



**KEJURUTERAAN SAMUDRA TIMUR BERHAD**

(Company No. 142241-X)

(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT  
FIRST FINANCIAL QUARTER ENDED 31 MARCH 2008**

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008**

	Note	First quarter ended 31 March ("Mar")		Cumulative Quarter ended 31 March ("Mar")	
		2008 Unaudited RM'000	2007 Unaudited RM'000	2008 Unaudited RM'000	2007 Unaudited RM'000
<b>Continuing Operations</b>					
Revenue		20,796	25,521	20,796	25,521
Cost of sales		(13,128)	(13,030)	(13,128)	(13,030)
<b>Gross profit</b>		<u>7,668</u>	<u>12,491</u>	<u>7,668</u>	<u>12,491</u>
Other income		142	295	142	295
Administrative expenses		(1,467)	(3,254)	(1,467)	(3,254)
Operating expenses		(2,229)	(1,718)	(2,229)	(1,718)
Finance cost		(2,365)	(2,631)	(2,365)	(2,631)
Share of loss in jointly controlled entities		-	(1,877)	-	(1,877)
<b>Profit before taxation</b>		<u>1,749</u>	<u>3,306</u>	<u>1,749</u>	<u>3,306</u>
Income tax expense	<b>B5</b>	(445)	(922)	(445)	(922)
<b>Profit for the period</b>		<u>1,304</u>	<u>2,384</u>	<u>1,304</u>	<u>2,384</u>
Attributable to:					
Equity holders of the parent		1,089	2,065	1,089	2,065
Minority interest		215	319	215	319
		<u>1,304</u>	<u>2,384</u>	<u>1,304</u>	<u>2,384</u>
Earnings Per Share (sen)					
Basic	<b>B13</b>	<u>1.13</u>	<u>2.13</u>	<u>1.13</u>	<u>2.13</u>
Fully diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

*(The Condensed Consolidated Income Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.)*

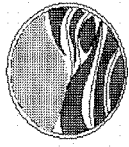
**CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 31 MARCH 2008**



		<b>As at 31 March 2008 Unaudited RM'000</b>	<b>As at 31 December 2007 Audited RM'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	<b>A9</b>	154,472	159,641
Prepaid lease payments		1,488	1,493
Goodwill on consolidation		10,278	10,278
Investment in jointly controlled entities	<b>A15</b>	-	-
Other investment	<b>A16</b>	3,036	3,036
		<u>169,274</u>	<u>174,448</u>
<b>Current assets</b>			
Inventories		3,344	3,611
Trade receivables		24,486	29,961
Other receivables		7,554	7,032
Tax recoverable		783	559
Amount due from jointly controlled entities	<b>A15</b>	-	-
Cash and bank balances (including fixed deposits)		7,121	3,885
		<u>43,288</u>	<u>45,048</u>
<b>TOTAL ASSETS</b>		<u>212,562</u>	<u>219,496</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital		48,400	48,400
Redeemable Convertible Preference Share *		-	-
Share premium		9,283	9,283
Other reserves		1,973	3,124
Accumulated losses		(8,847)	(9,936)
		<u>50,809</u>	<u>50,871</u>
<b>Minority interest</b>		1,231	1,055
<b>Total equity</b>		<u>52,040</u>	<u>51,926</u>
<b>Non-current liabilities</b>			
Bank borrowings	<b>B9</b>	71,073	77,447
Deferred tax liabilities		7,560	7,561
		<u>78,633</u>	<u>85,008</u>
<b>Current liabilities</b>			
Trade payables		1,567	1,475
Other payables		28,073	26,807
Amount due to a jointly controlled entity		3,220	4,063
Bank borrowings	<b>B9</b>	48,282	49,681
Tax payable		747	536
		<u>81,889</u>	<u>82,562</u>
<b>Total liabilities</b>		<u>160,522</u>	<u>167,570</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>212,562</u>	<u>219,496</u>

\* - The Redeemable Convertible Preference Share comprises 1 share of RM1.00 issued by a subsidiary company.

*(The Condensed Consolidated Balance Sheet should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.)*



**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008**

	Attributable to equity holders of the parent		Distributable		Minority interest	Total equity
	Share Capital	Share Premium	Non-distributable	Retained Earnings/ Losses		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2007</b>						
As previously stated	48,400	9,283	(521)	5,778	-	67,378
Effect of adopting FRS 112	-	-	-	244	-	244
<b>At 1 January 2007 (restated)</b>	48,400	9,283	(521)	6,022	-	67,622
Effect of reduction in domestic income tax rate	-	-	-	-	-	30
Foreign currency translation	-	-	(823)	-	-	(823)
Dividend	-	-	-	(1,413)	-	(1,413)
Net loss for the year	-	-	-	(14,545)	902	(13,643)
<b>At 31 December 2007 (Audited)</b>	48,400	9,283	(1,344)	(9,936)	1,055	51,926
<b>At 1 January 2008</b>	48,400	9,283	(1,344)	(9,936)	1,055	51,926
Foreign currency translation	-	-	(1,151)	-	(39)	(1,190)
Net profit for the period	-	-	-	1,089	215	1,304
<b>At 31 March 2008 (Unaudited)</b>	48,400	9,283	(2,495)	(8,847)	1,231	52,040

\* - The Redeemable Convertible Preference Share comprises 1 share of RM1.00.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2008**



	<b>3 months ended 31 March</b>	
	<b>2008</b>	<b>2007</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash Flows From Operating Activities</b>		
Profit before taxation	1,749	3,306
Adjustments for non-cash and non-operating items:		
- Non-cash items	3,763	4,255
- Investing and financing items	2,192	3,042
<b>Operating profit before changes in working capital</b>	7,704	10,603
Changes in working capital:		
- Changes in current assets	5,256	(6,730)
- Changes in current liabilities	443	2,587
Interest paid	(2,294)	(3,092)
Interest received	114	50
Taxation paid	(458)	(1,538)
<b>Net cash generated from operating activities</b>	10,765	1,880
<b>Net cash used in investing activities</b>	(1,175)	(9,193)
<b>Net cash (used in) / generated from financing activities</b>	(8,327)	16,019
<b>Net Change in Cash and Cash Equivalents</b>	1,263	8,706
<b>Cash and Cash Equivalents at Beginning of Period</b>	(9,334)	(5,042)
<b>Effects of exchange rate changes</b>	1,421	(514)
<b>Cash and Cash Equivalents at End of Period</b>	(6,650)	3,150
<b>Analysis of Cash and Cash Equivalents:</b>		
Cash and bank balances	6,616	8,033
Deposits with licensed financial institutions	505	633
Bank overdrafts	(13,771)	(5,516)
<b>Cash and Cash Equivalents</b>	(6,650)	3,150

*(The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.)*



## A1 Basis of Preparation

The interim financial statements have been prepared under the historical cost convention except for the revaluation of certain property, plant and equipment.

The interim financial report is unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards ("FRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2007. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2007.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 31 December 2007 except for the adoption of the following new/revised FRSs:

	<b>For financial periods beginning on or after</b>
FRS 107 : Cash Flow Statements	1 July 2007
FRS 111 : Construction Contracts	1 July 2007
FRS 118 : Revenue	1 July 2007
FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 121 : The effects of changes in Foreign Exchange Rates	1 July 2007
FRS 134 : Interim Financial Reporting	1 July 2007
FRS 137 : Provisions, Contingent Liabilities and Contingent Assets	1 July 2007

The adoption of the above mentioned FRSs do not have any significant financial impact on the results of the Group

## A2 Auditors' Report on Preceding Annual Financial Statements

The Auditors' Report of the financial statements for the financial year ended 31 December 2007 was not qualified.

## A3 Seasonal or Cyclical Factors

Overall, the business operations of the Group were not affected by any seasonal or cyclical factor.

## A4 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the three-month period under review.



**A5 Changes in Accounting Estimates**

During the three-month period under review, there was no change in accounting estimates adopted by the Group.

**A6 Debt and Equity Securities**

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the three-month period under review.



**PART A - EXPLANATORY NOTES PURSUANT TO FRS 134 (CONT'D)**

**A7 Segmental Information**

	Tubular Handling Services RM'000	Tubular Inspection and Maintenance Services RM'000	Land Rig Services RM'000	Oil and gas pipes Threading Services RM'000	Oilfields Fishing Services RM'000	Elimination RM'000	Consolidated RM'000
<b>RESULTS FOR 3-MONTH PERIOD AND YEAR-TO-DATE ENDED 31.3.2008</b>							
<b>Revenue</b>							
- External	7,190	1,284	4,262	8,060	-	-	20,796
- Inter-segment	94	148	-	-	-	(242)	-
Total revenue	<u>7,284</u>	<u>1,432</u>	<u>4,262</u>	<u>8,060</u>	<u>-</u>	<u>(242)</u>	<u>20,796</u>
<b>Results</b>							
- Segment results	988	331	797	1,998	-	-	4,114
- Finance cost	(1,304)	(2)	(810)	(249)	-	-	(2,365)
- Share of loss in jointly controlled entity							-
Profit before taxation							<u>1,749</u>
- Taxation							<u>(445)</u>
Profit after taxation							<u>1,304</u>
Minority interest							<u>(215)</u>
Profit for the period attributable to equity holders of the Company							<u><u>1,089</u></u>

**A8 Dividend Paid**

There were no dividends paid or declared during the financial period under review.

**A9 Property, Plant and Equipment**

The valuations of certain property, plant and equipment have been brought forward, without amendment from the financial statements for the year ended 31 December 2007.

Included in property, plant and equipment is one (1) unit of land rig that were classified as capital-work-in-progress until it is integrated with other supporting components prior to the commencement of operation.

**A10 Events Subsequent to the Balance Sheet Date**

In the opinion of the Directors, no transaction or event of a material or unusual nature had occurred between 31 March 2008 and the date of this announcement other than the disclosure in Note B8 on status of corporate proposal and disclosure in Note B11 on Material Litigation.

**A11 Changes in Composition of the Group**

There was no change in the composition of the Group for the current financial periods under review including business combination, acquisition or disposal of subsidiary companies and long term investments, restructuring and discontinuing operations.

**A12 Changes in Contingent Liabilities and Contingent Assets**

	As at 31 Mar 2008 Unaudited RM'000	As at 31 Dec 2007 Audited RM'000
<b><u>Unsecured</u></b>		
a) Bank guarantees in favour of third parties	5,811	5,811
<b><u>Secured</u></b>		
b) Corporate guarantee given to financial institutions for credit facilities granted to jointly controlled entities	12,906	14,392

The unsecured contingent liabilities are mainly related to performance guarantees for oil and gas support services undertaken by the Group.

**A13 Capital Commitments**

	As at 31 Mar 2008 Unaudited RM'000	As at 31 Dec 2007 Audited RM'000
Approved, contracted but unpaid costs for the purchase of machineries:		
- for the Oil Country Tubulars Goods end-finishing business	992	992
- for the tubular handling business	3,681	3,681



**A14 Related Party Transactions**

	3 months ended		3 months ended	
	31 Mar 2008 Unaudited RM'000	31 Mar 2007 Unaudited RM'000	31 Mar 2008 Unaudited RM'000	31 Mar 2007 Unaudited RM'000
a) Purchase of air ticket from a company in which a Director has interest	165	79	165	79
b) Interest payable to a director	71	-	71	-

Interest payable to a director is in respect of the advances amounted to RM3,000,000 (31 March 2007: RMNil) made by the director which are unsecured, bear interest at prevailing bank overdraft's rate per annum and have no fixed term of repayment. The advances have been included in Other Payables as disclosed in the Condensed Consolidated Balance Sheet as at 31 March 2008.

The Directors of the Company are of the opinion that the above transactions were in the normal course of business and have been established under terms that are no less favourable than those arranged with independent parties.

**A15 Investment in Jointly Controlled entities**

	As at 31 Mar 2008 Unaudited RM'000	As at 31 Dec 2007 Audited RM'000
Unquoted shares at cost	440	440
Net amount due from jointly controlled entities	23,083	23,083
	23,523	23,523
Share of loss in jointly controlled entities	(23,523)	(23,523)
	-	-

Details of the jointly controlled entities are as follows:

Name of Jointly Controlled Entities	Principal Activities	Country of Incorporation	Porportion of Ownership Interest	
			31 Mar 2008 %	31 Dec 2007 %
KST Gagie Sdn Bhd ^ ("KSTGSB")	Oilfield fishing services	Malaysia	50	50
KST Gagie Labuan Ltd.* ("KSTGLL")	Oilfield fishing services	Labuan	51	51



**A15 Investment in Jointly Controlled entities (Cont'd)**

- ^ - Pursuant to a Shareholders' Agreement entered into between Gagie Corporation S.A. ("Gagie") and the Company dated 19 December 2005, the control of KSTGSB was joint, as evidenced by inter alia, the quorum required for Board of Directors meetings and shareholders meetings and the requirement of joint bank signatories. The said Shareholders' Agreement has been unilaterally terminated by the Company on 5 April 2007 and Gagie has accepted the Company's "repudiation" of the Shareholders' Agreement. Notwithstanding the above, the parties have agreed to refer matters arising from the repudiation/termination to arbitration and until the resolution of the arbitration, the management of the Company continues to deem the control of KSTGSB as joint.
  
- \* - Notwithstanding KSTGLL is owned 51% by the Company, however, pursuant to the Shareholders' Agreement entered into between Gagie and the Company dated 19 December 2005, the control of KSTGLL was joint, as evidenced by inter alia, the quorum required for Board of Directors meetings and shareholders meetings and the requirement of joint bank signatories. The said Shareholders' Agreement has been unilaterally terminated by the Company on 5 April 2007 and Gagie has accepted the Company's "repudiation" of the Shareholders' Agreement. Notwithstanding the above, the parties have agreed to refer matters arising from the repudiation/termination to arbitration and until the resolution of the arbitration, the management of the Company continues to deem the control of KSTGLL as joint.

The Group has discontinued the oilfield fishing operations in KSTGSB and KSTGLL subsequent to the terminations of the shareholders' agreements on 5 April due to various disputes.

The joint venture partner, namely Gagie has accepted the termination/repudiation of the shareholders' agreements by the Company and both parties have agreed to refer the matters arising from the termination/repudiation to arbitration. As at the end of the current period under review, the arbitration process has yet to commence.

Subsequent to the terminations, the Company has procured its wholly owned subsidiary, namely KST Fishing Services Sdn Bhd ("KSTFS") to continue with the implementation of the oilfield fishing contracts pending the resolution of disputes with Gagie through legal proceedings. In this respect, Gagie is challenging the "mirror arrangement" installed by the Company through application of injunctive relief from the Court to refrain the Company and KSTFS from continuing with the implementation of oilfield fishing contracts using the assets and receivables of the jointly controlled entities.

On 1 November 2007, the Court granted various injunctions to Gagie which inter-alia refrained the Company and KSTFS from the using of assets and receivables of the jointly controlled entities. The Company has therefore informed the contract awarders of its intention to surrender back the contracts which have been rendered impossible to implement without access to the assets of the jointly controlled entities.

Following the aforesaid development, the Board of Directors of KSTGLL had on 27 November 2007 approved the asset disposal exercise for all fishing tools and equipment and resolved that all the proceeds arising from the (i) asset disposal exercise and (ii) receivables from customer pertaining to oilfield fishing activities prior to termination of shareholders' agreement by the Company, are to be used to repay the outstanding credit facilities of approximately USD6.2 million as at 31 March 2008, utilised by KSTGLL. The disposal exercise is currently at various stages of implementation.

**A15 Investment in Jointly Controlled entities (Cont'd)**

In the previous financial years, the Group had recognised its full share of losses amounted to RM7,529,020, comprising the impairment in its cost of investments and doubtful recovery of advances made to the jointly controlled entities. During the last financial year ended 31 December 2007, the Group has further provided for doubtful recovery of the remaining advances made to the jointly controlled entities of RM15,993,706. There is no further provision made in the current financial period under review.

**A16 Other Investments**

	<b>As at 31 Mar 2008 Unaudited RM'000</b>	<b>As at 31 Dec 2007 Audited RM'000</b>
Unquoted shares at cost	60	60
Subordinated bonds	3,000	3,000
	<u>3,060</u>	<u>3,060</u>
Less: Accumulated impairment loss	(24)	(24)
	<u>3,036</u>	<u>3,036</u>

The subordinated bonds is in respect of a special purpose entity pertaining to the participation of the Company in a Collateralised Loan Obligations program in which RM30,000,000 term loan was granted to the Company.

There is no fixed coupon rate for the subordinated bonds and the maturity date of the subordinated bonds is January 26, 2012.



### **B1 Review of Performance**

For the current individual and cumulative quarters under review, the Group registered a total revenue of RM20.796 million, which was RM4.725 million or 19% lower when compared to last year's corresponding period of RM25.521 million.

The drop in revenue for the current individual and cumulative quarter against last year's corresponding quarter was mainly due to lower contributions from its land drilling rig business and tubular handling services as well as the cessation of oilfield fishing operation. Despite of the aforesaid, the Group's other divisions in particular the Oil Country Tubular Goods (OCTG) end-finishing operation and tubular inspection and maintenance division recorded increase in sale volumes.

The lower Group's revenue coupled with continuous upward cost pressure have resulted in a lower profit for the period of approximately RM1.304 million for the current period under review, a drop of approximately RM1.08 million or 45% as compared to the last year's corresponding period. Overall, the profit after taxation and minority interest of the Group for the current period under review stood at RM1.089 million.

### **B2 Variation of Results Against Preceding Quarter**

The Group's revenue of RM20.796 million for the current quarter under review is slightly higher than that of the preceding quarter - by approximately 5% over the Group's revenue of the preceding quarter. The improvement is accredited to the performance of its OCTG end-finishing division and the Group's success in securing a new contract for its land rig sited in Republic of India which was mobilised in February 2008.

The Group has successfully staged a turnaround with a profit for the period of RM1.304 when compared to a loss for the period of RM18.438 million for the preceding quarter which was burdened by share of losses in jointly controlled entities of RM12.533 million as well as various provisions of financial liabilities associated with the oilfield fishing operation (as a result of the Group's decision to terminate such service in the preceding quarter).

### **B3 Prospects for Year 2008**

Barring any unforeseen circumstances and after taking into consideration of the actions taken by the Group and progress thereof to address the uncertainties underlying the oilfield fishing businesses in the preceding quarter, the Board of Directors ("Board") are confident and positive of the prospect for the financial year ending 31 December 2008.

This is based on various positive indications of the service requirements from the existing and prospective customers (both local and international markets) in relation to core services rendered by the Group in particular the prospect of the Group's land drilling rigs for the Republic of India market as well as tubular handling services for both local and international markets. The tubular inspection and maintenance business is performing steadily whilst the OCTG end-finishing division which has shown promising growth in the current quarter under review is believed to be capable of turning in good performance for the entire financial year.

Nonetheless the Group will continue its vigorous efforts to source for new contracts and businesses for its core operations as well as addressing the issues relating to the ceased oilfield fishing venture. For the financial year 2008, the Group will continue to focus on the enhancement and consolidation of all its existing core businesses.



**B4 Variance from Profit Forecast and Profit Guarantee**

This is not applicable to the Group.

**B5 Income Tax Expense**

	3 months ended		3 months ended	
	31 Mar 2008	31 Mar 2007	31 Mar 2008	31 Mar 2007
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
<b>Taxation based on results</b>				
Malaysian taxation	310	415	310	415
Foreign Taxation	135	507	135	507
	<u>445</u>	<u>922</u>	<u>445</u>	<u>922</u>

Domestic income tax is calculated at the Malaysian Statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the period. Taxation for other jurisdictions are calculated at the rates prevailing in the respective jurisdictions.

**B6 Profit on sale of Unquoted Investments and/or Properties**

There was no purchase and/or sale of unquoted investments or properties during the current financial period under review.

**B7 Quoted Investments**

There was no purchase and/or sale of quoted investments during the current financial period under review.

**B8 Status of Corporate Proposal Announced**

**a) Executives' Share Option Scheme ("ESOS")**

The ESOS of the Company which had been approved by the shareholders, has not been implemented.

**b) Proposed Renounceable Rights Issue**

On 27 November 2007, the Company announced a proposal to undertake a renounceable rights issue of 48,400,000 new ordinary shares of RM0.50 each in the Company ("Rights Share(s)") on the basis of one (1) Right Share for every two (2) existing ordinary shares of RM0.50 each held in the Company. ("Proposed Rights Issue").

The Company has set a minimum subscription level of 30,000,000 million Rights Shares ("Minimum Subscription Level") for the Proposed Rights Issue based on the minimum funding requirement of the Group. At the illustrative indicative issue price of RM0.50 per every Right Share, the Proposed Rights Issue is expected to raise estimated gross proceeds of RM15.0 million under the minimum subscription level scenario and up to RM24.2 million in the event of full subscription for the Rights Shares.



**B8 Status of Corporate Proposal Announced (Cont'd)**

The Securities Commission and the shareholders of the Company have approved the Proposed Rights Issue on 11 January 2008 and 19 February 2008 respectively.

The Proposed Rights Issue is currently pending implementation as market conditions are not facilitative towards completion of the Proposed Rights Issue.

**c) Proposed Private Placement**

In view of the aforesaid market conditions, the Company has on 7 April 2008 proposes to issue new KSTB Shares not exceeding ten percent (10%) of the issued and paid-up share capital of the Company through a private placement exercise ("Proposed Private Placement").

The Securities Commission, Bursa and Ministry of International Trade and Industry ("MITI") have approved the Proposed Private Placement on 11 April 2008, 22 April 2008 and 25 April 2008 respectively.

The Proposed Private Placement is currently pending implementation.

**B9 Group Borrowings and Debt Securities**

	<b>As at 31 Mar 2008 Unaudited RM'000</b>	<b>As at 31 Dec 2007 Audited RM'000</b>
<b>a) Short term borrowings</b>		
Repayable within twelve months		
- Secured	8,139	9,295
- Unsecured	40,143	40,386
	48,282	49,681
<b>b) Long term borrowings</b>		
Repayable after twelve months		
- Secured	11,900	13,402
- Unsecured	59,173	64,045
Portion repayable after one year	71,073	77,447
 Borrowings denominated in foreign currency:		
United States Dollars (USD'000)	15,910	16,752
Ringgit Malaysia equivalent (RM'000)	50,913	55,387



**B9 Group Borrowings and Debt Securities (Cont'd)**

Included in the unsecured long term borrowings above is the RM30.0 million term loan that granted under a Collateralised Loan Obligations program arranged by a licensed financial institution.

As one of the conditions to participate in the Collateralised Loan Obligations program, the Company subscribed for subordinated bonds amounting to RM3.0 million or equivalent to 10% of the term loan granted, in a special purpose entity as mentioned in Note A16.

**B10 Off Balance Sheet Financial Instruments**

The Group does not have any off balance sheet financial instrument as at the date of this report.

**B11 Changes in Material Litigation**

On 22 May 2007, the Company announced that the Company, Dato' Chee Peck Kiat @ Chee Peck Jan (a shareholder and director of the Company and a director of KSTFS) and KSTFS (collectively be referred to as the "Defendants") had on 18 May 2007 been served with a Writ and Statement of Claim filed by Gagie and KSTGSB (collectively be referred to as the "Plaintiffs") in the High Court of Malaya at Kuala Lumpur (Suite No. D8-22-613 2007 or "the Suit") as well as an ex-parte injunction application by the Plaintiffs against the Defendants. The Suit was commenced arising from the unilateral termination by the Company of the Shareholders' Agreement dated 19 December 2005 entered into between Gagie and the Company to govern the rights of the parties in relation to KSTGSB on 5 April 2007. The unilateral termination was announced on 6 April 2007 by the Company to Bursa.

The injunction application was heard on various dates and on 1 November 2007, the High Court granted various interim injunctions against the Defendants. The grant of the interim injunctions by the High Court on 1 November 2007 had the effect of, inter alia, restraining the Defendants, until trial of the action or further order from:

- i) diverting or attempting to divert to KSTFS or any other companies related to any of the Defendants, all trade receivables due and owing to KSTGSB for services rendered under any existing or prospective business opportunities in relation to oil well fishing operations which belong to the Plaintiffs;
- ii) dealing with fishing tools and equipment belonging to KSTGSB and/or KSTGGLL procured for the use of the joint venture without the consent of the Plaintiffs or in a manner inconsistent with the rights of the Plaintiffs or amounting to a denial of the Plaintiffs' rights; and
- iii) publishing any words which reflect adversely on the Plaintiffs' trade and business.

The Plaintiffs were required to deposit a sum of USD1 million into an interest bearing fixed deposit account by way of fortification of the Plaintiff's undertaking as to damages before 1 December 2007. As at the date of the announcement of this report, this has not been done.

On 12 June 2007, the Defendants filed an application to strike out the claims made by KSTGSB in the Suit and the order was successfully obtained on 27 February 2008. The Senior Assistant Registrar further ordered KSTGSB (failing which, their lawyers) to pay to the Defendants the costs incurred in this application. The Plaintiffs are appealing against the order and the matter has been fixed for hearing on 13 May 2008.



**B11 Changes in Material Litigation (Cont'd)**

On 12 November 2007, the Company filed a Counterclaim against Gagie, Mr George Gair Nicoll and Mr Thomas White Doig (both of whom are directors of Gagie) for unspecified amounts as damages for wrongful and tortious acts which, inter-alia, the Company asserts had caused damage to the Company and to the Company's interests in KSTGSB and KSTGLL.

On 12 November 2007, on the advice of the lawyers acting for the Company, KSTGLL filed a suit against Gagie, Mr George Gair Nicoll and Mr Thomas White Doig in the High Court of Malaya at Kuala Lumpur (Suit No. D7-22-1534-2007) for alleged wrongful and/or tortious acts in and against KSTGLL including to have them account for the tools and equipment that they have taken from KSTGLL. In light of this Suit No D7-22-1534-2007 (the "D7 Suit"), the Company has been advised by its lawyers to withdraw the Counterclaim to avoid duplicity of action and as KSTGLL is the rightful party to mount the action. Following from this, a notice of withdrawal to withdraw the Counterclaim was filed on 5 March 2008.

Gagie, Mr George Gair Nicoll and Mr Thomas White Doig (the "D7 Defendants") have through their lawyer, filed their defence and their counterclaim against KSTGLL, the Company and KSTFS in respect of the D7 Suit. In their counterclaim, the D7 Defendants have inter alia, sought the delivery of the fishing equipment and tools to them or alternatively, judgment in the sum of their current replacement value of USD270,316.66 and general damages to be assessed.

The Company has been advised by its lawyers that with respect to the Company's defence to the Suit, the Company has valid defences to the various claims by the Plaintiffs although at this juncture, it is not possible to predict the outcome of a full trial. The lawyers are of the view that even if the Plaintiffs were to succeed in their claims, damages would not be very substantial as what the Defendants did after termination of the Shareholders' Agreements was with a view to mitigating their losses/damages as well as losses/damages suffered by KSTGSB and KSTGLL.

**B12 Dividend**

No dividend has been declared for the current financial period under review.

**B13 Earnings Per Share**

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial periods as follows: -

	3 months ended		3 months ended	
	31 Mar 2008	31 Mar 2007	31 Mar 2008	31 Mar 2007
- Profit attributable to equity holders of the parent (RM'000)	1,089	2,065	1,089	2,065
- Weighted average number of ordinary shares in issue ('000)	96,800	96,800	96,800	96,800
Basic earnings per share (sen)	<u>1.13</u>	<u>2.13</u>	<u>1.13</u>	<u>2.13</u>





**B13 Earnings Per Share (Cont'd)**

The calculations of diluted earnings per share is not applicable as the Company does not have any share option in issue.

**BY ORDER OF THE BOARD**

**Dato' Chee Peck Kiat @ Chee Peck Jan**  
**Executive Director**  
Kuala Lumpur  
9 May 2008