

PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of Preparation

The interim financial statements have been prepared under the historical cost convention. 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 ("Bursa Malaysia").

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 the adoption of the following new/revised Financial Reporting Standards ("FRS") effective for financial period 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

During the current quarter, the issued and paid-up capital of the Company has increased from 269,303,567 ordinary shares of RM1.00 each to 270,047,567 ordinary shares of RM1.00 each by the allotment of 744,000 new ordinary shares of RM1.00 each at an issue price of RM1.00 per share for cash pursuant to the Employee Share Option Scheme ("ESOS") of the Company.

Other than the above, there was no other issuance, cancellation, share buy-back, resale of shares bought back and repayment of debt and equity securities by the Company for the current quarter.

A7. Dividend Paid

There was no dividend paid during the quarter under review.

A8. Segmental Information

	3 months ended		YTD 6 months ended	
	30.06.06 RM'000	30.06.05 RM'000	30.06.06 RM'000	30.06.05 RM'000
Segment Revenue				
Revenue from continuing operations:				
Machine Shop Division	49,776	-	83,155	-
Logistics Engineering Division	10,005	-	18,504	-
Fleet Management Division	2,134	-	3,579	-
Investment Holding	-	-	-	-
Total revenue from continuing operations	61,915	-	105,238	-
Revenue from discontinued operations	-	195	-	463
Total	61,915	195	105,238	463
Segment Results				
Results from continuing operations:				
Machine Shop Division	8,697	-	14,473	-
Logistics Engineering Division	(175)	-	(81)	-
Fleet Management Division	164	-	322	-
Investment Holding	(1,265)	-	(1,843)	-
Total results from continuing operations	7,421	-	12,871	-
Loss from discontinued operations	-	(719)	-	(1,600)
Total	7,421	(719)	12,871	(1,600)

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 6 months ended	
	30.06.06	30.06.05	30.06.06	30.06.05
	RM'000	RM'000	RM'000	RM'000
Revenue	-	195	-	463
Loss before tax	-	(719)	-	(1,600)
Income tax expense	-	-	-	-
Loss for the period	-	(719)	-	(1,600)
Cash flows from operating activities	-	(82)	-	539
Cash flows from investing activities	-	1	-	18
Cash flows from financing activities	-	5	-	(446)
Total cash flows	-	(76)	-	111

A13. Contingent Liabilities

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

A14. Capital Commitments

The capital commitments not provided for in the financial statements as at 30 June 2006 are as follows:

	As at 30.06.06 RM'000
Approved and contracted	10,900
Approved but not contracted	<u>44,600</u>
Total	<u>55,500</u>

A15. Significant related party transactions

On 25 May 2006, the Company entered into an Administrative Services Agreement with Scomi Group Bhd. ("SGB"), the holding company of the Company, for the provision of services in relation to human resources services, the administration of the Company employee share option scheme, legal and company secretarial services, corporate communication and publication services, investor relations services, information and communication technology services, corporate finance services, treasury services and internal audit services.

The Company shall pay SGB an administrative fee of RM2,000,000.00 per year ("Fee"). The Fee payable quarterly shall exclude all out of pocket expenses and disbursement charges that SGB may incur in providing the services. SGB shall be entitled to re-charge the expenses to the Company.

The provision of the services by SGB will streamline the administration and management of the Company to enable the Company to focus on its operations and

become more competitive in its industry. The Administrative Services Agreement also provides a more efficient and cost effective manner to manage the non-core support services of the Company.

The Company has made the necessary announcement to Bursa Malaysia for entering into the Administrative Services Agreement on 26 May 2006.

Save as disclosed above, there was no other significant related party transaction to the end of the current quarter.

**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 RM61.9 million for the quarter ended 30 June 2006. 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 RM7.4 million for the current quarter ended 30 June 2006 compared to RM5.45 million in the preceding quarter ended 31st March 2006. The increase was contributed by the Machine Shop operations arising principally from some large orders from customers in the Middle East countries.

B3. Current year prospects

The turnover for the Machine Shop Division is anticipated to improve primarily due to contribution from the Singapore Machine Shop. The expansion plans for Labuan and Singapore this year will provide new capacity to fulfill demand for Machine Shop services.

The Logistics Engineering Division is expected to provide a more significant contribution to the group's results in the next quarters with the completion of the acquisition of the 51% equity interest in MTrans Transportation Systems Sdn Bhd in July 2006. The acquisition of MTrans will enable the Company to increase its logistics engineering product range and extend its market coverage regionally. The commencement of the KTMB workshop in Klang in early August 2006 will contribute positively to the division's overall results.

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

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

	3 months ended		YTD 6 months ended	
	30.06.06 RM'000	30.06.05 RM'000	30.06.06 RM'000	30.06.05 RM'000
Current Tax				
Malaysian income tax	107	-	324	-
Foreign tax	2,125	-	3,825	-
	<u>2,232</u>	<u>-</u>	<u>4,149</u>	<u>-</u>
Deferred tax	(24)	-	(184)	-
Total	<u>2,208</u>	<u>-</u>	<u>3,965</u>	<u>-</u>

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
	30-Jun-06	30-Jun-05	30-Jun-06	30-Jun-05
	%	%	%	%
Malaysian statutory tax rate	28	-	28	-
Tax effects of:				
- income not subject to tax	(1)	-	-	-
- different tax rates in other countries	(2)	-	(2)	-
- unrecognised tax loss/unabsorbed capital allowance	(2)	-	(3)	-
Effective tax rate	<u>23</u>	<u>-</u>	<u>23</u>	<u>-</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 30.06.06 RM'000
Total investments at cost	<u>10,000</u>
Total investments at market value	<u>10,000</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 20 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 Rights Issue. The cash proceeds from this issue amounted to RM69,062,400.

On 26 January 2006, the shares were listed and quoted on the Second Board of Bursa Malaysia Securities Berhad.

The proceeds were utilised 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*	<u>(14,147)</u>
Balance as at 30 June 2006	<u>35,632</u>

** The working capital utilisation for the business expansion has reduced from previous quarter to current quarter due to the refund of deposit of RM9.6 million paid in 1st quarter.*

- (b) **Proposed Acquisition of 13,260,000 ordinary shares of RM1.00 each in MTrans Transportation Systems Sdn Bhd ("MTrans"), representing 51% of the issued and paid-up share capital of MTrans from Kiara Kilau Sdn Bhd ("KKSB"), for a total purchase consideration of RM30.0 million, to be satisfied in cash ("Proposed Acquisition")**

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

On 15 May 2006, the Company paid RM3 million to KKS B as deposit for the Proposed Acquisition. The approvals required for completion of the Proposed Acquisition have been obtained from the Foreign Investment Committee and Ministry of International Trade and Industry on 28 June 2006 and 30 June 2006 respectively. The results of the due diligence conducted on MTrans were satisfactory and the Proposed Acquisition was completed on 10 July 2006 with all conditions precedent to the Proposed Acquisition being satisfied and agreed by both parties.

As announced on 28 April 2006, together with the completion of the Proposed Acquisition, the parties executed the Profit Guarantee Agreement and the Shareholders Agreement on the same date i.e. on 10 July 2006.

Pursuant to the Profit Guarantee Agreement, KKS B guarantees the audited consolidated profit after tax of MTrans for the subsequent 3 financial years ending 30 April 2007, 2008 and 2009 for an aggregate amount of RM27,000,000 calculated at an average of RM9,000,000 per financial year. Subject to the foregoing, the profit guarantee amount for the first and second guaranteed financial years is RM7,000,000 for each financial year.

B9. Borrowings (Secured)

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

	As at 30.06.06 RM'000
Short term borrowings	31,358
Long term borrowings	<u>28,456</u>
Total	<u>59,814</u>

Borrowings denominated in following currencies:

	As at 30.06.06	
	USD'000	RM'000 Equivalent
United States Dollars	9,000	33,790
Malaysian Ringgit	-	26,024
Total	<u>9,000</u>	<u>59,814</u>

B10. Off Balance Sheet Financial Instruments

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

B11. Change in Material Litigation

Neither the company nor any of its subsidiaries 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 subsidiaries 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.

B12. Dividend Payable

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

B13. Earnings per share

(a) Basic

The computations for earnings per share are as follows:

	3 months ended		YTD 6 months ended	
	30.06.06 RM'000	30.06.05 RM'000	30.06.06 RM'000	30.06.05 RM'000
Profit from continuing operations attributable to ordinary equity holders of the company	7,421	-	12,871	-
Loss from discontinued operations attributable to ordinary equity holders of the company	-	(719)	-	(1,600)
Profit/(Loss) attributable to ordinary equity holders of the company	<u>7,421</u>	<u>(719)</u>	<u>12,871</u>	<u>(1,600)</u>
Weighted average number of ordinary shares in issue ('000)	<u>269,690</u>	<u>19,184</u>	<u>263,456</u>	<u>19,184</u>
Basic earnings per share (sen) for:				
Profit from continuing operations	2.75	-	4.89	-
Loss from discontinued operations	-	(3.75)	-	(8.34)
Profit/(Loss) for the period	<u>2.75</u>	<u>(3.75)</u>	<u>4.89</u>	<u>(8.34)</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.

B14. Authorisation for Issue

The interim financial statements were authorised for issue on 22 August 2006 by the Board of Directors.