

10. FINANCIAL INFORMATION**10.1 Profit and Dividend Records**

The following table, which has been extracted from the Accountants' Report in Section 11 of this Prospectus sets out a summary of the audited financial results of KST Group for the past five (5) FYs ended 31 December 2002 and financial period for the seven (7) months ended 31 July 2003 on the assumption the Group structure has been in existence throughout the periods under review. This audited financial results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the Accountants' Report set out in Section 11 of this Prospectus.

	<-----Audited----->					Audited
	<-----FY Ended 31 December----->					Seven
	1998	1999	2000	2001	2002	(7)
	RM'000	RM'000	RM'000	RM'000	RM'000	Months
						Ended
						31 July
						2003
						RM'000
Revenue	9,745	11,711	12,269	13,243	29,262	15,709
EBITDA	3,592	6,294	6,175	5,750	14,602	10,576
Less:						
Depreciation	(1,620)	(1,821)	(1,923)	(2,485)	(3,398)	(2,329)
Interest	(984)	(724)	(595)	(741)	(873)	(416)
Research and development expenditure	-	-	-	-	-	-
PBT	988	3,749	3,657	2,524	10,331	7,831
Taxation	(1,260)	(72)	(1,032)	(1,070)	(3,100)	(3,204)
PAT	(272)	3,677	2,625	1,454	7,231	4,627
No. of ordinary shares assumed in issue after the Bonus Issue and Acquisition of ST but prior to the Rights Issue ('000)	21,136	21,136	21,136	21,136	21,136	21,136
Gross EPS (sen) [#]	4.67	17.74	17.30	11.94	48.88	37.05
Net EPS (sen) ^{**}	N/A	17.40	12.42	6.88	34.21	21.89
No. of ordinary shares assumed in issue after the Bonus Issue, Acquisition of ST, Rights Issue and Public Issue ('000)	40,000	40,000	40,000	40,000	40,000	40,000
Gross EPS based on enlarged share capital (sen) [^]	2.47	9.37	9.14	6.31	25.83	19.58
Net EPS based on enlarged share capital (sen) ^{^^}	N/A	9.19	6.56	3.63	18.08	11.57
Dividend rate (%)	N/A	N/A	N/A	N/A	N/A	N/A

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10. FINANCIAL INFORMATION (Cont'd)

Note:

There were no exceptional or extraordinary items throughout the periods under review

The gross EPS has been calculated by dividing PBT by the number of ordinary shares in issue after the Bonus Issue and Acquisition of ST but prior to the Rights Issue

The net EPS has been calculated by dividing PAT by the number of ordinary shares in issue after the Bonus Issue and Acquisition of ST but prior to the Rights Issue

^ The gross EPS has been calculated by dividing PBT by the enlarged share capital of KST of 40,000,000 shares

^^ The net EPS has been calculated by dividing PAT by the enlarged share capital of KST of 40,000,000 shares

Please refer to the Accountants' Report as annexed in Section 11 of this Prospectus for further details on the proforma Group's performance.

10.2 Segmental Analysis of Proforma Group Turnover and PBT by Companies and Products

The following table shows a segmental analysis of the individual companies within the Group by their respective contribution to the Group's turnover and profit before taxation for the past five (5) FYs ended 31 December 2002 and financial period for the seven (7) months ended 31 July 2003. It has been prepared on the assumption that the Group has been in existence throughout the period under review and is meant for illustrative purposes only.

	FY ended 31 December					Seven (7) Months Ended 31 July
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
<i>Analysis of Turnover By Company</i>						
KST	7,012	9,085	9,707	10,297	25,539	14,072
ST	2,736	2,631	2,628	3,007	3,793	1,693
	9,784	11,716	12,335	13,304	29,332	15,765
Less: Proforma consolidation Adjustments	(3)	(5)	(66)	(61)	(70)	(56)
Proforma Consolidated Turnover	9,745	11,711	12,269	13,243	29,262	15,709
<i>Analysis of PBT By Company</i>						
KST	2,951	4,090	3,647	2,192	10,188	7,735
ST	(1,963)	(341)	10	332	143	96
	988	3,749	3,657	2,524	10,331	7,831
Less: Proforma consolidation Adjustments	-	-	-	-	-	-
Proforma Consolidated PBT	988	3,749	3,657	2,524	10,331	7,831

10. FINANCIAL INFORMATION (Cont'd)

	FY ended 31 December					Seven (7) Months Ended 31 July 2003
	1998 RM'000	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	RM'000
<i>Analysis of Turnover By Products</i>						
Equipment rental	6,145	8,547	8,449	10,078	25,364	13,822
Maintenance Services	3,603	3,169	3,886	3,226	3,968	1,943
	9,748	11,716	12,335	13,304	29,332	15,765
Less: Proforma consolidation Adjustments	(3)	(5)	(66)	(61)	(70)	(56)
Proforma Consolidated Turnover	9,745	11,711	12,269	13,243	29,262	15,709

Please refer to the Accountants' Report as annexed in Section 11 of this Prospectus for further details on the proforma Group's performance.

10.3 Overview Of Turnover And Profits**FY Ended 31 December 1998**

The turnover of the proforma KST Group decreased by approximately RM11.74 million in the previous year to RM9.74 million mainly due to the loss of agency from Elf Antar France, where ST acted as the sole agent for the sale of fuel additives to Petronas Dagangan. However, this was partially offset by KST's commencement of work on several new drilling locations such as Guntong A, Raya and Seligi B as part of the contract with a multinational company. These new projects generated about RM2.34 million in turnover.

The decrease in ST's turnover from approximately RM7 million in 1997 to RM2.736 million in 1998 together with a loss on foreign exchange of RM1.07 million resulted in a significant pre-tax loss of RM1.963 million in ST, and hence, KST Group recorded a low PBT for the year. The high effective tax rate of KST is principally attributed to the non-deductibility of certain expenses for tax purposes.

FY Ended 31 December 1999

The turnover of the proforma KST Group increased by approximately RM2 million or 20% mainly driven by KST's favourable growth which are attributable to the increase in two (2) new oilrig projects, namely T. Berkat-Bekok A and T. Berkat-Resak. In addition, existing 'Sotong' oil location also contributed approximately RM2.25 million in turnover as compared to merely RM0.3 million in 1998. All these projects are part of the PCSB CH2/C3/1997/DDR/054 project.

FY Ended 31 December 2000

The turnover of the proforma KST Group increased by RM0.558 million, mainly due the turnover from new customers and the increase in KST's turnover from its existing customers. During the FY ended 2000, KST was awarded two (2) new major contracts with a multinational company and PCSB CG2/C4/1999/DDR/052(K) respectively as the previous two (2) contracts approached its lapse dates.

A new location was launched at Jerneh under the contract with EMEPMI. Both the Jerneh project under the contract with EMEPMI and T. Berkat-Resak project under the PCSB CH2/C3/1997/DDR/052(K) contract collectively contributed to 28% of the Group turnover.

10. FINANCIAL INFORMATION (Cont'd)

The increase in other balances during the year was mainly attributable to KST's sales to a new customer, Ecodrill. Furthermore, there were on-off sales from ST to Weatherford (M) Sdn Bhd and Siderca Pte Ltd. There were no sales by ST to these parties in the subsequent years.

FY Ended 31 December 2001

The increase in turnover of the proforma KST Group by RM0.974 million or 8% from year 2000 to 2001 is mainly due to increasing sales of approximately RM2.56 million in aggregate from several new customers namely, Iptascorp and Nippon Oil. In addition, sales to Talisman and Ecodrill were significantly higher compared to 2000. These contracts are mostly shorter in duration compared to the contracts of a multinational company and PCSB ones. Both EMEPMI and PCSB collectively contributed about RM7.52 million or 56% of the Group turnover.

The significant drop in the proforma KST Group's PBT by RM1.33 million or 31% is due to KST recording a higher depreciation charge (increase of RM588,000) resulting from the revaluation of equipment and accessories together with a provision for diminution in value made in respect of the investment in the associated company, amounting to RM651,000. The high effective tax rate of KST is principally attributed to the non-deductibility of certain expenses for tax purposes.

In the case of ST, turnover was recorded from work carried out for the multinational company up to year 2000. Thereafter in 2001, ST secured a new client, UCM, which contributed 27% of ST's sales alone in 2001. The loss of billings from the multinational company has therefore been mitigated by the securing of new billings from UCM.

FY Ended 31 December 2002

The proforma KST Group's turnover escalated by 121% substantially due to KST's contract with EMEPMI (West Alliance rigs) and PCSB (Enasco 52 rigs) contract from which the total contribution from work carried out on these rigs amounted to RM7.27 million or 25% of the Group's overall turnover in 2002. Altogether thirteen (13) oil rigs were serviced during the year compared to eleven (11) in 2001, reflecting the robust growth in oil rig activity in 2002. Together, EMEPMI and PCSB contributed approximately RM19.13 million or 65% of the Group's total turnover in 2002.

During the year, there was a significant increase in activity in smaller scale projects, which resulted in a substantial turnover increase in the "others" category to RM7.3 million from RM3.4 million in 2001. Notably, increased billings were recorded from Nippon Oil and Iptascorp. In addition, ST had secured a new customer, Malaysia International Trade Corporation (J) Sdn Bhd, which also contributed to higher billings in 2002.

The strong surge in KST's revenue, and hence, the increase in gross margin by RM13 million compensated for the higher depreciation and interest charges, with a total increase of approximately RM1.076million, arising from the substantial purchases of equipment during the year. In addition, there was a significant increase in salary expenses by approximately RM1.3million, an increase in directors' remuneration together with bad debts and fixed assets written off giving rise to an increase in operating expenses by approximately RM1.709million. The high effective tax rate of KST is principally attributed to the non-deductibility of certain expenses for tax purposes.

In the case of ST, despite an increase in gross margin by RM344,000, the lower PBT in 2002 is attributed to bad debts written off, the increase in salary expenses and directors' remunerations during the year, amounted to RM468,000 in aggregate.

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10. FINANCIAL INFORMATION (Cont'd)**Financial Period for Seven (7) Months Ended 31 July 2003**

The proforma KST Group turnover for the seven (7) months as at 31/7/2003 includes additional new rigs from Talisman. The total contribution from Talisman accounted for 25% of KST proforma Group turnover.

The higher gross margin contribution for KST is as a result of reduction in hiring and transportation cost for equipment (hammer) as the Company had purchased its equipment (hammer) in late 2002.

10.4 Debtors' Ageing Analysis As At 31 July 2003

Based on the audited proforma consolidated balance sheet of the KST Group as at 31 July 2003, the total trade debtors amounted to RM4,951,428 after provision for doubtful debts. The normal credit period extended to the customers of the KST Group is 90 days. The ageing analysis for the trade debtors is as follows:

Ageing (Days)	0 – 30	31 – 60	61 – 90	91 – 120	> 120	Total	Provision	Net Trade Debtors
Amount	1,807,475	1,894,450	485,225	134,736	854,743	5,176,629	(225,201)	4,951,428
%	35	37	9	3	16	100		

As at 31 July 2003, the directors of KST & ST have confirmed that the above provision of RM225,201 has fully taken into account trade debts under litigation, in dispute and/or amount outstanding for more than six (6) months from the balance sheet date of 31 July 2003, after deduction subsequent collection received up to the issue date of the KST and ST audited financial statements.

10.5 Directors' Declaration on Financial Performance

As at 15 January 2004, being the latest practicable date prior to the printing of this Prospectus, the financial conditions and operations of the Company and its subsidiary are not affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties that have had or that the Group reasonably expects to have a material favourable or unfavourable impact on financial performance, position and operations of the KST Group;
- (b) material commitment for capital expenditure;
- (c) unusual, infrequent events or transactions or any significant economic changes that materially affected the financial performance, position and operations of the KST Group; and
- (d) known events, circumstances, trends, uncertainties and commitments that are reasonably likely to make the historical financial statements not indicative of future financial performance and position.

10.6 Working Capital, Borrowings, Material Capital Commitments, Contingent Liabilities And Material Litigations**(a) Working Capital**

The Directors of KST are of the opinion that, after taking into account the cashflow estimate and forecast and the banking facilities available and the net proceeds of the Public Issue, the Group will have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

10. FINANCIAL INFORMATION (Cont'd)**(b) Borrowings**

As at 15 January 2004 (being the latest practicable date prior to the printing of this Prospectus), the total bank borrowings, overdrafts and hire purchase facilities of the Group amounted to approximately RM7.6 million, all of which are interest bearing. The purpose of the borrowings is mainly to finance the Group's purchase of tubular equipments. The group has no foreign borrowings as at 15 January 2004.

Details of the Group's outstanding bank borrowings, overdrafts and hire purchase facilities are as follows:

	Audited Balance as at 31 July 2003 RM	Unaudited Balance as at 15 January 2004 RM
<u>Short term</u>		
<i>Interest bearing</i>	4,183,070	5,597,547
<u>Long term</u>		
<i>Interest bearing</i>	1,462,818	2,046,149
Total outstanding borrowings	5,645,888	7,643,696

There have been no such instances of default on payments, either interest and/ or principal sums in respect of any borrowings throughout the past one (1) financial year and the subsequent financial period thereof, immediately preceding the date of this Prospectus.

(c) Material Capital Commitments

As at 15 January 2004, (being the latest practicable date prior to the printing of this Prospectus), the Directors of KST are not aware of any capital commitments which, upon becoming enforceable, may have a material impact on the profit or net assets value of the KST Group.

(d) Contingent Liabilities

As at 15 January 2004, (being the latest practicable date prior to the printing of this Prospectus), the Directors of KST are not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profit or net assets value of the KST Group.

(e) Material Litigations

As at 15 January 2004, (being the latest practicable date prior to the printing of this Prospectus), the Company and its subsidiary are not engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, other than those legal actions engaged as plaintiff or defendant arising in the ordinary course of its business, which has a material effect on the financial position of the Company or its subsidiaries and the Directors do not know of any proceedings pending or threatened or any fact likely to give rise to any proceedings which might materially and adversely affect the position or business of KST or its subsidiary.

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10. FINANCIAL INFORMATION (Cont'd)**10.7 Consolidated Profit Estimate and Forecast**

The Directors of the KST Group estimate that in the absence of unforeseen circumstances, the consolidated profit estimate and forecast for the FY ending 31 December 2003 and 2004 will be as follows:

Consolidated Profit Estimate and Forecast

FY Ending 31 December	Estimate 2003 RM'000⁽¹⁾	Forecast 2004 RM'000
Consolidated revenue	28,752	34,020
Consolidated PBT but after MI	11,617	12,647
Taxation	(3,290)	(3,541)
Consolidated PAT, after MI and pre-acquisition profit	8,327	9,106
Weighted average number of shares in issue ('000)	17,275 ⁽²⁾	37,594 ⁽²⁾
Enlarged issued and paid-up share capital ('000)	40,000	40,000
Gross EPS (sen)	67.25 ⁽³⁾	33.64 ⁽³⁾
Net EPS (sen)	48.20 ⁽⁴⁾	24.22 ⁽⁴⁾
Gross EPS based on enlarged share capital (sen)	29.04 ⁽⁵⁾	31.62 ⁽⁵⁾
Net EPS based on enlarged share capital (sen)	20.82 ⁽⁶⁾	22.76 ⁽⁶⁾
Gross PE Multiple based on the issue price of RM1.30 per ordinary share (times)	1.93 ⁽³⁾	3.86 ⁽³⁾
Net PE Multiple based on the issue price of RM1.30 per ordinary share (times)	2.70 ⁽⁴⁾	5.37 ⁽⁴⁾

Notes:

- (1) *After deducting pre-acquisition profit of ST and goodwill on consolidation written off.*
- (2) *Weighted average number of ordinary shares in issue was computed based on the assumption that the Bonus Issue and Acquisition of ST were completed on October 2003 the Rights Issue was completed on January 2004 and the Public Issue will be completed by February 2004.*
- (3) *Based on weighted average number of shares in issue of 17.275 million and 37.594 million ordinary shares of RM1.00 each and the PBT as at 31 December 2003 and 31 December 2004 respectively.*
- (4) *Based on weighted average number of shares in issue of 17.275 million and 37.594 million ordinary shares of RM1.00 each and the PAT as at 31 December 2003 and 31 December 2004 respectively.*
- (5) *Based on the enlarged paid-up share capital in issue of 40 million ordinary shares of RM1.00 each and the PBT*
- (6) *Based on the enlarged paid-up share capital in issue of 40 million ordinary shares of RM1.00 each and the PAT*

The principal bases and assumptions upon which the consolidated profit estimate and forecast have been prepared are set out in the report as prepared by the Reporting Accountants which is set out in Section 10.8 of this Prospectus.

The consolidated profit estimate and forecast of the KST Group for the FY ending 31 December 2003 and 2004 respectively had been prepared on bases and accounting principles consistent with those previously adopted in the preparation of the audited financial statements of KST and its subsidiary.

10. FINANCIAL INFORMATION (Cont'd)

**10.8 Reporting Accountants' Letter On The Consolidated Profit Estimate And Forecast
(Prepared for inclusion in this Prospectus)**



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**REPORTING ACCOUNTANTS' LETTER ON THE CONSOLIDATED PROFIT ESTIMATE
AND FORECAST**

(Prepared for inclusion in this Prospectus)

20 January 2004

The Board of Directors
Kejuruteraan Samudra Timur Berhad
23B Jalan 52/1
46200 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

KEJURUTERAAN SAMUDRA TIMUR BERHAD

**CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE TWO (2) YEARS
ENDING 31 DECEMBER 2004**

We have reviewed the consolidated profit estimate and forecast of Kejuruteraan Samudra Timur Berhad ("KST" or "the Company"), *formerly known as Kejuruteraan Samudra Timur Sdn Bhd* and its subsidiary company, Samudra Timur Sdn Bhd (collectively known as "the Group") for the two (2) years ending 31 December 2004 as set out in the accompanying statement which we have stamped for the purpose of identification in accordance with the standard International Standards on Auditing 810 applicable to the review of forecasts. The consolidated profit estimate and forecast have been prepared for the purpose of inclusion in the Prospectus to be dated 28 January 2004 in connection with the public issue of 10,200,000 new ordinary shares of RM1.00 each in KST at an issue price of RM1.30 per ordinary share, and the listing of and quotation for the entire enlarged issued and paid-up share capital of KST on the Second Board of the Malaysia Securities Exchange Berhad, and should not be relied on for any other purposes.

Our review has been undertaken to enable us to form an opinion as to whether the consolidated profit estimate and forecast, in all material respects, is properly prepared on the basis of the assumptions made by the Directors and is presented on a basis consistent with the accounting policies adopted and disclosed by the Group in its audited financial statements for the period ended 31 July 2003. The Directors of KST are solely responsible for the preparation and presentation of the estimate and forecast and the assumptions on which the estimate and forecast are based.

Estimate and forecast, in this context, mean prospective financial information prepared on the basis of assumptions as to future events which management expects to take place and the actions which management expects to take as of the date the information is prepared (best-estimate assumptions). While information may be available to support the assumptions on which the estimate and forecast are based, such information is generally future oriented and therefore uncertain. Thus, actual results are likely to be different from the estimate and forecast since anticipated events frequently do not occur as expected and the variation could be material.

10. FINANCIAL INFORMATION (Cont'd)



Subject to the matters stated in the preceding paragraphs:-

- (i) nothing has come to our attention which causes us to believe that the assumptions made by the Directors, as set out in the accompanying statement, do not provide a reasonable basis for the preparation of the profit estimate and forecast; and
- (ii) in our opinion, the profit estimate and forecast, so far as the calculations are concerned, are properly prepared on the basis of the assumptions made by the Directors and are presented on a basis consistent with the accounting policies adopted and disclosed by the Group in the respective audited financial statements for the period ended 31 July 2003.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Ernst & Young', written in a cursive style.

ERNST & YOUNG
AF: 0039
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Yeo Eng Seng', written in a cursive style.

Yeo Eng Seng
1212/12/04(J)
Partner

Signed copies of this document have been prepared in English and Bahasa Malaysia versions. In the event of any inconsistency between these, the English version shall prevail.

10. FINANCIAL INFORMATION (Cont'd)

**KEJURUTERAAN SAMUDRA TIMUR BERHAD
(FORMERLY KNOWN AS KEJURUTERAAN SAMUDRA TIMUR SDN BHD)
CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE TWO (2) FINANCIAL
YEARS ENDING 31 DECEMBER 2004**

The Directors of Kejuruteraan Samudra Timur Berhad ("KST") estimate and forecast that barring unforeseen circumstances, the consolidated profit estimate and forecast for the two (2) years ending 31 December 2004 will be as follows:-

	Estimate 2003 ⁽¹⁾ RM'000	Forecast 2004 RM'000
Consolidated revenue	<u>28,752</u>	<u>34,020</u>
Consolidated profit before tax	11,617	12,647
Less: Taxation	<u>(3,290)</u>	<u>(3,541)</u>
Consolidated profit after taxation ⁽²⁾	<u>8,327</u>	<u>9,106</u>
Weighted average number of ordinary shares ('000)	17,275 ⁽³⁾	37,594 ⁽³⁾
Enlarged issued and paid-up share capital ('000)	40,000	40,000
Based on the weighted average number of shares in issue		
- Gross EPS (sen)	67.25 ⁽⁴⁾	33.64 ⁽⁴⁾
- Net EPS (sen)	48.20 ⁽⁴⁾	24.22 ⁽⁴⁾
Based on enlarged number of shares in issue		
- Gross EPS (sen)	29.04 ⁽⁵⁾	31.62 ⁽⁵⁾
- Net EPS (sen)	20.82 ⁽⁵⁾	22.76 ⁽⁵⁾

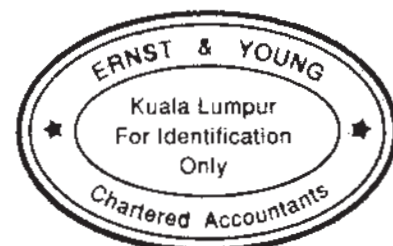
(1) After deducting pre-acquisition profit of Samudra Timur Sdn Bhd und goodwill on consolidation written off

(2) As KST owns 100% of the equity interest in Samudra Timur Sdn Bhd, there is no minority interest.

(3) Weighted average number of ordinary shares in issue is based on the assumption that the Bonus Issue and Acquisition were completed in October 2003, the Rights Issue was completed in January 2004 and the Public Issue will be completed in February 2004

(4) Based on weighted average number of shares in issue of 17.275 million ordinary shares of RM1.00 each in 2003 and 37.594 million ordinary shares of RM1.00 each in 2004 respectively.

(5) Based on the enlarged and paid-up share capital in issue of 40 million ordinary shares of RM1.00 each.



10. FINANCIAL INFORMATION (Cont'd)

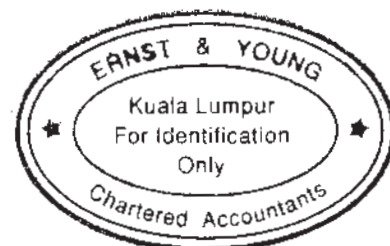
**KEJURUTERAAN SAMUDRA TIMUR BERHAD
(FORMERLY KNOWN AS KEJURUTERAAN SAMUDRA TIMUR SDN BHD)
CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE TWO (2) FINANCIAL
YEARS ENDING 31 DECEMBER 2004**

The principal bases and assumptions upon which the consolidated profit estimate and forecast have been prepared are set out below:-

1. The composition of revenue from overseas contracts in relation to total revenue of the Group for the relevant years is estimated/forecasted as follows:-

	2003	2004
<i>Equipment rental income</i>		
- Overseas contracts	-	15%

2. There will be no material deviation in the contractual terms and schedules of commencement and completion dates of secured and projected contracts of the Group.
3. It is assumed that the option to extend the tenure of the secured contracts of the Group will be exercised.
4. There will be no significant changes in the customer base of the Group which will adversely affect the performance of the Group.
5. There will be no material changes in the structure and principal activities of the Group.
6. There will be no material changes in the management, trading and accounting policies currently adopted.
7. There will be no significant changes in the current demand and in prevailing market conditions in Malaysia and overseas which will adversely affect the Group's performance and businesses of its major customers and suppliers.
8. There will be no material changes in the present legislation or regulations, rates and basis of duties, levies and other taxes affecting the Group's activities.
9. There will be no major industrial disputes, economic and political changes or any abnormal circumstances which will adversely affect the operations of the Group.
10. Existing and future financing facilities will remain available to the Group and interest rates will not change significantly from those presently prevailing.
11. Exchange rates of foreign currencies will not substantially and adversely change from their present levels.
12. Inflation will remain at its current level.
13. The capital expenditure programme will be incurred and implemented as planned and it is expected to provide sufficient capacity to support the estimated and forecasted business activities.



10. FINANCIAL INFORMATION (Cont'd)

**KEJURUTERAAN SAMUDRA TIMUR BERHAD
(FORMERLY KNOWN AS KEJURUTERAAN SAMUDRA TIMUR SDN BHD)
CONSOLIDATED PROFIT ESTIMATE AND FORECAST FOR THE TWO (2) FINANCIAL
YEARS ENDING 31 DECEMBER 2004**

14. Flotation Scheme

As part of the flotation scheme, Kejuruteraan Samudra Timur Berhad will undertake the following:

(a) Bonus Issue

The Company made a Bonus Issue of 15,500,000 new ordinary shares of RM1 each on the basis of thirty one (31) new ordinary shares for every two (2) existing ordinary shares of RM1 each held in the Company by way of capitalisation of RM15.5 million from the retained earnings of the Company.

(b) Acquisition

The Company acquired the entire issued and paid-up share capital of Samudra Timur Sdn Bhd ("ST") comprising 1,000,000 ordinary shares of RM1 each for a purchase consideration of RM5.099 million to be satisfied by the issue and allotment of 4,635,691 new ordinary shares of RM1 each in the Company at an issue price of RM1.10 per ordinary share to the Vendors.

(c) Rights Issue

The Company made a Rights Issue of 8,664,309 new ordinary shares of RM1 each on the basis of approximately two (2) new ordinary share for every five (5) existing ordinary shares held in the Company (after the Bonus Issue and Acquisition) at an issue price of RM1.05 per share.

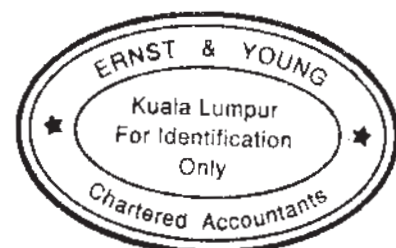
(d) Public Issue

The Company will make a Public Issue of 10,200,000 new ordinary shares of RM1 each at an issue price of RM1.30 per share.

The Bonus Issue and Acquisition were completed in October 2003.

The Rights Issue was completed in January 2004.

The Public Issue will be completed and the gross cash proceeds arising therefrom of RM22.358 million will be received in February 2004.



10. FINANCIAL INFORMATION (Cont'd)**10.9 Directors' Analysis Of The Consolidated Profit Estimate and Forecast for the FY ending 31 December 2003 and 31 December 2004**

For the FY ending 2003, the KST Group estimates to achieve a consolidated turnover of approximately RM28.75 million (net of pre-acquisition turnover of ST of RM2.13 million) and a consolidated PAT after MI and pre-acquisition profits of approximately RM8.33 million.

The consolidated turnover and consolidated PAT after MI of the KST Group for the FY ending 2004 is forecast to increase to RM34.02 million and RM9.11 million respectively. This represents an increase in consolidated turnover and consolidated PAT after MI by approximately RM5.27 million or approximately 18.33% and RM0.78 million or approximately 9.36% respectively over those of the previous year.

The forecast increase in turnover is mainly due to a new contract with Talisman secured in September 2002, whereby turnover for the full financial year is expected to flow through the Group's financial statements in FY 2003. The new contract is expected to contribute to approximately 17% of the Groups' total turnover. The increase in turnover is also due to the forecast increase in the level of drilling activities in the first quarter of FY 2003 for certain existing contracts.

As for the FY 2004, the increase is expected to be contributed from mainly from overseas operations, whereby approximately 15% of the Group's total equipment rental income for FY 2004 will be from overseas contracts.

The Group will utilise approximately RM5.5 million of the total proceeds from the Rights Issue and Public Issue to repay the Group's borrowings, which will lead to an interest savings of approximately RM214,000 before taxation for the FY ending 31 December 2003.

The Directors have reviewed and analysed the reasonableness of the bases of assumptions used in arriving at the profit estimate and forecast for the financial year ending 31 December 2003 and 31 December 2004 respectively, to be true and fair in light of the future prospects of the industry, future plans and strategies, level of gearing, liquidity and working capital requirements to be adopted by the Group.

10.10 Sensitivity Analysis

The principal bases and assumptions upon which the sensitivity analysis on the Group's PBT and PAT have been made are as follows:

- (i) The selected variables items will vary for 5% and 10% upward and downward.
- (ii) Except for the selected variable items, the same forecast assumptions set out in Section 10.8 shall apply.

10.10.1 Variation in Turnover

	<-----Financial Year Ending 31.12.2003 ----->					
	Turnover		PBT		PAT	
	RM'000	%	RM'000	%	RM'000	%
As per Estimated	28,752	N/a	11,617	N/a	8,327	N/a
Up 5%	30,190	+5.0	13,055	+12.4	9,364	+12.4
Up 10%	31,627	+10.0	14,492	+24.8	10,398	+24.8
Down 5%	27,314	-5.00	10,179	-12.4	7,293	-12.4
Down10%	25,877	-10.0	8,742	-24.8	6,258	-24.8

10. FINANCIAL INFORMATION (Cont'd)

As shown in the table, when turnover is revised upward by 5% and 10%, PBT is expected to increase by 12.4% and 24.8% respectively. On the other hand, when turnover is revised downward by 5% and 10%, PBT is expected to decrease by 12.4% and 24.8% respectively.

10.10.2 Variation in Cost of Sales

	<-----Financial Year Ending 31.12.2003 ----->						
	Turnover	Cost Of Sales		PBT		PAT	
		RM'000	RM'000	%	RM'000	%	RM'000
As per Estimated	28,752	4,438	N/A	11,617	N/A	8,327	N/A
Up 5%	28,752	4,660	+5.0	11,396	-1.9	8,168	-1.9
Up 10%	28,752	4,882	+10.0	11,176	-3.8	8,008	-3.8
Down 5%	28,752	4,216	-5.0	11,838	+1.9	8,488	+1.9
Down10%	28,752	3,994	-10.0	12,058	+3.8	8,648	+3.8

As shown in the table, a 5% increase in the cost of sales is expected to result in a 1.9% decrease in PBT. A 10% increase in cost of sales is expected to reduce the PBT by 3.8%. On the contrary, if the cost of sales is revised downward by 5% and 10%, PBT is expected to increase by 1.9% and 3.8% respectively.

10.11 Dividend Estimate and Forecast

It is the policy of the Directors of KST to recommend dividends to allow shareholders to participate in the profits of the Group as well as leaving adequate reserves for future growth of the Group.

Based on the profit for the FY ended 31 December 2002 and assuming that the current basis for calculating taxation and the rates of taxation remain unchanged, the Directors of KST anticipate that, in the absence of unforeseen circumstances, the Company will be in a position to propose a gross dividend of 6.0 sen per share for the FY ending 31 December 2003, based on the enlarged issued and paid-up share capital of 40,000,000 ordinary shares of RM1.00 each.

The intended appropriation of the estimate and forecast consolidated PAT for the FY ending 31 December 2003 and 2004 would be as follows:

	Estimate 2003	Forecast 2004
	RM'000	RM'000
FY Ending 31 December		
Consolidated PAT, after MI and pre-acquisition profit	8,327	9,106
Less: Proposed dividend of 4.32 sen per ordinary share	(1,728)	(1,728)
Profit Retained for the financial year	<u>6,599</u>	<u>7,378</u>
Gross dividend per share (sen)	6.00	6.00
Net dividend per share (sen)	4.32	4.32
Gross dividend yield based on the Issue Price of RM1.30 per ordinary share (%)	4.62	4.62
Net dividend yield based on the Issue Price of RM1.30 per ordinary share (%)	3.32	3.32
Net dividend cover based on forecast net dividend per ordinary share (times)	4.82	5.27

10. FINANCIAL INFORMATION (Cont'd)

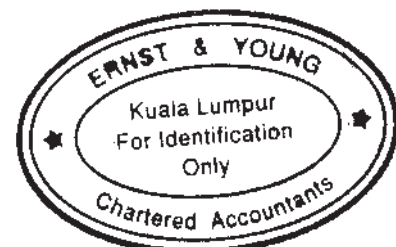
The declaration, amount and payment of dividends are subject to the approval by the shareholders of KST on recommendation by the Board of Directors. KST currently expects to pay dividends on an annual basis but has not established (and does not expect to establish) any fixed percentage of earnings allocated for the payment of dividends. Any variation from the forecast dividend would depend on KST's operation results, financial conditions, cash requirements and other factors deemed relevant by the Board of Directors.

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10. FINANCIAL INFORMATION (Cont'd)**10.12 Proforma Consolidated Balance Sheet as at 31 July 2003
(Prepared for inclusion in this Prospectus)****KEJURUTERAAN SAMUDRA TIMUR BERHAD
(FORMERLY KNOWN AS KEJURUTERAAN SAMUDRA TIMUR SDN BHD)
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 JULY 2003**

The Proforma Consolidated Balance Sheets set out below are provided for illustrative purposes only to show the effects on the audited balance sheets of Kejuruteraan Samudra Timur Berhad ("the Company") and Samudra Timur Sdn Bhd ("ST") as at 31 July 2003 had the Bonus Issue, Acquisition, Rights Issue and Public Issue been effected on that date:-

	← Company →		← Proforma Group →			
	Audited as at 31 July 2003 RM'000	After Bonus Issue (I) RM'000	After (I) and Acquisition (II) RM'000	After (II) and Rights Issue (III) RM'000	After (III) and Public Issue (IV) RM'000	After (IV) and Utilisation of Proceeds RM'000
PROPERTY, PLANT AND EQUIPMENT	29,048	29,048	32,729	32,729	32,729	43,929
OTHER INVESTMENT	-	-	60	60	60	60
CURRENT ASSETS (Note 5a)	9,538	9,538	10,724	19,822	31,482	14,820
CURRENT LIABILITIES (Note 5b)	6,227	6,227	5,944	5,944	5,944	1,945
Net Current Assets	3,311	3,311	4,780	13,878	25,538	12,875
	32,359	32,359	37,569	46,667	58,327	56,864
SHARE CAPITAL	1,000	16,500	21,136	29,800	40,000	40,000
RESERVES (Note 4)	25,440	9,940	10,051	10,485	11,945	11,945
SHAREHOLDERS' FUNDS	26,440	26,440	31,187	40,285	51,945	51,945
DEFERRED & LONG TERM LIABILITIES (Note 5c)	5,919	5,919	6,382	6,382	6,382	4,919
	32,359	32,359	37,569	46,667	58,327	56,864
Net Tangible Asset per share (RM)	26.44	1.60	1.48	1.35	1.30	1.30



10. FINANCIAL INFORMATION (Cont'd)

**KEJURUTERAAN SAMUDRA TIMUR BERHAD
(FORMERLY KNOWN AS KEJURUTERAAN SAMUDRA TIMUR SDN BHD)
NOTES TO THE PROFORMA CONSOLIDATED BALANCE SHEETS**

The Proforma Consolidated Balance Sheets have been prepared on accounting principles and bases consistent with those previously adopted in the preparation of audited financial statements. These have been prepared based on the audited balance sheets of the Company and ST as at 31 July 2003.

1. Flotation Scheme

(a) Proforma I - Bonus Issue

The Company made a Bonus Issue of 15,500,000 new ordinary shares of RM1 each on the basis of thirty one (31) new ordinary shares for every two (2) existing ordinary shares of RM1 each held in the Company by way of capitalisation of RM15.5 million from the retained earnings of the Company.

(b) Proforma II - Acquisition

The Company acquired the entire issued and paid-up share capital of ST comprising 1,000,000 ordinary shares of RM1 each for a purchase consideration of RM5.099 million to be satisfied by the issue and allotment of 4,635,691 new ordinary shares of RM1 each in the Company at an issue price of RM1.10 per ordinary share to the Vendors.

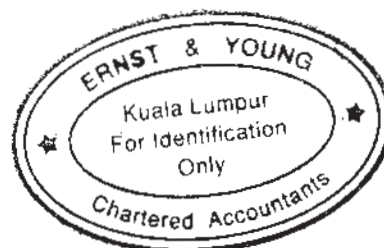
The premium arising from the Acquisition of ST of RM463,569 is credited to the share premium account.

On 13 January 2004, the Securities Commission had approved the payment by KST of a tax-exempt dividend amounting to RM1.5 million which has not been accounted for in the Proforma Balance Sheets as at 31 July 2003.

(c) Proforma III - Rights Issue

The Company made a Rights Issue of 8,664,309 new ordinary shares of RM1 each on the basis of approximately two (2) new ordinary shares for every five (5) existing ordinary shares held in the Company (after the Bonus Issue and Acquisition) at an issue price of RM1.05 per ordinary share.

The premium arising from the Rights Issue of RM433,215 is credited to the share premium account.



10. FINANCIAL INFORMATION (Cont'd)

1. Flotation Scheme (contd.)

(d) Proforma IV - Public Issue

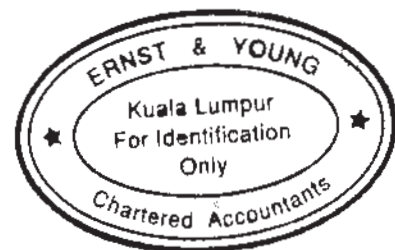
The Company will make a Public Issue of 10,200,000 new ordinary shares of RM1 each at an issue price of RM1.30 per ordinary share.

The premium arising from the Public Issue of RM3.06 million is credited to the share premium account.

2. Estimated listing expenses of RM1.6 million relating to the Bonus Issue, Acquisition, Rights Issue and Public Issue have been debited against share premium.

3. It is assumed that the cash proceeds of RM20.758 million (after deducting estimated listing expenses of RM1.6 million) to be received from the Rights Issue and Public Issue will be utilised as follows:-

	RM million
Financing of new and/or renovation of existing office space	1.200
Financing of tubular and drilling equipment	10.000
Repayment of bank borrowings and hire purchase facilities	5.462
Working capital	<u>4.096</u>
	<u><u>20.758</u></u>

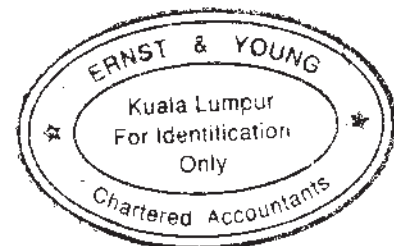


10. FINANCIAL INFORMATION (Cont'd)

4. Analysis of reserves as at 31 July 2003 is as follows:-

	Share Premium RM'000	Asset Revaluation Reserve * RM'000	Retained Profits RM'000	Total RM'000
As per audited financial statements as at 31 July 2003	-	4,366	21,074	25,440
Less: Bonus issue	-	-	(15,500)	(15,500)
After Bonus Issue	-	4,366	5,574	9,940
Premium arising from Acquisition of ST	463	-	-	463
Less: Goodwill on consolidation of ST written off	-	-	(352)	(352)
After Acquisition	463	4,366	5,222	10,051
Premium arising from Rights Issue	434	-	-	434
After Rights Issue	897	4,366	5,222	10,485
Premium arising from Public Issue	3,060	-	-	3,060
Less: Listing expenses	(1,600)	-	-	(1,600)
After Public Issue	2,357	4,366	5,222	11,945

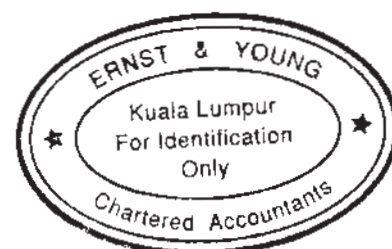
* The Asset Revaluation Reserve arises from a revaluation by the Directors of equipment and accessories (included within property, plant and equipment) based on an independent professional valuation carried out on 24 October 2001.



10. FINANCIAL INFORMATION (Cont'd)

5. Analysis of Current Assets, Current Liabilities and Deferred and Long Term Liabilities are as follows:-

	← Company →		← Proforma Group →			
	Audited as at 31 July 2003	After Bonus Issue (I)	After (I) and Acquisition (II)	After (II) and Rights Issue (III)	After (III) and Public Issue (IV)	After (IV) and Utilisation of Proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(a) Current Assets						
Inventories	1,020	1,020	1,020	1,020	1,020	1,020
Trade receivables	4,205	4,205	4,951	4,951	4,951	4,951
Other receivables	1,706	1,706	1,754	1,754	1,287	1,287
Tax recoverable	-	-	45	45	45	45
Deposits placed with licensed banks	2,307	2,307	2,544	2,544	2,544	2,544
Cash and bank balances	300	300	410	9,508	21,635	4,973
	<u>9,538</u>	<u>9,538</u>	<u>10,724</u>	<u>19,822</u>	<u>31,482</u>	<u>14,820</u>
(b) Current Liabilities						
Trade payables	327	327	421	421	421	421
Other payables and accruals	859	859	454	454	454	454
Hire purchase payables	1,754	1,754	1,754	1,754	1,754	-
Bank borrowings	2,400	2,400	2,428	2,428	2,428	183
Provision for taxation	887	887	887	887	887	887
	<u>6,227</u>	<u>6,227</u>	<u>5,944</u>	<u>5,944</u>	<u>5,944</u>	<u>1,945</u>
(c) Deferred and Long Term Liabilities						
Hire purchase payables	51	51	51	51	51	-
Term loans	1,338	1,338	1,412	1,412	1,412	-
Deferred taxation	4,530	4,530	4,919	4,919	4,919	4,919
	<u>5,919</u>	<u>5,919</u>	<u>6,382</u>	<u>6,382</u>	<u>6,382</u>	<u>4,919</u>



10. FINANCIAL INFORMATION (Cont'd)

**10.13 Reporting Accountants' Letter On The Proforma Consolidated Balance Sheets
(Prepared for inclusion in this Prospectus)**



■ Chartered Accountants
4th Floor, Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

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50704 Kuala Lumpur, Malaysia

**REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED
BALANCE SHEETS**

(Prepared for inclusion in this Prospectus)

20 January 2004

The Board of Directors
Kejuruteraan Samudra Timur Berhad
23B Jalan 52/1
46200 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

**KEJURUTERAAN SAMUDRA TIMUR BERHAD
PROFORMA CONSOLIDATED BALANCE SHEETS AS AT 31 JULY 2003**

We have reviewed the presentation of the Proforma Consolidated Balance Sheets of Kejuruteraan Samudra Timur Berhad ("KST" or "the Company"), *formerly known as Kejuruteraan Samudra Timur Sdn. Bhd.* and its subsidiary company, Samudra Timur Sdn Bhd (collectively known as "the Group") as at 31 July 2003 together with the accompanying notes, for which the Directors are solely responsible, as set out in the Prospectus to be dated 28 January 2004, which we have stamped for purpose of identification, in connection with the public issue of 10,200,000 new ordinary shares of RM1.00 each in KST at an issue price of RM1.30 per ordinary share and the listing of and quotation for the entire enlarged issued and paid-up share capital of KST on the Second Board of the Malaysia Securities Exchange Berhad.


In our opinion:

- (i) the Proforma Consolidated Balance Sheets of KST as at 31 July 2003, which are provided for illustrative purposes only, have been properly compiled on the basis set out in the notes thereto, and such basis is consistent with the accounting policies of KST; and
- (ii) the adjustments made are appropriate for the purpose of these Proforma Consolidated Balance Sheets.

Yours faithfully



ERNST & YOUNG
AF: 0039
Chartered Accountants



Yeo Eng Seng
1212/12/04(J)
Partner

Signed copies of this document have been prepared in English and Bahasa Malaysia versions. In the event of any inconsistency between these, the English version shall prevail.