisfied in cash ("Proposed Acquisition").

On 15 May 2006, the Company paid RM3 million to KKSB as deposit for the Proposed Acquisition. The approvals required for completion of the Proposed Acquisition are pending, including results of the due diligence being conducted on MTrans.

**B9. Borrowings (Secured)**

The group borrowings including hire purchase creditors as at the end of the reporting period are as follows:

	As at 31.03.06 RM'000	As at 31.12.05 RM'000
Short term borrowings	33,175	34,753
Long term borrowings	<u>29,822</u>	<u>30,401</u>
Total	<u>62,997</u>	<u>65,154</u>

Borrowings denominated in foreign currency:

	As at 31.03.06		As at 31.12.05	
	USD'000	RM'000 Equivalent	USD'000	RM'000 Equivalent
United States Dollars	<u>10,000</u>	<u>36,704</u>	<u>10,000</u>	<u>37,067</u>

**B11. Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at 18 May 2006.

**B12. Change in Material Litigation**

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

**B13. Dividend Payable**

No interim dividend has been declared for the quarter under review.



## B14. Earnings per share

### (a) Basic

The computations for earnings per share are as follows:

	3 months ended		YTD 3 months ended	
	31.03.06 RM'000	31.03.05 RM'000	31.03.06 RM'000	31.03.06 RM'000
Profit from continuing operations attributable to ordinary equity holders of the company	5,450	-	5,450	-
Loss from discontinued operations attributable to ordinary equity holders of the company	-	(869)	-	(869)
Profit/(Loss) attributable to ordinary equity holders of the company	<u>5,450</u>	<u>(869)</u>	<u>5,450</u>	<u>(869)</u>
Weighted average number of ordinary shares in issue ('000)	<u>256,514</u>	<u>19,184</u>	<u>256,514</u>	<u>19,184</u>
Basic earnings per share for:				
Profit from continuing operations	2.12	-	2.12	-
Loss from discontinued operations	-	(4.53)	-	(4.53)
Profit/(Loss) for the period	<u>2.12</u>	<u>(4.53)</u>	<u>2.12</u>	<u>(4.53)</u>

### (b) Diluted

There is no material impact on the diluted EPS figures arising from the ESOS granted during the quarter under review which has been disclosed in Note A6.

## B15. Authorisation for Issue

The interim financial statements were authorised for issue on 23 May 2006 by the Board of Directors.

